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THE CITY UNIVERSITY OF NEW YORK

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

June 30, 2011

(With Independent Auditors' Report Thereon)

21102PRI

THE CITY UNIVERSITY OF NEW YORK

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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, 2011, 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, 2011, 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.

The management's discussion and analysis on pages 3 through 17 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 18, 2011

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, 2011 and 2010. 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, six (6) 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-one (21) 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 2011 AND 2010)

– For fiscal year 2011, the State of New York ("the State") imposed $84.4 million in operating budget reductions for the senior colleges. Combined with the reductions from the past two fiscal years, the University has now sustained over $205 million in State cuts to the senior colleges since fiscal year 2009. For the community colleges in fiscal year 2011, State base aid per FTE was lowered by $285, resulting in an operating budget reduction to the community colleges of approximately $20 million. In the City of New York ("the City") adopted budget, the community colleges also sustained a $12.3 million reduction from Program to Eliminate the Gap (PEG) initiatives.

– During fiscal year 2011, the State and City both announced mid-year budget reduction targets for the University. The State's reduction to the senior colleges was $11.9 million; approval to enact this cut was not granted by the State Legislature, and therefore this reduction was rolled into fiscal year 2012's budget. On the City side, the community colleges were allocated a $7.8 million budget reduction, net of a $4.0 million restoration from the City Council. In an effort to mitigate the effect of these mid-year reductions, as well as prior year baseline cuts, the CUNY Board of Trustees approved a 5% tuition increase effective for the Spring 2011 semester.

– The State of New York also authorized an Early Retirement Incentive (ERI) during fiscal year 2011. CUNY's senior colleges, community colleges, and central administration participated in the program. As a result, 667 employees separated from the University.

– Enrollment at the University continues to be strong. Annual Full-Time Equivalent (FTE) enrollments increased by 3.4%, between fiscal years 2010 and 2011. Total headcount enrollment is in excess of 260,000 students.

– In fiscal year 2011, the CUNY Investment Pool increased 21.3%, or $27.5 million.

– The University received American Recovery and Reinvestment Act (ARRA) funds totaling $32.8 million for the community colleges. These funds were used to keep tuition levels as low as possible and pay for part-time faculty salaries. CUNY also received $49.9 million in ARRA funds for the TAP program. These funds were used in accordance with the guidelines for these programs.

FINANCIAL POSITION

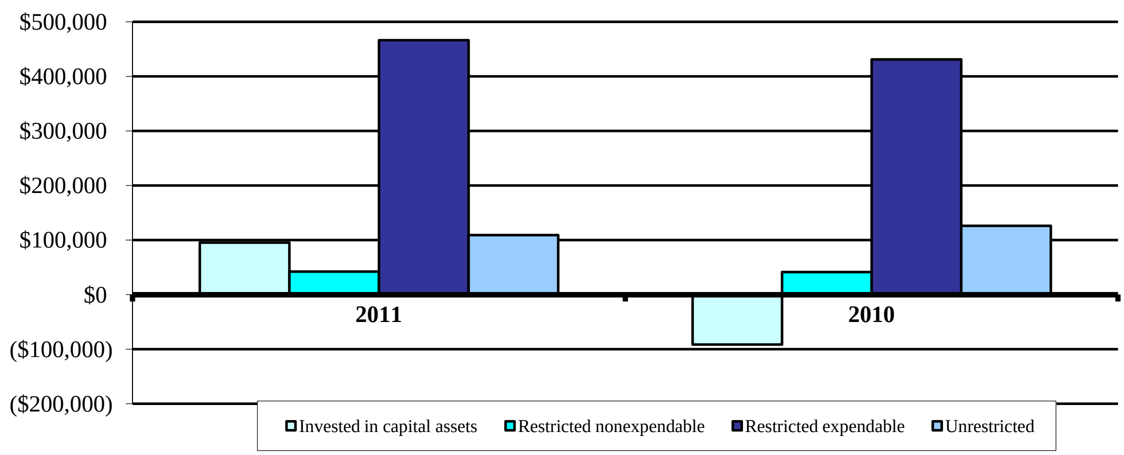
An institution's net assets (assets minus liabilities) are one measure of financial health or financial position. Increases and decreases in the University's net assets over time are indicators of whether its financial health is sound or not.

CUNY's total net assets increased by $206 million, or 40.5%, between fiscal years 2010 and 2011.

The 2011 variance was due to the following: (i) a $187 million increase in invested in capital assets, net of related debt, primarily due to pay-down of debt of $428 million and capitalizing more capital assets, offset by depreciation and amortization expense of $212 million; (ii) a $35.1 million increase in restricted expendable net assets, which is primarily comprised of a $27.5 million increase in the University's Investment Pool, reflecting the strong performance of the combined managers in this globally-diversified portfolio; and (iii) a $17.2 million decrease in unrestricted net assets mainly due to an increase in OPEB liability of $50 million, offset by an increase in tuition revenue of $35.9 million.

The major components of the University's net assets at June 30, 2011 and 2010 follow:

Net Assets
(in thousands)



NET ASSETS (in thousands)	2011	2010
Invested in capital assets, net of related debt	$ 95,380	$ (91,607)
Restricted nonexpendable	42,088	41,387
Restricted expendable	466,286	431,194
Unrestricted	108,941	126,149
Total net assets	$ 712,695	$ 507,123

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

At June 30, 2011, the University’s total assets increased by $884 million, or 15%. The variance was primarily attributable to increases in capital assets, net and restricted deposits held by bond trustees and investments, offset by a decrease in restricted amounts held by DASNY.

The major components of the University’s assets and deferred outflows at June 30, 2011 and 2010 follow:

Assets (in thousands)	2011	2010
Cash and cash equivalents	$ 633,265	633,752
Investments	263,487	226,428
Restricted deposits held by bond trustees	840,516	542,311
Restricted amounts held by DASNY	52,421	66,112
Receivables, net	567,516	570,017
Capital assets, net	4,355,779	3,792,754
Deferred financing costs	51,307	40,547
Prepaid expenses and other assets	21,031	29,421
Total Assets	$ 6,785,322	5,901,342

Deferred Outflows (in thousands)		
Interest rate swap agreements	$ 64,221	76,112
Total Deferred Outflow	$ 64,221	76,112

The most significant fluctuations are discussed below:

Investments increased by $37 million, or 16%, between fiscal years 2010 and 2011. The variance was due to increases in the University’s Investment Pool of approximately $27.5 million.

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 increased by $298 million, or 55%, between fiscal years 2010 and 2011. The 2011 variance was primarily due to bond proceeds associated with new debt issuances of $1.1 billion and receipt of capital appropriations of $554 million, offset by construction disbursements of $797 million, bond payments of $428 million, and interest payments of $160 million**.**

Restricted Amounts Held by DASNY represents funds remitted to the Dormitory Authority of the State of New York (DASNY) to be used for the rehabilitation of existing plant facilities and administrative costs. The balance decreased by $13.7 million, or 20.7%, between fiscal years 2010 and 2011. The 2011 variance was mainly due to project funds received of $40 million, offset by payments of $49 million for the rehabilitation of Fiterman Hall.

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 $563 million, or 14.8%, between fiscal years 2010 and 2011. The 2011 variance was primarily due to capital asset additions of $789 billion offset by depreciation expense of $208 million.

Deferred Financing Costs represent costs incurred for the issuance of bonds that are capitalized and amortized over the life of the related debt. The balance increased by $10.8 million, or 27% between fiscal years 2010 and 2011 due to DASNY bond issuance costs of $10.3 million offset by amortization expense of $3 million on DASNY bonds.

Prepaid Expenses and Other Assets decreased by $8.4 million, or 29%, between fiscal years 2010 and 2011. The main reason for the decrease stems from the settlement of interest rate swap agreements of $4.2 million.

Deferred Outflows decreased by $11.9 million, or 16%, between fiscal years 2010 and 2011. The swap agreements entered into by the University were deemed to be effective and the decrease reflects the changes in the fair value of swap.

LIABILITIES AND DEFERRED INFLOWS

At June 30, 2011, the University's total liabilities increased by $671 million, or 12%, between fiscal years 2010 and 2011. The variance was primarily due to the increases in long-term debt and OPEB liability, offset by decreases in accounts payable and accrued expenses, interest rate swap agreement, federal refundable loans and other liabilities.

The following summarizes the liabilities and deferred inflows at June 30, 2011, and 2010:

Liabilities (in thousands)	**2011**	**2010**
Accounts payable and accrued expenses	$ 556,590	$ 572,221
Compensated absences	139,396	135,535
OPEB liability	353,541	303,488
Deferred tuition and fees revenue	78,623	78,475
Accrued interest payable	81,324	80,560
Long-term debt	4,700,789	4,030,253
Deferred grant revenue	67,166	67,879
Federal refundable loans	32,811	43,969
Interest rate swap agreements	64,221	76,112
Other liabilities	62,387	77,609
Total liabilities	$ 6,136,848	$ 5,466,101

Deferred inflows (in thousands)		
Interest rate swap agreements	$ -	$ 4,230
Total deferred inflows	$ -	$ 4,230

The most significant fluctuations are discussed below:

Accounts Payable and Accrued Expenses decreased by $15.6 million, or 3%, between fiscal years 2010 and 2011. The 2011 variance was primarily due to decreases in capital projects payable of $19.9 million.

OPEB Liability increased by $50 million, or 16%, between fiscal years 2010 and 2011. The 2011 increase was comprised of annual OPEB cost of $104 million, offset by payments made during the fiscal year of $31 million and decreases in OPEB liability of $23.4 million related to RF-CUNY.

Long-Term Debt increased by $670.5 million, or 17%, between fiscal years 2010 and 2011. The 2011 variance reflects $1.1 billion in new debt issued, offset by $428 million debt service payments in long-term debt.

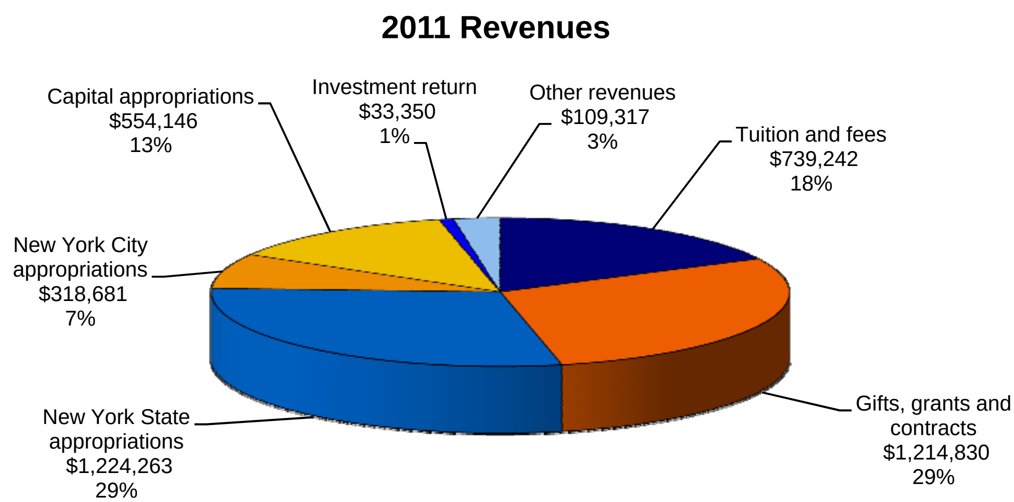
Interest Rate Swap Agreements decreased by $11.9 million, or 15.6%, between fiscal years 2010 and 2011. The swap agreements entered into by the University were deemed to be effective. The decrease was due to the changes in the fair value of the swap.

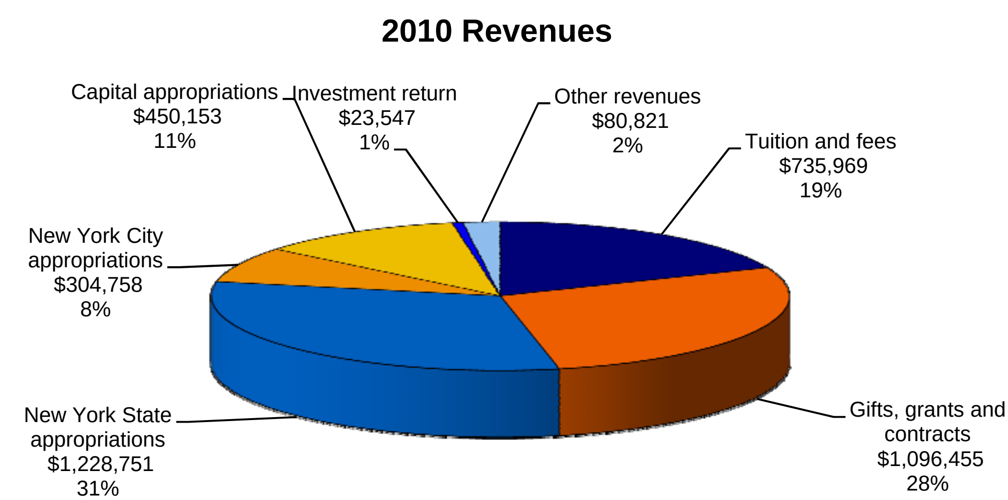
Deferred Inflows decreased by $4.2 million, or 100%, between fiscal years 2010 and 2011. The swap agreement was terminated during fiscal year 2011.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the University, as well as non-operating revenues and expenses. New York State and City appropriations/transfers ("appropriations"), while budgeted for operating activities, are presented as non-operating 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, 2011, and 2010 are presented below:

REVENUES (in thousands)	2011	2010
Operating Revenues		
Tuition and fees, net	$ 739,242	$ 735,969
Grants and contracts	1,182,300	1,096,455
Auxiliary enterprises	24,050	23,221
Other operating revenues	52,488	47,921
Total operating revenues	1,998,080	1,903,566
Non-Operating and Other Revenues		
Federal appropriations	32,779	13,730
New York State appropriations	1,224,263	1,228,751
New York City appropriations	318,681	304,758
Capital appropriations	554,146	450,153
Investment income, net	6,131	10,498
Net appreciation in fair value of investments	27,219	13,049
Gifts and grants	32,530	9,679
Total non-operating and other revenues	2,195,749	2,030,618
Total revenues	$ 4,193,829	$ 3,934,184

The University's total revenue for fiscal year 2011 was $4.19 billion, which represents an increase of $260 million, or 7%, over the prior year. New York State appropriations and gifts, grants, and contracts each accounted for 29% of revenues generated by the University followed by tuition and fees at 18%, capital appropriations at 13%, and New York City appropriations at 7%.

The most significant fluctuations are discussed below:

Tuition and Fees, net of scholarships, increased by $3.3 million, or 0.4%, between fiscal years 2010 and 2011. The fiscal year 2011 variance can be primarily attributed to increases in tuition in Spring 2011 of 5% and a 3.4% increase in average annual FTE enrollment for 2011.

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

STUDENT ENROLLMENT 2007 – 2011

Annual Average Headcount Enrollment and Full-Time Equivalent (FTE) Student Enrollment

	Headcount			FTEs		
	Undergraduate	Graduate	Total	Undergraduate	Graduate	Total
2011	228,211	33,493	261,704	174,881	21,178	196,059
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
2007	195,158	29,008	224,166	141,525	17,502	159,027

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 2007. Between 2007 and 2011, headcount enrollment increased 17% and FTEs increased 23% 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.

Grants and Contracts primarily consist of student financial aid and government and private funds to support the University's research initiatives. The 2011 balance increased by $85.8 million, or 7.8%, mainly due to a $79.9 million increase in the Federal Pell Grant program. The fiscal year 2011 increase in Pell funds was due to the following: the University implemented year-round Pell; more students were eligible for Pell as a result of the increase in enrollment; and, the maximum Pell grant increased from $5,350 to $5,550.

Auxiliary Enterprises revenue increased by $829 thousand or 3.6%, between fiscal years 2010 and 2011. The increase was mainly due to $1.7 million generated by the Baruch College Auxiliary Corporation from fees collected for a student housing arrangement that begun in fiscal year 2011.

Other Operating Revenues increased by $4.6 million, or 9.5% between fiscal years 2010 and 2011. The 2011 variance was primarily due to increased income from rentals on facilities and services at the colleges.

Federal Appropriations increased by $19.0 million, or 138.7% between fiscal years 2010 and 2011. The University received $32.8 million in federal stimulus (ARRA) funds as an offset against state reductions.

New York City Appropriations increased by $13.9 million, or 4.6%, between fiscal years 2010 and 2011. The 2011 variance was due to additional appropriations for mandatory needs such as collective bargaining, fringe benefits, building rentals, pensions, and energy, as well as for rental and start-up costs for CUNY's New Community College. The New Community College is scheduled to begin enrolling students in summer 2012.

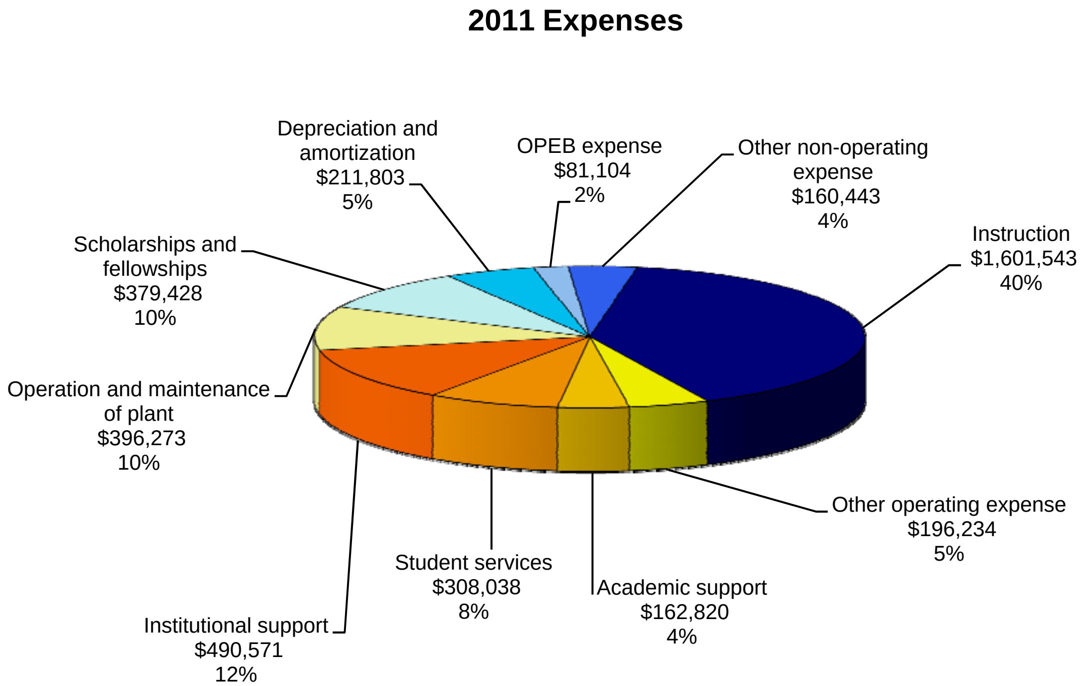
Capital Appropriations increased by $104 million, or 23.1%, between fiscal years 2010 and 2011. The 2011 variance was primarily due to an increase of $93.3 million related to debt service payments.

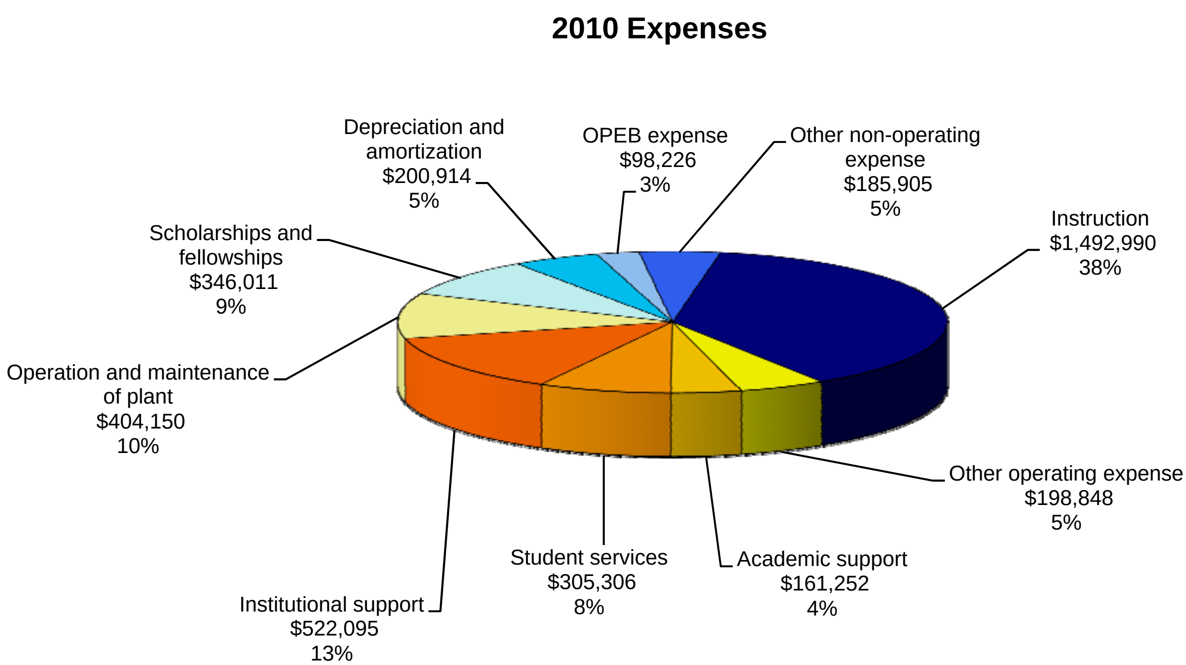
Investment Income, net decreased by $4.4 million, or 42%, between fiscal years 2010 and 2011. The variance was primarily as a direct result of lower interest rates in fiscal year 2011.

Net Appreciation in Fair Value of Investments represents net realized and unrealized gains on investments. The balance increase $14.2 million, or 109%, between fiscal years 2010 and 2011. The largest gain was from the University Investment Pool, which had a gain of $12.8 million.

Gifts and Grants include non-exchange contributions and additions to permanent endowment. The balance increased by $22.8 million, or 235%, between fiscal years 2010 and 2011. The 2011 change was mainly due to the following: (i) $7.5 million gift from the Silberman Fund for the School of Social Work and (ii) $3.9 million gift from the Queens College Foundation in support of Queens College.

EXPENSES


2011 Expenses
Depreciation and amortization $211,803 5%
OPEB expense $81,104 2%
Other non-operating expense $160,443 4%
Instruction $1,601,543 40%
Scholarships and fellowships $379,428 10%
Operation and maintenance of plant $396,273 10%
Other operating expense $196,234 5%
Student services $308,038 8%
Academic support $162,820 4%
Institutional support $490,571 12%


2010 Expenses
Depreciation and amortization $200,914 5%
OPEB expense $98,226 3%
Other non-operating expense $185,905 5%
Instruction $1,492,990 38%
Scholarships and fellowships $346,011 9%
Operation and maintenance of plant $404,150 10%
Other operating expense $198,848 5%
Student services $305,306 8%
Academic support $161,252 4%
Institutional support $522,095 13%

The University's expenses for the fiscal years ended June 30, 2011, and 2010 are presented below:

Expenses
(in thousands)

	2011	2010
Operating Expenses		
Instruction	$ 1,601,543	$ 1,492,990
Research	126,872	117,723
Public service	32,295	47,802
Academic support	162,820	161,252
Student services	308,038	305,306
Institutional support	490,571	522,095
Operation and maintenance of plant	396,273	404,150
Scholarships and fellowships	379,428	346,011
Auxiliary enterprises	37,067	33,323
Depreciation and amortization expense	211,803	200,914
OPEB expense	81,104	98,226
Total operating expenses	3,827,814	3,729,792
Non-Operating Expenses		
Interest expense	160,955	181,484
Other non-operating (revenues) expenses	(512)	4,421
Total non-operating expenses	160,443	185,905
Total expenses	$ 3,988,257	$ 3,915,697

Total expenses for fiscal year 2011 exceeded $3.9 billion, which reflected an increase of $73 million, or 2% over the prior year. Forty percent of the University's expenses were spent on instruction, followed by institutional support at 12%, operation and maintenance of plant at 10%, scholarships and fellowships at 10%, and student services at 8%. The 2011 increases can be attributed to overall increases in payroll and related fringe benefit costs, somewhat offset by early retirement savings, as well as increased spending levels in energy and building rentals.

Instruction expense increased by $108.6 million, or 7.3% between fiscal years 2010 and 2011. The 2011 increase is mainly due to the collective bargaining agreement between the University and its faculty union – the Professional Staff Congress. All instructional staff received a 3% salary increase in October 2009, the annualized cost of which was fully realized in fiscal year 2011. In addition, faculty at the top step of the salary scale received an additional 1% increase, as per the collective bargaining agreement. Faculty members also received annual salary (i.e. step) increments as per contractual obligations. Adjunct expenditures also increased as colleges were required to increase faculty and staff up in order to meet historically high enrollment levels.

Research expense increased by $9 million, or 8%, between fiscal years 2010 and 2011. The 2011 variances were due to the increase in research activities at RF-CUNY.

Public Services expense decreased by $15.5 million, or 32.4%, and represented reduced legislative member items from the State and City of New York.

Academic Support expenses increased by $1.6 million, or 1%, between fiscal years 2010 and 2011. The 2011 variance was mainly due to the payment for the library electronic subscription fees and collection fees.

Student Services expense increased by $2.7 million, or 0.9%, between fiscal years 2010 and 2011. The 2011 variance was mainly due to several new private and federally sponsored programs in support of student activities at the Research Foundation of CUNY. Also in fiscal year 2011, the University self-funded the CUNY LEADS (Linking Employment, Academics, and Disability Services). This program was previously funded through a grant from the NYSED.

Institutional Support decreased by $31.5 million, or 6%, between fiscal years 2010 and 2011. The decrease is mainly due to planned spending reductions in this area as a result of State and City budget cuts, as colleges attempted to protect core instructional areas from the effects of diminished support. Included in this reduced spending was personal services savings as a result of the Early Retirement Initiative, as many newly created vacancies were not immediately backfilled.

Operation and Maintenance of Plant expenses decreased by $7.9 million, or 2%, between fiscal years 2010 and 2011. The decrease is mainly due to planned spending reductions in this area as a result of State and City budget cuts, as colleges attempted to protect core instructional areas from the effects of diminished support. Included in this reduced spending was personal services savings as a result of the Early Retirement Initiative, as many newly created vacancies were not immediately backfilled.

Scholarships and Fellowships expense increased by $33.4 million, or 10%, between fiscal years 2010 and 2011. The 2011 increase stems from increases in allowable aide from federal and state grants and increases in enrollment.

Auxiliary Enterprises expenses increased by $3.7 million, or 11%, between fiscal years 2010 and 2011. The 2011 increases were primarily due to the operation of the student housing program at the Baruch College Auxiliary Corporation.

Depreciation and Amortization Expense increased by $10.9 million, or 5%, between fiscal years 2010 and 2011. The 2011 variance reflects more capital assets being depreciated and additional amortization due to deferred bond issuance costs.

OPEB Expense decreased by $17.1 million, or 17%, between fiscal years 2010 and 2011. This was mainly due to reduction of $23.4 million in OPEB expense at the Research Foundation of CUNY, offset by increased longevity. The changes in actuarial assumptions required from passage of the National Health Care Reform Act were adopted in fiscal year 2010 and were applied in a consistent manner in fiscal year 2011.

Interest Expense decreased by $20.5 million, or 11%, between fiscal years 2010 and 2011. The 2011 variance reflects primarily the exclusion of $46.2 million in capitalized interest affiliated with projects currently in construction in progress, offset by the increase in interest attributed to the issuance of new bonds during fiscal year 2011.

Other Non-Operating (Revenues) Expenses decreased by $4.9 million, or 112%, between fiscal years 2010 and 2011. The 2011 variance is primarily due to various non-operating expenses spread among the colleges.

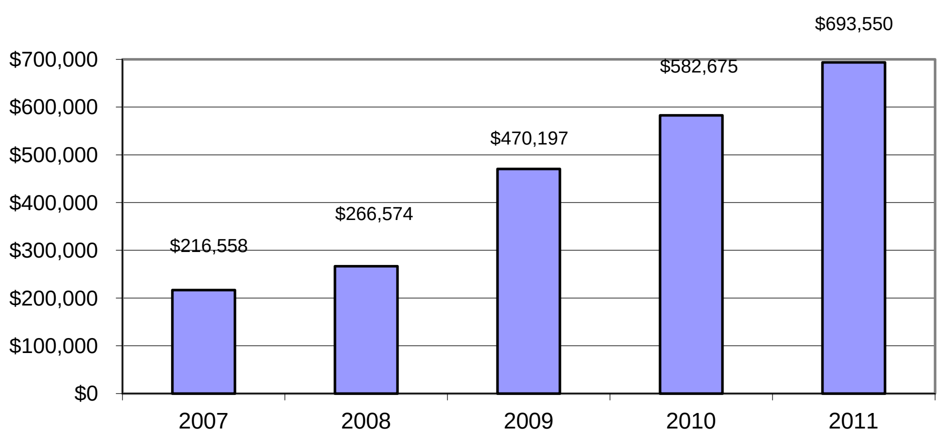
CAPITAL ASSETS

At June 30, 2011, the University had approximately $4.356 billion in capital assets, net of accumulated depreciation of $2.933 billion. Annual depreciation expense totaled $208.3 million for the year ended June 30, 2011.

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 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)

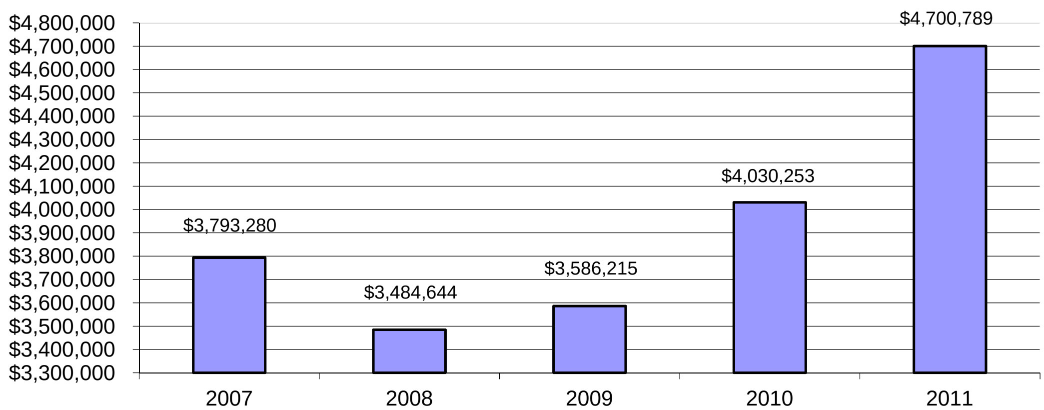


Capital construction disbursement increased by $111 million, or 19%, between fiscal years 2010 and 2011. The 2011 increase reflects several major projects that began during this period or had progressed to a point in construction where the nature and magnitude of the activities being performed resulted in a higher rate of disbursements. The following projects had a significant impact on disbursements: a new building for the Law School, John Jay Phase 2, City College Science Building, Lehman Media Center, and School of Social Work building.

Funding for capital construction and rehabilitation of educational facilities is provided principally through the issuance of bonds authorized by the 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 increased by $670.5 million, or 17%, between fiscal years 2010 and 2011. The 2011 variance reflects $1.1 billion in new debt issued, offset by debt service payments of $428 million in long-term debt.

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 2010, it was a concern in 2011 and remains so 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 2011 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 (beginning with fiscal year 2011-fiscal year 2012 levels) 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 better part of a decade, the University has been advocating a policy of modest, incremental tuition increases tied to state funding. 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.

The State's rational tuition policy of modest increases 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 one that protects the neediest students. A portion of the revenues generated from the increased rates will be set aside for student financial aid. The University has announced a $3 billion capital campaign to conclude in 2015. To date, $2.1 billion has been raised.

THE CITY UNIVERSITY OF NEW YORK

Business-type Activities – University Only

Statement of Net Assets

June 30, 2011

(In thousands)

Assets:		
Current assets:		
Cash and cash equivalents (note 3)	$	633,265
Short-term investments (note 3)		22,853
Restricted deposits held by bond trustees (note 8)		238,191
Restricted amounts held by the Dormitory Authority of the State of New York (note 8)		52,421
Receivables (net of allowance for doubtful accounts of $62,738) (note 4)		544,253
Prepaid expenses and other current assets		17,268
Total current assets		1,508,251
Noncurrent assets:		
Restricted cash (note 3)		3,388
Long-term investments, unrestricted (note 3)		100,258
Long-term investments, restricted (note 3)		140,376
Restricted deposits held by bond trustees (note 8)		602,325
Student loans and accrued interest receivable (net of allowance for doubtful loans of $22,252) (note 4)		23,263
Deferred financing costs		48,257
Capital assets, net (note 5)		4,355,779
Other noncurrent assets		3,425
Total noncurrent assets		5,277,071
Total assets		6,785,322
Deferred outflows:		
Interest rate swap agreements (note 7)		64,221
Total deferred outflows		64,221
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses (note 6)		556,590
Compensated absences (note 7)		95,066
Deferred tuition and fees revenue		78,623
Accrued interest payable		81,324
Current portion of long-term debt (note 7)		232,783
Deferred grant revenue		67,166
Other current liabilities		18,624
Deposits held in custody for others		27,146
Total current liabilities		1,157,322
Noncurrent liabilities (note 7):		
Compensated absences		44,330
OPEB liability (note 10)		353,541
Long-term debt		4,468,006
Federal refundable loans		32,811
Interest rate swap agreements (note 7)		64,221
Other noncurrent liabilities		16,617
Total noncurrent liabilities		4,979,526
Total liabilities		6,136,848
Net assets:		
Invested in capital assets, net of related debt		95,380
Restricted:		
Nonexpendable		42,088
Expendable:		
Debt service		240,453
Scholarships and general educational support		104,485
Loans		12,165
Other		109,183
Unrestricted		108,941
Total net assets	$	712,695

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, 2011

Assets:		
Cash and cash equivalents	$	42,675,394
Accounts and other receivables, net		1,759,264
Prepaid expenses and other assets		2,490,368
Contributions receivable, net		119,038,884
Investments		474,407,624
Beneficial interest in remainder trusts		7,991,144
Remainder interest in real property		264,000
Capital assets, net		36,887,246
Total assets	$	685,513,924
Liabilities:		
Accounts payable and accrued expenses	$	5,228,489
Annuities payable		2,824,716
Due to affiliates		3,948,426
Deferred revenue		499,663
Loan payable		29,711,751
Other liabilities		1,040,124
Total liabilities		43,253,169
Net assets:		
Unrestricted		90,513,979
Temporarily restricted		253,733,568
Permanently restricted		298,013,208
Total net assets		642,260,755
Total liabilities and net assets	$	685,513,924

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 Assets

Year ended June 30, 2011

(In thousands)

Revenues:		
Operating revenues:		
Tuition and fees (net of scholarship allowance of $533,258)	$	739,242
Grants and contracts:		
Federal		783,030
New York State		234,525
New York City		81,808
Private		82,937
Total grants and contracts		1,182,300
Sales and services of auxiliary enterprises		24,050
Other operating revenues		52,488
Total operating revenues		1,998,080
Expenses:		
Operating expenses:		
Instruction		1,601,543
Research		126,872
Public service		32,295
Academic support		162,820
Student services		308,038
Institutional support		490,571
Operation and maintenance of plant		396,273
Scholarships and fellowships		379,428
Auxiliary enterprises		37,067
Depreciation and amortization expense		211,803
OPEB expense (note 10)		81,104
Total operating expenses		3,827,814
Operating loss		(1,829,734)
Nonoperating revenues (expenses):		
Government appropriations/transfers:		
Federal		32,779
New York State		1,224,263
New York City		318,681
Gifts and grants		32,430
Investment income, net		6,131
Interest expense		(160,955)
Net appreciation in fair value of investments		27,219
Other nonoperating revenues, net		512
Net nonoperating revenues		1,481,060
Loss before other revenues		(348,674)
Capital appropriations		554,146
Additions to permanent endowments		100
Total other revenues		554,246
Increase in net assets		205,572
Net assets at beginning of year		507,123
Net assets at end of year	$	712,695

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, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Gifts, grants, and contributions	$ 22,796,844	47,937,053	13,818,696	84,552,593
Special events	3,244,194	578,718	14,570	3,837,482
Program service revenues	170,922	—	—	170,922
Investment income	20,698,919	29,463,473	39,747	50,202,139
Net realized and unrealized gains (losses) on investments	8,011,567	9,144,420	(382)	17,155,605
Change in value of split interest agreements/beneficial trust	(34,543)	272,407	3,523	241,387
Other income	1,207,274	208,935	—	1,416,209
Net assets released from restrictions	52,658,181	(33,754,146)	(18,904,035)	—
Total revenues, gains, and other support	108,753,358	53,850,860	(5,027,881)	157,576,337
Expenses:				
Program services	56,856,781	—	—	56,856,781
Management and general	8,232,106	—	—	8,232,106
Fundraising	6,487,500	—	—	6,487,500
Total expenses	71,576,387	—	—	71,576,387
Change in net assets before reclassifications and adjustments	37,176,971	53,850,860	(5,027,881)	85,999,950
Reclassifications and adjustments	(2,574,869)	4,071,841	(3,702,408)	(2,205,436)
Change in net assets	34,602,102	57,922,701	(8,730,289)	83,794,514
Net assets at beginning of year	55,911,877	195,810,867	306,743,497	558,466,241
Net assets at end of year	$ 90,513,979	253,733,568	298,013,208	642,260,755

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, 2011

(In thousands)

Cash flows from operating activities:	
Collection of tuition and fees	$ 753,402
Collection of grants and contracts	1,197,022
Collection of loans from students	6,998
Sales and services of auxiliary enterprises	24,050
Payments to suppliers	(395,471)
Payments for utilities	(101,092)
Payments to employees	(1,812,924)
Payments for benefits	(664,468)
Payments for scholarships and fellowships	(379,428)
Payments for OPEB	(31,051)
Loans issued to students	(34,689)
Net cash flows used by operating activities	(1,437,651)
Cash flows from noncapital financing activities:	
Federal, State, and City appropriations/transfers	1,442,199
Gifts and grants for other than capital purposes	32,430
Private gifts for endowment purposes	100
Increase in deposits held in custody for others	(8,889)
Disbursements to third parties	513
Net cash flows provided by noncapital financing activities	1,466,353
Cash flows from capital and related financing activities:	
Proceeds from capital debt	1,102,536
Capital appropriations	554,146
Purchases of capital assets	(797,070)
Principal paid on capital debt	(428,347)
Principal amount refunded	(4,714)
Interest paid on capital debt	(160,191)
Amounts paid for bond issuance costs	(10,309)
Increase in restricted deposits held by bond trustees	(298,205)
Decrease in restricted amounts held by the Dormitory Authority of the State of New York	13,691
Net cash flows used by capital and related financing activities	(28,463)
Cash flows from investing activities:	
Investment income	6,131
Proceeds from sales and maturities of investments	456,230
Purchases of investments	(466,070)
Decrease in restricted cash	2,983
Net cash flows used by investing activities	(726)
Decrease in cash and cash equivalents	(487)
Cash and cash equivalents at beginning of year	633,752
Cash and cash equivalents at end of year	$ 633,265

(Continued)

THE CITY UNIVERSITY OF NEW YORK

Business-type Activities – University Only

Statement of Cash Flows

Year ended June 30, 2011

(In thousands)

Reconciliation of operating loss to net cash flows used by operating activities:	
Operating loss	$ (1,829,734)
Adjustments to reconcile operating loss to net cash flows used by operating activities:	
Depreciation and amortization	211,803
Bad debt expense	23,326
Change in operating assets and liabilities:	
Receivables	(32,846)
Prepaid expenses and other assets	4,175
Accounts payable and accrued expenses	138,609
Deferred tuition and fees revenue	148
Compensated absences	3,859
OPEB liability	50,053
Deferred grant revenue	(713)
Other liabilities	(6,331)
Net cash flows used by operating activities	$ (1,437,651)

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

Graduate and Professional Schools

The Graduate School and University Center
City University School of Law at Queens College
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 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

(Continued)

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 an enterprise fund (business-type activity), 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 21 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. Herbert H. Lehman College Foundation, Inc. was a December 31 year-end, and effective June 30, 2011, changed its year-end to June 30.

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 at Queens College 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.
New York City College of Technology Foundation, Inc.
Queens College Foundation, Inc.
The College of Staten Island Foundation, Inc.
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 assets, revenues, expenses, and changes in net assets, 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.

The University's reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB statements and interpretations issued after November 30, 1989.

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 31), 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 assets. 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 assets.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), addresses the recognition, measurement, and disclosure of derivative instruments entered into by state and local governments. 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 assets until the hedged transaction occurs or the derivative ceases to be effective. If a derivative hedge is not effective to reduce 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 assets.

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.

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 assets.

Deferred Financing Costs

The University capitalizes costs incurred in connection with its bonds and amortizes these costs over the life of the respective obligations. These deferred costs are included as other current and noncurrent assets in the accompanying statement of net assets.

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.

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (GASB 42), the University reports the effects of capital asset impairment in its financial statements and establishes accounting guidance for recording insurance recoveries.

In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49), 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.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51), establishes standards of accounting and financial reporting for intangible assets for all state and local governments. GASB 51 identifies the criteria by which intangible assets are required to be classified as capital assets and reported in the financial statements.

Deferred Revenue

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

(Continued)

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 Assets

GASB 35 requires that resources be classified for accounting purposes into the following four net asset categories:

> *Invested in capital assets, net of related debt* – This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
>
> *Restricted net assets – nonexpendable* – Nonexpendable restricted net assets 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.
>
> *Restricted net assets – expendable* – Expendable restricted net assets include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
>
> *Unrestricted net assets* – Unrestricted net assets 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, 2011 and a liability established at September 30, 2011. 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 assets 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; (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 non-exchange 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 in the accompanying statement of revenues, expenses, and changes in net assets. 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 non-cancelable 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 non-cancelable 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 non-cancelable 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

The University follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (GASB 40), which 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, 2011, cash and cash equivalents and restricted cash were held by depositories and amounted to $655,694,695 of which $75,181,952 was insured and $580,512,743 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 $636,652,854 at June 30, 2011.

Investments

At June 30, 2011, the University had the following investments (in thousands):

Investment type		Amount
U.S. Treasury bills	$	44,476
Cash and cash equivalents		8,472
Certificates of deposits		7,680
Corporate bonds		494
Equities		5,171
Mutual funds – equities		62,193
Mutual funds – fixed income		404
U.S. agency mortgage-backed securities		14,227
U.S. Treasury notes		14,119
Alternative investments		104,201
Beneficial interest in remainder trust		1,705
Other investments		45
Foreign bonds		300
Total investments		263,487
Less short-term investments		22,853
Long-term investments		240,634
Long-term investments, unrestricted		100,258
Long-term investments, restricted	$	140,376

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. Included in alternative investments is $58 million of funds that are 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 investment 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, 2011, the University's investments in debt securities were rated as follows (in thousands):

Type of debt security		Fair value	S&P credit rating
Corporate bonds	$	52	AA+
Corporate bonds		153	AA
Corporate bonds		61	A+
Corporate bonds		166	A
Corporate bonds		62	A-
Total corporate bonds		494	
U.S. agency mortgage-backed securities		14,227	AAA
Foreign bonds		300	A-
Total	$	15,021	

U.S. agency mortgage-backed securities are not rated by Standard & Poor's; however, there is an implied AAA rating in the market.

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) 80% in US Government/Credit bond index, 2) 20% is in global sovereign bonds. The average quality ranges from AA to AA2.

Interest Rate Risk

At June 30, 2011, 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	$	44,476	43,476	1,000	—	—
Certificates of deposits		7,680	3,454	4,226	—	—
Corporate bonds		494	154	340	—	—
U.S. agency mortgage-backed securities		14,227	14,195	30	2	—
U.S. Treasury notes		14,119	14,087	14	18	—
Mutual funds - fixed income		404	—	243	161	—
Foreign bonds		300	—	300	—	—
	$	81,700	75,366	6,153	181	—

The University's Investment Policy for the CUNY Investment Pool does specify that its fixed income investments should be made primarily in long-duration, non-callable, or call-protected high quality bonds.

Investment Pool

Certain assets included with 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, 2011, the investment pool had a fair value of $165,951,043. The investment pool includes certain gifts and bequests received by the University, the use of which is restricted by donor-imposed limitations. During 2011, the University recorded approximately $16,017,409, of net realized and unrealized appreciation of donor-restricted expendable and nonexpendable endowments. 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, 2011 (in thousands):

Receivables, net		Amount
Appropriations receivable	$	345,607
Students and financial aid receivable		74,592
Grants and contracts receivable		65,245
Student loan receivables and accrued interest receivable		34,917
Other receivables		47,155
Total receivables, net	$	567,516

(5) Capital Assets, Net

Capital assets consist of the following at June 30, 2011 (in thousands):

	June 30, 2010	Additions	Reductions	June 30, 2011
Buildings	$ 2,215,758	252,940	2,592	2,466,106
Building Improvements	2,248,064	79,263	10,659	2,316,668
Construction in Progress	1,042,172	647,696	271,761	1,418,107
Equipment	481,447	63,212	33,072	511,587
Infrastructure and Infrastructure Improvements	130,970	6,557	—	137,527
Land	322,541	—	—	322,541
Land Improvements	77,032	4,766	2,047	79,751
Leasehold Improvements	13,777	935	50	14,662
Internally Generated Software	2,487	3,021	11	5,497
Copyrights	1,854	2,480	—	4,334
Works of art and Historical Treasures	11,857	312	51	12,118
Total Capital Assets	6,547,959	1,061,182	320,243	7,288,898
Less Accumulated Depreciation:				
Building	1,279,141	53,336	185	1,332,292
Building Improvements	989,755	95,895	9	1,085,641
Equipment	385,417	49,047	29,008	405,456
Infrastructure and Infrastructure Improvements	31,513	6,731	—	38,244
Land Improvements	63,666	1,386	1,129	63,923
Leasehold Improvements	5,179	1,254	66	6,367
Internally Generated Software	330	478	—	808
Copyrights	204	184	—	388
Total Accumulated Depreciation	2,755,205	208,311	30,397	2,933,119
Total Capital assets, Net	$ 3,792,754	852,871	289,846	4,355,779

Added to construction in progress is net capitalized interest of $46,251,000 for the year ended June 30, 2011. This amount represents interest expense of $46,388,000 reduced by investment income of $137,000 for the year ended June 30, 2011.

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at June 30, 2011 (in thousands):

Accounts payable and accrued expenses		Amount
Personnel services	$	149,568
Fringe benefits		103,862
Capital projects		83,246
Due to City of New York		33,307
Due to State of New York		36,213
Vendors and other		150,394
Total accounts payable and accrued expenses	$	556,590

(7) Noncurrent Liabilities

Noncurrent liabilities at June 30, 2011 consist of the following (in thousands):

Noncurrent liabilities		June 30, 2010	Additions	Reductions	June 30, 2011	Current portion
Long-term debt:						
Mortgage loan payable	$	59,157	—	865	58,292	909
Capital lease agreements with DASNY		3,879,660	1,066,536	425,253	4,520,943	224,620
Other capital lease agreements		1,123	—	1,123	—	—
Macaulay Honors College loan		20,800	—	2,400	18,400	1,800
Queens Student Residences mortgage loan		67,356	—	202	67,154	605
Oracle financing agreement		2,157	—	2,157	—	—
Certificate of Participation (PIT)		—	36,000	—	36,000	4,849
Total long-term debt		4,030,253	1,102,536	432,000	4,700,789	232,783
Other liabilities:						
Compensated absences		135,535	6,510	2,649	139,396	95,066
Federal refundable loans		43,969	908	12,066	32,811	—
Other noncurrent liabilities		12,734	—	(3,883)	16,617	—
OPEB Liability		303,488	81,104	31,051	353,541	—
Interest rate swap agreements		76,112	—	11,891	64,221	—
Total other liabilities		571,838	88,522	53,774	606,586	95,066
Total noncurrent liabilities	$	4,602,091	1,191,058	485,774	5,307,375	327,849

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 $2,697,539 as of June 30, 2011. 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, 2011 (in thousands):

Mortgage loan payable		Principal
Fiscal year:		
2012	$	909
2013		978
2014		1,041
2015		55,364
	$	58,292

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, 2011. 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 non-instructional 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, 2011 (in thousands):

Capital lease agreements with DASNY	**Principal**	**Interest**	**Swap, net**	**Total**
Fiscal year:				
2012	$ 231,160	210,860	15,001	457,021
2013	205,665	205,552	15,001	426,218
2014	185,935	195,457	15,001	396,393
2015	189,665	186,206	14,966	390,837
2016	231,030	175,688	14,966	421,684
2017 – 2021	993,305	727,273	66,482	1,787,060
2022 – 2026	809,015	521,030	39,999	1,370,044
2027 – 2031	715,640	335,335	10,467	1,061,442
2032 – 2036	573,760	176,344	87	750,191
2037 – 2040	337,385	43,278	—	380,663
Total minimum lease payment	$ 4,472,560	2,777,023	191,970	7,441,553
Less amount representing interest				(2,777,023)
Less swap, net				(191,970)
Present value of net minimum lease payments				4,472,560
Less unamortized original issue discount, net				48,383
Carrying amount of obligations				$ 4,520,943

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

During 2011, DASNY issued bonds for new construction with a par value of $813,440,000 and original issued premium of $37,750,582. In addition, DASNY issued refunding bonds with a par value of $196,205,000 and original issued premium of $19,139,896. Bond proceeds of $258,032,524 were used to defease $252,210,000 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 $72,858,787. The excess of the bond proceeds over the amount of debt defeased, $5,822,524, and remaining unamortized premium and discount of $1,109,065 are deferred and amortized in a systematic and rational manner over the remaining life of the old debt or new debt, whichever is shorter. There were no remaining unamortized bond issue costs, underwriter discounts, or any other related costs affiliated with the refunded debt.

As of June 30, 2011, a total of $254,140,000 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, 2011, 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	$ (26,995)	A1/A+/A+	Yes	$ 5,249
Merrill Lynch	124,422	1/1/25 to 7/1/31	3.36%	65% of LIBOR	(15,661)	Aa3/AAA/NR	Yes	3,051
UBS	124,422	1/1/25 to 7/1/31	3.36%	65% of LIBOR	(15,662)	Aa3/A+/A+	Yes	3,050
Total pay-fixed swap	$ 463,153				$ (58,318)			

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

At June 30, 2011, the swaps had a fair value of $(58,318,000) and are included in interest rate swap agreements in the statement of net assets. These swaps had a change in fair value during fiscal year 2011 of $11,350,000. Interest rates have changed since the swaps were entered into; the pay-fixed, receive-variable swaps have a fair value of $(58,318,000) (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, 2011, 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. During fiscal year 2011, DASNY terminated three pay-variable, receive-fixed swaps and received $6.5 million of termination payments.

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, 2011 remain the same (in thousands):

Macaulay Honors College Loan	Principal	Interest	Total
Fiscal year:			
2012	$ 1,800	655	2,455
2013	1,800	537	2,337
2014	14,800	273	15,073
Total minimum loan payment	$ 18,400	1,465	19,865
Less amount representing interest			(1,465)
Carrying amount of obligations			$ 18,400

Interest rate range is between 6.54% and 30-day LIBOR (0.19%) plus 1.25%. At June 30, 2011, the variable interest rate was 1.44%.

Queens Student Residences Mortgage Loan

The Queens Student Residences, LLC 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 $70,069,586 from RBS Citizens Bank, N.A. On October 26, 2011, the letter of credit was extended to January 26, 2012.

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, 2011 remain the same (in thousands):

Queens Student Residences Mortgage Loan		Principal	Interest	Swap, net		Total
Fiscal year:						
2012	$	605	75	2,023		2,703
2013		725	74	2,006		2,805
2014		855	73	1,984		2,912
2015		995	72	1,959		3,026
2016		1,145	71	1,930		3,146
2017 – 2021		7,410	335	3,756		11,501
2022 – 2026		9,115	291	—		9,406
2027 – 2031		11,085	238	—		11,323
2032 – 2036		13,475	173	—		13,648
2037 – 2041		16,380	95	—		16,475
2042 – 2043		7,506	12	—		7,518
Total minimum loan payment	$	69,296	1,509	13,658		84,463
Less amount representing interest						(1,509)
Less swap, net						(13,658)
Carrying amount of obligations less interest and swap						69,296
Less unamortized issuance cost						(2,142)
Carrying amount of obligations					$	67,154

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, 2011, the 7-day USD-LIBOR-BBA rate was 0.11%.

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 $68,675,000 whereas the principal amount of the associated debt is $69,296,000. 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, 2011, 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	$ 68,675	4/23/2018	3.0275%	7-days USD-LIBOR-BBA times 67%	$ (5,903)	A-(S&P)	Yes	$ 541

At June 30, 2011, the swap had a fair value of $(5,903,000) and is included in interest rate swap agreements in the statement of net assets.

Credit Risk. At June 30, 2011, 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 values of the swap becomes positive, then the swap agreement would be exposed to credit risk in the amount of the swap’s fair value.

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, 2011, 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.

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.

Certificate of Participation (PIT)

The University has entered into various arrangements for the acquisition/rehabilitation of capital assets through the issuance of certificates of participation. The certificates 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 31, 2011 (in thousands):

	Principal	Interest	Total
Fiscal year:			
2012	$ 4,849	863	5,712
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	$ 36,000	3,821	39,821
Less amount representing interest			(3,821)
Carrying amount of obligations			$ 36,000

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 $98.6 million at June 30, 2011, of which $3.2 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 $40.8 million at June 30, 2011, of which $7.8 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, 2011 are as follows (in thousands):

Deposits held by trustee and amounts held by DASNY		Fair value	Rating
Type:			
Cash and cash equivalents	$	270,899	
U.S. Treasury notes and bonds		218,482	
U.S. Treasury bills		134,111	
U.S. Treasury Strips		20,284	
U.S. agency mortgage-backed securities		249,161	AAA
Total	$	892,937	

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 $892,937,000 in restricted deposits held by bond trustee and restricted amounts held by DASNY at June 30, 2011, $888,781,000 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 2011, 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 2011 amounted to approximately $67.6 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:					
2011	$	45,106	50,051	109,278	204,435
2010		41,000	40,175	96,197	177,372
2009		38,080	33,754	87,841	159,675

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 33 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 non-pedagogical 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 non-pedagogical 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, 2011, the University paid $38.9 million, of which $31.1 million was for senior colleges and $7.8 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, 2011 (in thousands):

	Amount
Annual required contribution*	$ 104,405
Interest on net OPEB obligation	10,025
Adjustment to annual required contribution	(9,960)
Annual OPEB cost (expense)	104,470
Payments made	(31,051)
Increase in net OPEB obligation	73,419
Net OPEB obligation – beginning of year	250,635
Net OPEB obligation – end of year	$ 324,054

* 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, 2011 were as follows (in thousands):

Fiscal year ended		Annual OPEB cost	Percentage of annual OPEB cost paid		Net OPEB obligation
June 30, 2011	$	104,470	29.7%	$	324,054

Funded Status and Funding Progress. As of June 30, 2010, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was $1,161.5 million (which represents the total present value $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,161.5 million). The covered payroll (annual payroll of active employees by the Plan) was $918.3 million, and the ratio of the UAAL to the covered payroll was 126.5%.

The schedule of funding progress, shown below as required supplementation information, presents the results of OPEB valuations as of June 30, 2011 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, 2010	$	—	1,161,490	1,161,490	—%	$	918,256	126.5%

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 non-pedagogical 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, 2010.

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:

Fiscal year ending:	Pre-Medicare Plans*	Medical (Post-Medicate)	Welfare Fund contributions
2012	9.5%	5.0%	5.0%
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, 2011 (in thousands):

Benefit obligation	$	(94,386)
Fair value of plan assets		64,899
Funded status as of June 30	$	(29,487)

(11) Commitments

The University has entered into contracts for the construction and improvement of various capital assets. At June 30, 2011, these outstanding contractual commitments were approximately $512 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 non-cancelable real property and equipment operating leases with terms exceeding one year at June 30, 2011 (in thousands):

Contractual commitments		Principal amount
Fiscal year:		
2012	$	55,987
2013		53,132
2014		50,895
2015		47,201
2016		37,506
2017 – 2021		137,092
2022 – 2026		73,100
2027 – 2031		68,921
2032 – 2036		1,600
	$	525,434

For the year ended June 30, 2011, rent expense, including escalations of $8.3 million, was approximately $59.7 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) 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, 2011 consist of:

Investment type		Amount
Cash and cash equivalents	$	16,527,139
Certificates of deposit		253,523
U.S. Treasury bills		1,696,799
U.S. government bonds		18,210,867
Corporate bonds		50,036,102
Mutual funds		90,167,182
U.S. agency mortgage-backed securities		2,030,222
Equities		179,578,050
Alternative investments		54,410,987
CUNY investment pool		6,172,251
Other		55,324,502
Total investments	$	474,407,624

(Continued)

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, 2011, contributions receivable consisted of:

Contributions receivable		Amount
Contributions receivable	$	136,088,288
Less allowance for doubtful accounts		11,504,148
Less discount to present value		5,545,256
Contributions receivable, net	$	119,038,884

Temporarily Restricted Net Assets

At June 30, 2011, temporarily restricted net assets are available for the following purposes:

Temporarily restricted net assets		Amount
Student education and welfare	$	247,848,118
Obligations under charitable remainder trusts		1,769,726
Other		4,115,724
Total temporarily restricted net assets	$	253,733,568

Permanently Restricted Net Assets

At June 30, 2011, permanently restricted net assets consist of the following:

Permanently restricted net assets		Amount
Student education and welfare	$	297,742,586
Other		270,622
Total permanently restricted net assets	$	298,013,208

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, 2011:

THE CITY UNIVERSITY OF NEW YORK

Notes to Financial Statements

June 30, 2011

Combining schedule of financial position – College Foundations:

	2011										
	Baruch	**Brooklyn**	**City College Fund**	**City 21st Century**	**Graduate**	**Hunter**	**Queens**	**Other senior ***	**Total senior**	**Total community ****	**Grand total**
Assets:											
Cash and cash equivalents	$ 2,097,664	2,931,268	614,567	12,020,704	9,262,638	1,987,996	3,113,438	7,839,826	39,868,101	2,807,293	42,675,394
Accounts and other receivables, net	428,166	—	330,462	328,286	—	242,556	27,159	266,116	1,622,745	136,519	1,759,264
Prepaid expenses and other assets	599,848	25,842	48,023	700,822	530,528	14,106	366,988	80,386	2,366,543	123,825	2,490,368
Contributions receivable, net	20,691,679	13,109,987	4,145,000	35,050,056	6,780,717	6,188,294	5,584,236	27,110,709	118,660,678	378,206	119,038,884
Investments	107,915,128	62,706,745	46,528,753	109,091,667	29,440,212	42,046,783	38,458,660	21,368,835	457,556,783	16,850,841	474,407,624
Beneficial interest in remainder trusts	6,910,035	1,081,109	—	—	—	—	—	—	7,991,144	—	7,991,144
Remainder interest in real property	—	—	—	—	—	264,000	—	—	264,000	—	264,000
Capital assets, net	—	9,301,254	19,040	—	24,569,536	—	2,893,725	70,055	36,853,610	33,636	36,887,246
Total assets	$ 138,642,520	89,156,205	51,685,845	157,191,535	70,583,631	50,743,735	50,444,206	56,735,927	665,183,604	20,330,320	685,513,924
Liabilities:											
Accounts payable and accrued expenses	$ 534,880	266,036	182,941	995,131	2,286,287	272,530	200,259	334,611	5,072,675	155,814	5,228,489
Annuities payable	1,239,048	460,279	951,971	—	25,283	108,256	—	39,879	2,824,716	—	2,824,716
Due to affiliates	—	—	—	—	3,000,000	—	—	411,346	3,411,346	537,080	3,948,426
Deferred revenue	—	—	—	—	127,595	—	—	59,829	187,424	312,239	499,663
Loan payable	—	—	—	—	11,311,751	—	—	18,400,000	29,711,751	—	29,711,751
Other liabilities	—	—	—	97,329	128,645	—	16,400	799,118	1,041,492	(1,368)	1,040,124
Total liabilities	1,773,928	726,315	1,134,912	1,092,460	16,879,561	380,786	216,659	20,044,783	42,249,404	1,003,765	43,253,169
Net assets:											
Unrestricted	7,640,423	12,757,231	2,760,001	13,609,107	20,382,971	1,153,994	21,584,707	1,306,489	81,194,923	9,319,056	90,513,979
Temporarily restricted	46,899,404	45,103,403	26,655,363	66,230,415	12,251,801	25,134,263	9,791,455	15,993,646	248,059,750	5,673,818	253,733,568
Permanently restricted	82,328,765	30,569,256	21,135,569	76,259,553	21,069,298	24,074,692	18,851,385	19,391,009	293,679,527	4,333,681	298,013,208
Total net assets	136,868,592	88,429,890	50,550,933	156,099,075	53,704,070	50,362,949	50,227,547	36,691,144	622,934,200	19,326,555	642,260,755
Total liabilities and net assets	$ 138,642,520	89,156,205	51,685,845	157,191,535	70,583,631	50,743,735	50,444,206	56,735,927	665,183,604	20,330,320	685,513,924

* Other senior refers to Foundations at Macaulay Honors College, 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)

THE CITY UNIVERSITY OF NEW YORK

Notes to Financial Statements

June 30, 2011

Combining schedule of activities – College Foundations:

	2011											
	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	$ 2,210,443	5,566,881	1,189,480	8,966,804	1,728,903	6,508,935	1,488,272	9,726,110	1,404,558	4,901,973	559,446	6,865,977
Special events	863,607	—	—	863,607	360,042	6,120	—	366,162	—	—	—	—
Program service revenues	—	—	—	—	—	—	—	—	—	—	—	—
Investment income	1,333,867	14,039,717	—	15,373,584	6,419,906	2,362,256	(15,504)	8,766,658	183,671	1,239,540	—	1,423,211
Net realized and unrealized gains on investments	—	—	—	—	—	—	—	—	319,140	3,911,003	—	4,230,143
Change in value of split interest agreements/beneficial trust	—	226,603	—	226,603	(32,014)	136,811	3,523	108,320	—	(89,976)	—	(89,976)
Other income	470,166	—	—	470,166	15	744	—	759	—	—	—	—
Net assets released from restrictions	8,702,462	(7,549,269)	(1,153,193)	—	9,601,723	(9,601,723)	—	—	3,353,594	(3,353,594)	—	—
Total revenues, gains (losses), and other support	13,580,545	12,283,932	36,287	25,900,764	18,078,575	(586,857)	1,476,291	18,968,009	5,260,963	6,608,946	559,446	12,429,355
Expenses:												
Program services	10,912,974	—	—	10,912,974	4,960,867	—	—	4,960,867	3,546,398	—	—	3,546,398
Management and general	644,019	—	—	644,019	1,012,199	—	—	1,012,199	1,339,467	—	—	1,339,467
Fundraising	1,565,230	—	—	1,565,230	1,558,007	—	—	1,558,007	—	—	—	—
Total expenses	13,122,223	—	—	13,122,223	7,531,073	—	—	7,531,073	4,885,865	—	—	4,885,865
Change in net assets before reclassifications and adjustments	458,322	12,283,932	36,287	12,778,541	10,547,502	(586,857)	1,476,291	11,436,936	375,098	6,608,946	559,446	7,543,490
Reclassifications and adjustments	—	—	—	—	(141,365)	4,566,528	(4,425,163)	—	—	2,000	(2,000)	—
Change in net assets	458,322	12,283,932	36,287	12,778,541	10,406,137	3,979,671	(2,948,872)	11,436,936	375,098	6,610,946	557,446	7,543,490
Net assets at beginning of year	7,182,101	34,615,472	82,292,478	124,090,051	2,351,094	41,123,732	33,518,128	76,992,954	2,384,903	20,044,417	20,578,123	43,007,443
Net assets at end 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

* Other senior refers to Foundations at Macaulay Honors College, 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)

THE CITY UNIVERSITY OF NEW YORK

Notes to Financial Statements

June 30, 2011

Combining schedule of activities – College Foundations:

	2011											
	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	$ 928,210	9,853,453	8,696,078	19,477,741	3,458,565	3,010,223	(1,597,848)	4,870,940	1,313,574	7,399,311	95,235	8,808,120
Special events	506,535	—	—	506,535	—	—	—	—	—	—	—	—
Program service revenues	—	—	—	—	—	—	—	—	—	—	—	—
Investment income	10,147,506	8,329,235	—	18,476,741	109,094	631,154	—	740,248	2,089,639	1,758,700	—	3,848,339
Net realized and unrealized gains on investments	—	—	—	—	2,382,472	846,176	—	3,228,648	—	—	—	—
Change in value of split interest agreements/beneficial trust	—	—	—	—	—	—	—	—	—	—	—	—
Other income	169,481	—	—	169,481	46,547	205,501	—	252,048	—	—	—	—
Net assets released from restrictions	8,855,780	8,895,064	(17,750,844)	—	3,290,837	(3,290,837)	—	—	5,401,349	(5,401,349)	—	—
Total revenues, gains, and other support	20,607,512	27,077,752	(9,054,766)	38,630,498	9,287,515	1,402,217	(1,597,848)	9,091,884	8,804,562	3,756,662	95,235	12,656,459
Expenses:												
Program services	10,571,872	—	—	10,571,872	3,384,152	—	—	3,384,152	6,169,542	—	—	6,169,542
Management and general	343,011	—	—	343,011	347,500	—	—	347,500	307,476	—	—	307,476
Fundraising	898,104	—	—	898,104	210,023	—	—	210,023	329,834	—	—	329,834
Total expenses	11,812,987	—	—	11,812,987	3,941,675	—	—	3,941,675	6,806,852	—	—	6,806,852
Change in net assets before reclassifications and adjustments	8,794,525	27,077,752	(9,054,766)	26,817,511	5,345,840	1,402,217	(1,597,848)	5,150,209	1,997,710	3,756,662	95,235	5,849,607
Reclassifications and adjustments	—	—	—	—	426,979	(470,759)	43,780	—	90,762	(577,063)	486,301	—
Change in net assets	8,794,525	27,077,752	(9,054,766)	26,817,511	5,772,819	931,458	(1,554,068)	5,150,209	2,088,472	3,179,599	581,536	5,849,607
Net assets at beginning of year, as restated	4,814,582	39,152,663	85,314,319	129,281,564	14,610,152	11,320,343	22,623,366	48,553,861	(934,478)	21,954,664	23,493,156	44,513,342
Net assets at end 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

* Other senior refers to Foundations at Macaulay Honors College, 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.

THE CITY UNIVERSITY OF NEW YORK

Notes to Financial Statements

June 30, 2011

Combining schedule of activities – College Foundations:

	2011											
	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	$ 6,435,465	1,564,494	2,330,891	10,330,850	3,907,670	7,305,286	906,053	12,119,009	21,387,388	46,110,556	13,667,607	81,165,551
Special events	—	—	—	—	500,281	479,823	14,570	994,674	2,230,465	485,943	14,570	2,730,978
Program service revenues	—	—	—	—	170,922	—	—	170,922	170,922	—	—	170,922
Investment income	156,685	557,006	—	713,691	135,543	530,197	53,747	719,487	20,575,911	29,447,805	38,243	50,061,959
Net realized and unrealized gains (losses) on investments	3,163,877	2,429,081	—	5,592,958	627,089	940,142	—	1,567,231	6,492,578	8,126,402	—	14,618,980
Change in value of split interest agreements/beneficial trust	—	—	—	—	(2,529)	(1,031)	—	(3,560)	(34,543)	272,407	3,523	241,387
Other income	154,481	—	—	154,481	363,293	—	—	363,293	1,203,983	206,245	—	1,410,228
Net assets released from restrictions	7,160,039	(7,160,039)	—	—	4,497,340	(4,463,792)	(33,548)	—	50,863,124	(31,925,539)	(18,937,585)	—
Total revenues, gains, and other support	17,070,547	(2,609,458)	2,330,891	16,791,980	10,199,609	4,790,625	940,822	15,931,056	102,889,828	52,723,819	(5,213,642)	150,400,005
Expenses:												
Program services	8,766,215	—	—	8,766,215	6,572,938	—	—	6,572,938	54,884,958	—	—	54,884,958
Management and general	386,260	—	—	386,260	2,446,741	—	—	2,446,741	6,826,673	—	—	6,826,673
Fundraising	367,443	—	—	367,443	1,161,992	—	—	1,161,992	6,090,633	—	—	6,090,633
Total expenses	9,519,918	—	—	9,519,918	10,181,671	—	—	10,181,671	67,802,264	—	—	67,802,264
Change in net assets before reclassifications and adjustments	7,550,629	(2,609,458)	2,330,891	7,272,062	17,938	4,790,625	940,822	5,749,385	35,087,564	52,723,819	(5,213,642)	82,597,741
Reclassifications and adjustments	(707,074)	516,016	191,058	—	(2,244,171)	35,119	3,616	(2,205,436)	(2,574,869)	4,071,841	(3,702,408)	(2,205,436)
Change in net assets	6,843,555	(2,093,442)	2,521,949	7,272,062	(2,226,233)	4,825,744	944,438	3,543,949	32,512,695	56,795,660	(8,916,050)	80,392,305
Net assets (deficit) at beginning of year, as restated	14,741,152	11,884,897	16,329,436	42,955,485	3,532,722	11,167,902	18,446,571	33,147,195	48,682,228	191,264,090	302,595,577	542,541,895
Net assets at end 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

* Other senior refers to Foundations at Macaulay Honors College, 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)

THE CITY UNIVERSITY OF NEW YORK

Notes to Financial Statements

June 30, 2011

Combining schedule of activities – College Foundations:

	2011							
	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	$ 1,409,456	1,826,497	151,089	3,387,042	22,796,844	47,937,053	13,818,696	84,552,593
Special events	1,013,729	92,775	—	1,106,504	3,244,194	578,718	14,570	3,837,482
Program service revenues	—	—	—	—	170,922	—	—	170,922
Investment income	123,008	15,668	1,504	140,180	20,698,919	29,463,473	39,747	50,202,139
Net realized and unrealized gains on investments	1,518,989	1,018,018	(382)	2,536,625	8,011,567	9,144,420	(382)	17,155,605
Change in value of split interest agreements/beneficial trust	—	—	—	—	(34,543)	272,407	3,523	241,387
Other income	3,291	2,690	—	5,981	1,207,274	208,935	—	1,416,209
Net assets released from restrictions	1,795,057	(1,828,607)	33,550	—	52,658,181	(33,754,146)	(18,904,035)	—
Total revenues, gains, and other support	5,863,530	1,127,041	185,761	7,176,332	108,753,358	53,850,860	(5,027,881)	157,576,337
Expenses:								
Program services	1,971,823	—	—	1,971,823	56,856,781	—	—	56,856,781
Management and general	1,405,433	—	—	1,405,433	8,232,106	—	—	8,232,106
Fundraising	396,867	—	—	396,867	6,487,500	—	—	6,487,500
Total expenses	3,774,123	—	—	3,774,123	71,576,387	—	—	71,576,387
Change in net assets before reclassifications and adjustments	2,089,407	1,127,041	185,761	3,402,209	37,176,971	53,850,860	(5,027,881)	85,999,950
Reclassifications and adjustments	—	—	—	—	(2,574,869)	4,071,841	(3,702,408)	(2,205,436)
Change in net assets	2,089,407	1,127,041	185,761	3,402,209	34,602,102	57,922,701	(8,730,289)	83,794,514
Net assets at beginning of year	7,229,649	4,546,777	4,147,920	15,924,346	55,911,877	195,810,867	306,743,497	558,466,241
Net assets at end 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

* Other senior refers to Foundations at Macaulay Honors College, 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 Assets – Senior and Community Colleges

June 30, 2011

(In thousands)

		Senior colleges	Community colleges	Total
Assets:				
Current assets:				
Cash and cash equivalents	$	567,540	65,725	633,265
Short-term investments		19,703	3,150	22,853
Restricted deposits held by bond trustees		199,716	38,475	238,191
Restricted amounts held by the Dormitory Authority of the State of New York		29,817	22,604	52,421
Receivables, net		434,384	109,869	544,253
Prepaid expense and other current assets		15,945	1,323	17,268
Total current assets		1,267,105	241,146	1,508,251
Noncurrent assets:				
Restricted cash		3,388	—	3,388
Long-term investments, unrestricted		88,497	11,761	100,258
Long-term investments, restricted		138,234	2,142	140,376
Restricted deposits held by bond trustees		487,085	115,240	602,325
Student loans and accrued interest receivable, net		22,465	798	23,263
Deferred financing costs		42,393	5,864	48,257
Capital assets, net		3,780,907	574,872	4,355,779
Other noncurrent assets		3,425	—	3,425
Total noncurrent assets		4,566,394	710,677	5,277,071
Total assets		5,833,499	951,823	6,785,322
Deferred outflows:				
Interest rate swap agreements		58,260	5,961	64,221
Total deferred outflows		58,260	5,961	64,221
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses		443,654	112,936	556,590
Compensated absences		72,080	22,986	95,066
Deferred tuition and fees revenue		67,608	11,015	78,623
Accrued interest payable		70,213	11,111	81,324
Current portion of long-term debt		201,089	31,694	232,783
Deferred grant revenue		66,161	1,005	67,166
Other current liabilities		10,871	7,753	18,624
Deposits held in custody for others		13,629	13,517	27,146
Total current liabilities		945,305	212,017	1,157,322
Noncurrent liabilities:				
Compensated absences		33,633	10,697	44,330
OPEB liability		353,541	—	353,541
Long-term debt		3,914,147	553,859	4,468,006
Federal refundable loans		29,372	3,439	32,811
Interest rate swap agreements		58,260	5,961	64,221
Other noncurrent liabilities		8,389	8,228	16,617
Total noncurrent liabilities		4,397,342	582,184	4,979,526
Total liabilities		5,342,647	794,201	6,136,848
Net assets (deficit):				
Invested in capital assets, net of related debt		45,356	50,024	95,380
Restricted:				
Nonexpendable		41,913	175	42,088
Expendable:				
Debt service		181,367	59,086	240,453
Scholarships and general educational support		103,210	1,275	104,485
Loans		12,666	(501)	12,165
Other		80,673	28,510	109,183
Unrestricted		83,927	25,014	108,941
Total net assets	$	549,112	163,583	712,695

See accompanying independent auditors' report.

Schedule 2

THE CITY UNIVERSITY OF NEW YORK

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

Year ended June 30, 2011

(In thousands)

	Senior colleges	Community colleges	Total
Revenues:			
Operating revenues:			
Tuition and fees, net	$ 600,655	138,587	739,242
Grants and contracts:			
Federal	539,677	243,353	783,030
New York State	168,331	66,194	234,525
New York City	79,965	1,843	81,808
Private	82,162	775	82,937
Total grants and contracts	870,135	312,165	1,182,300
Sales and services of auxiliary enterprises	20,503	3,547	24,050
Other operating revenues	39,297	13,191	52,488
Total operating revenues	1,530,590	467,490	1,998,080
Expenses:			
Operating expenses:			
Instruction	1,163,015	438,528	1,601,543
Research	126,245	627	126,872
Public service	18,403	13,892	32,295
Academic support	141,994	20,826	162,820
Student services	224,176	83,862	308,038
Institutional support	359,252	131,319	490,571
Operation and maintenance of plant	238,246	158,027	396,273
Scholarships and fellowships	242,522	136,906	379,428
Auxiliary enterprises	30,517	6,550	37,067
Depreciation and amortization expense	174,203	37,600	211,803
OPEB expense	81,104	—	81,104
Total operating expenses	2,799,677	1,028,137	3,827,814
Operating loss	(1,269,087)	(560,647)	(1,829,734)
Nonoperating revenues (expenses):			
Government appropriations/transfers:			
Federal	—	32,779	32,779
New York State	1,070,461	153,802	1,224,263
New York City	33,177	285,504	318,681
Gifts and grants	30,733	1,697	32,430
Investment income, net	5,687	444	6,131
Interest expense	(136,834)	(24,121)	(160,955)
Net appreciation in fair value of investments	25,939	1,280	27,219
Transfers	2,419	(2,419)	—
Other nonoperating revenue (expenses), net	2,609	(2,097)	512
Net nonoperating revenues	1,034,191	446,869	1,481,060
Loss before other revenues	(234,896)	(113,778)	(348,674)
Capital appropriations	430,790	123,356	554,146
Additions to permanent endowments	100	—	100
Total other revenues	430,890	123,356	554,246
Increase in net assets	195,994	9,578	205,572
Net assets at beginning of year	353,118	154,005	507,123
Net assets at end of year	$ 549,112	163,583	712,695

See accompanying independent auditors' report.

Schedule 3

THE CITY UNIVERSITY OF NEW YORK

Schedule of Cash Flows – Senior and Community Colleges

Year ended June 30, 2011

(In thousands)

	Senior colleges	Community colleges	Total
Cash flows from operating activities:			
Collection of tuition and fees	$ 612,779	140,623	753,402
Collection of grants and contracts	884,446	312,576	1,197,022
Collection of loans from students	6,160	838	6,998
Sales and services of auxiliary enterprises	20,503	3,547	24,050
Payments to suppliers	(198,146)	(197,325)	(395,471)
Payments for utilities	(72,943)	(28,149)	(101,092)
Payments to employees	(1,374,595)	(438,329)	(1,812,924)
Payments for benefits	(510,207)	(154,261)	(664,468)
Payments for scholarships and fellowships	(242,522)	(136,906)	(379,428)
Payment for OPEB	(31,051)	—	(31,051)
Loans issued to students	(30,175)	(4,514)	(34,689)
Net cash flows used by operating activities	(935,751)	(501,900)	(1,437,651)
Cash flows from noncapital financing activities:			
Federal, State, and City appropriations/transfers	1,002,770	439,429	1,442,199
Gifts and grants for other than capital purposes	30,733	1,697	32,430
Private gifts for endowment purposes	100	—	100
Increase in deposits held in custody for others	(7,279)	(1,610)	(8,889)
Deposits held in custody receipts from (disbursements to) third parties	5,030	(4,517)	513
Net cash flows provided by noncapital financing activities	1,031,354	434,999	1,466,353
Cash flows from capital and related financing activities:			
Proceeds from capital debt	947,750	154,786	1,102,536
Capital appropriations	430,790	123,356	554,146
Purchases of capital assets	(684,992)	(112,078)	(797,070)
Principal paid on capital debt	(326,763)	(101,584)	(428,347)
Principal amount refunded	(3,526)	(1,188)	(4,714)
Interest paid on capital debt	(134,863)	(25,328)	(160,191)
Amounts paid on bond issuance cost	(8,809)	(1,500)	(10,309)
Increase in restricted deposits held by bond trustees	(283,276)	(14,929)	(298,205)
(Increase) decrease in restricted amounts held by the Dormitory Authority of the State of New York	(16,910)	30,601	13,691
Net cash flows (used by) provided by capital and related financing activities	(80,599)	52,136	(28,463)
Cash flows from investing activities:			
Investment income	5,687	444	6,131
Proceeds from sales and maturities of investments	453,231	2,999	456,230
Purchases of investments	(462,160)	(3,910)	(466,070)
Decrease in restricted cash	2,983	—	2,983
Net cash flows used by investing activities	(259)	(467)	(726)
Net increase (decrease) in cash and cash equivalents	14,745	(15,232)	(487)
Cash and cash equivalents at beginning of year	552,795	80,957	633,752
Cash and cash equivalents at end of year	$ 567,540	65,725	633,265

(Continued)

Schedule 3

THE CITY UNIVERSITY OF NEW YORK

Schedule of Cash Flows – Senior and Community Colleges

Year ended June 30, 2011

(In thousands)

		Senior colleges	Community colleges	Total
Reconciliation of operating loss to net cash flows used by operating activities:				
Operating loss	$	(1,269,087)	(560,647)	(1,829,734)
Adjustments to reconcile operating loss to net cash flows used by operating activities:				
Depreciation and amortization expense		174,203	37,600	211,803
Bad debt expense		16,413	6,913	23,326
Change in operating assets and liabilities:				
Receivables		(21,102)	(11,744)	(32,846)
Prepaid expenses and other assets		4,491	(316)	4,175
Accounts payable and accrued expenses		119,264	19,345	138,609
Deferred tuition and fees revenue		1,420	(1,272)	148
Compensated absences		3,397	462	3,859
OPEB liability		50,053	—	50,053
Deferred grant revenue		(1,636)	923	(713)
Other liabilities		(13,167)	6,836	(6,331)
Net cash flows used by operating activities	$	(935,751)	(501,900)	(1,437,651)

See accompanying independent auditors' report.