

The Brooklyn College Foundation, Inc.

Financial Statements

June 30, 2020 and 2019

The Brooklyn College Foundation, Inc.

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Independent Auditors' Report

To the Board of Trustees of
The Brooklyn College Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Brooklyn College Foundation, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Brooklyn College Foundation, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly US, LLP

Melville, New York
September 30, 2020

The Brooklyn College Foundation, Inc.

Statements of Financial Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,323,747	\$ 2,934,081
Investments (includes \$1,027,287 in 2020 and \$1,131,117 in 2019 held for split-interest agreements) (Notes 4 and 5)	58,723,696	57,256,347
Contributions receivable (net of allowance of \$100,000 in 2020 and \$1,050,000 in 2019) (Note 6)	991,549	938,300
Prepaid expenses and other current assets	30,384	8,394
	<u>61,069,376</u>	<u>61,137,122</u>
Total current assets	61,069,376	61,137,122
Investments (Notes 4 and 5)	37,974,121	37,599,468
Contributions receivable (Note 6)	916,352	1,559,377
Beneficial interest in remainder trusts (Note 5)	1,152,317	1,165,854
Beneficial interest in life insurance	189,479	174,909
	<u>101,301,645</u>	<u>101,636,730</u>
Total assets	\$ 101,301,645	\$ 101,636,730
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,706,334	\$ 2,137,629
Annuity obligations (Note 5)	93,000	100,000
	<u>2,799,334</u>	<u>2,237,629</u>
Total current liabilities	2,799,334	2,237,629
Annuity obligations (Note 5)	483,244	493,889
Deferred revenue (Note 2)	251,700	-
	<u>3,534,278</u>	<u>2,731,518</u>
Total liabilities	3,534,278	2,731,518
Net Assets		
Without donor restrictions:		
Undesignated	2,531,069	2,349,474
Board designated	796,774	677,028
	<u>3,327,843</u>	<u>3,026,502</u>
Total net assets without donor restrictions	3,327,843	3,026,502
With donor restrictions (Note 7)	94,439,524	95,878,710
	<u>97,767,367</u>	<u>98,905,212</u>
Total net assets	97,767,367	98,905,212
Total liabilities and net assets	<u>\$ 101,301,645</u>	<u>\$ 101,636,730</u>

See notes to financial statements

The Brooklyn College Foundation, Inc.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2020 (With Comparative Totals for 2019)

	Without	With	Total	
	Donor Restrictions	Donor Restrictions	2020	2019
Revenues, Gains, Losses and Other Support				
Contributions, grants, legacies and bequests	\$ 1,309,716	\$ 2,484,702	\$ 3,794,418	\$ 9,777,184
Investment income, net of investment fees of \$71,933 in 2020 and \$70,221 in 2019 (Note 4)	1,383,119	591,036	1,974,155	3,694,598
Change in value of split-interest agreements	(127,042)	75,883	(51,159)	(43,578)
Change in value of beneficial interest in remainder trusts	-	(13,537)	(13,537)	43,573
Change in value of beneficial interest in life insurance	-	14,570	14,570	(17,801)
Special events	1,500	-	1,500	3,007
Donated materials and other support	49,982	17,234	67,216	130,161
Donated services (Note 9)	989,411	-	989,411	936,279
Donated occupancy (Note 9)	108,060	-	108,060	110,762
Miscellaneous income	30,000	4,266	34,266	20,419
Net assets released from restrictions (Note 7)	4,613,340	(4,613,340)	-	-
Total revenues, gains, losses and other support	8,358,086	(1,439,186)	6,918,900	14,654,604
Expenses				
Program service, college and student support	4,686,753	-	4,686,753	4,928,538
Supporting services				
Management and general	1,606,654	-	1,606,654	1,399,344
Fundraising	1,763,338	-	1,763,338	1,762,488
Total supporting services	3,369,992	-	3,369,992	3,161,832
Total expenses	8,056,745	-	8,056,745	8,090,370
Changes in net assets before other changes	301,341	(1,439,186)	(1,137,845)	6,564,234
Transfer of artwork and collections (Note 12)	-	-	-	(68,500)
Changes in net assets	301,341	(1,439,186)	(1,137,845)	6,495,734
Net Assets, Beginning	3,026,502	95,878,710	98,905,212	92,409,478
Net Assets, Ending	\$ 3,327,843	\$ 94,439,524	\$ 97,767,367	\$ 98,905,212

See notes to financial statements

The Brooklyn College Foundation, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains, Losses and Other Support			
Contributions, grants, legacies and bequests	\$ 1,438,738	\$ 8,338,446	\$ 9,777,184
Investment income, net of investment fees of \$70,221 (Note 4)	1,430,397	2,264,201	3,694,598
Change in value of split-interest agreements	(44,744)	1,166	(43,578)
Change in value of beneficial interest in remainder trusts	-	43,573	43,573
Change in value of beneficial interest in life insurance	-	(17,801)	(17,801)
Special events	3,007	-	3,007
Donated materials and other support	130,161	-	130,161
Donated services (Note 9)	936,279	-	936,279
Donated occupancy (Note 9)	110,762	-	110,762
Miscellaneous income	18,000	2,419	20,419
Net assets released from restrictions (Note 7)	5,000,874	(5,000,874)	-
	<u>9,023,474</u>	<u>5,631,130</u>	<u>14,654,604</u>
Total revenues, gains, losses and other support			
Expenses			
Program service, college and student support	<u>4,928,538</u>	<u>-</u>	<u>4,928,538</u>
Supporting services			
Management and general	1,399,344	-	1,399,344
Fundraising	<u>1,762,488</u>	<u>-</u>	<u>1,762,488</u>
Total supporting services	<u>3,161,832</u>	<u>-</u>	<u>3,161,832</u>
Total expenses	<u>8,090,370</u>	<u>-</u>	<u>8,090,370</u>
Changes in net assets before other changes	933,104	5,631,130	6,564,234
Reclassification (Note 7)	(25,500)	25,500	-
Transfer of artwork and collections (Note 12)	<u>(68,500)</u>	<u>-</u>	<u>(68,500)</u>
Changes in net assets	839,104	5,656,630	6,495,734
Net Assets, Beginning	<u>2,187,398</u>	<u>90,222,080</u>	<u>92,409,478</u>
Net Assets, Ending	<u>\$ 3,026,502</u>	<u>\$ 95,878,710</u>	<u>\$ 98,905,212</u>

See notes to financial statements

The Brooklyn College Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2020 (With Comparative Totals for 2019)

	Program Service, College and Student Support	Management and General	Fundraising	Total	
				2020	2019
Salaries and benefits (includes donated services of \$677,776 and \$640,024 in management and general and \$311,635 and \$296,255 in fundraising expenses in 2020 and 2019, respectively)	\$ -	\$ 1,088,473	\$ 1,209,850	\$ 2,298,323	\$ 2,314,794
Scholarships and awards	2,293,193	-	-	2,293,193	2,588,366
College support	1,791,038	-	-	1,791,038	1,820,517
Conferences and travel	90,541	298	2,658	93,497	137,190
Meetings	60,687	-	4,934	65,621	193,196
Supplies	306,601	7,922	154	314,677	188,729
Advertising	4,127	-	-	4,127	4,004
Printing and publications	137,199	7,423	246,028	390,650	200,478
Postage	-	8,681	67,665	76,346	81,651
Maintenance and repairs	3,367	99,222	-	102,589	11,579
Miscellaneous	-	39,148	43,406	82,554	60,742
Consulting and professional fees	-	191,450	104,351	295,801	304,197
Insurance	-	33,827	-	33,827	37,766
Office and computer expenses	-	106,310	132	106,442	36,399
Occupancy	-	23,900	84,160	108,060	110,762
Total expenses	\$ 4,686,753	\$ 1,606,654	\$ 1,763,338	\$ 8,056,745	\$ 8,090,370

See notes to financial statements

The Brooklyn College Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Service, College and Student Support	Management and General	Fundraising	Total
Salaries and benefits (includes donated services of \$640,024 in management and general and \$296,255 in fundraising expenses)	\$ -	\$ 1,114,307	\$ 1,200,487	\$ 2,314,794
Scholarships and awards	2,588,366	-	-	2,588,366
College support	1,820,517	-	-	1,820,517
Conferences and travel	124,745	-	12,445	137,190
Meetings	146,563	-	46,633	193,196
Supplies	178,833	9,516	380	188,729
Advertising	3,909	-	95	4,004
Printing and publications	54,026	7,285	139,167	200,478
Postage	-	1,925	79,726	81,651
Maintenance and repairs	11,579	-	-	11,579
Miscellaneous	-	18,533	42,209	60,742
Consulting and professional fees	-	157,096	147,101	304,197
Insurance	-	37,766	-	37,766
Office and computer expenses	-	28,418	7,981	36,399
Occupancy	-	24,498	86,264	110,762
Total expenses	\$ 4,928,538	\$ 1,399,344	\$ 1,762,488	\$ 8,090,370

See notes to financial statements

The Brooklyn College Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Changes in net assets	\$ (1,137,845)	\$ 6,495,734
Adjustments to reconcile changes in net assets to net cash flows from operating activities		
Contributions restricted for long-term investment	(260,625)	(4,518,510)
Contributions restricted for annuity agreements	(46,317)	(21,588)
Realized gain on sale of investments	(2,018,556)	(2,008,728)
Unrealized loss (gain) on investments	996,151	(718,230)
Change in value of split-interest agreements	51,159	43,578
Change in value of beneficial interest in remainder trusts	13,537	(43,573)
Change in value of beneficial interest in life insurance	(14,570)	17,801
Change in allowance for doubtful accounts	(950,000)	-
Change in present value of pledge discount	(58,475)	(41,738)
Transfer of artwork and collections	-	68,500
Donated artwork and collections	-	(68,500)
Decrease (increase) in assets		
Contributions receivable	1,598,251	912,600
Prepaid expenses and other current assets	(21,990)	5,559
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	568,705	(10,360)
Deferred revenue	251,700	-
Net cash flows from operating activities	<u>(1,028,875)</u>	<u>112,545</u>
Cash Flows From Investing Activities		
Purchase of investments	(16,894,617)	(15,259,892)
Proceeds from sales of investments	<u>16,075,020</u>	<u>10,507,454</u>
Net cash flows from investing activities	<u>(819,597)</u>	<u>(4,752,438)</u>
Cash Flows From Financing Activities		
Proceeds from contributions restricted for investment in endowment	260,625	4,633,510
Proceeds from contributions restricted for annuity obligations	108,876	55,089
Payments to annuitants	<u>(131,363)</u>	<u>(104,012)</u>
Net cash flows from financing activities	<u>238,138</u>	<u>4,584,587</u>
Net decrease in cash and cash equivalents	(1,610,334)	(55,306)
Cash and Cash Equivalents, Beginning	<u>2,934,081</u>	<u>2,989,387</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,323,747</u>	<u>\$ 2,934,081</u>

See notes to financial statements

The Brooklyn College Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

1. Nature of Organization

The Brooklyn College Foundation, Inc. (the Foundation), located in Brooklyn, New York is incorporated under the laws of the State of New York as a not-for-profit corporation to assist Brooklyn College (the College) by developing an ongoing and increasing base of support from alumni and friends of the College. The Foundation is supported primarily by contributions and investment income.

The Board of Trustees of the Foundation manages all funds held in trust by the Foundation in accordance with its act of incorporation. The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and corresponding provisions of state laws and, accordingly, is not subject to federal or state income taxes; however, it pays unrelated business income tax on the income from certain limited partnerships. The Internal Revenue Service (IRS) has classified the Foundation as an organization that is not a private foundation.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Cash and Cash Equivalents

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

Investments and Investment Income

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

Investment income is recognized when earned. Investment income (including realized and unrealized gains and losses on investments and interest and dividends) is included in the change in net assets without donor restrictions unless donor stipulations or law restricts the income or loss. Gains and losses on the sale of investments are based on an identified cost basis. Investment fees have been netted against investment income in the statements of activities and changes in net assets.

Investment securities, in general, are exposed to various risks such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the financial statements.

The Brooklyn College Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Allowance for Doubtful Accounts and Bad Debt Expense

Contributions receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the contributions receivable by management. Factors used to determine whether an allowance should be recorded include the age of the receivable, a review of payments subsequent to year-end, historical information and other factors.

Beneficial Interest in Remainder Trusts

The beneficial interest in remainder trusts is recorded at fair value.

Beneficial Interest in Life Insurance

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

Deferred Revenue

In May 2020, the Foundation applied for and was approved for funding of \$251,700 pursuant to the Paycheck Protection Program (PPP), administered by the U.S. Small Business Administration. The PPP was authorized in the Coronavirus Aid, Relief and Economic Security (CARES) Act. The Foundation received the proceeds on May 4, 2020. Subject to certain eligibility and spending requirements under the PPP, some or all of the loan amount may be forgiven. The Foundation is accounting for the PPP funds as a conditional contribution. As of June 30, 2020, the Foundation has recorded the PPP funding as deferred revenue. PPP revenue will be recognized when the conditions are met.

Net Assets

The net assets of the Foundation are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objectives of the Foundation. Board designated net assets represent funds without donor restrictions which may, from time to time, be designated by Board action for scholarships.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that will be met either by the actions of the Foundation and/or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions. Net assets with donor restrictions also include net assets that are subject to donor-imposed stipulations that neither expire by the passage of time, nor can be fulfilled or removed by actions of the Foundation. These donor restricted net assets represent endowment funds to be held in perpetuity.

The Brooklyn College Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Endowment

The Foundation follows the provisions of the *Not-for-Profit Entities Topic* of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, related to enhanced disclosures for endowment funds. Specifically, the Foundation classifies the portion of the endowment funds that is not classified as net assets in perpetuity as time restricted net assets until appropriated for expenditure by the Foundation. If the endowment fund is also subject to a purpose restriction, the reclassification of the appropriated amount to net assets without donor restrictions would not occur until the purpose restriction also has been met.

Revenue Recognition

Contributions

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

Special Events Revenue

A portion of special events revenue represents a reciprocal transaction equal to the cost of direct benefits to donors with the remainder representing contributions. For the years ended June 30, 2020 and 2019, there were no direct benefits to donors.

Donated Services and Occupancy

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the Foundation. Donated occupancy is recognized based on the fair value of the rental. The time expended by members of the Board of Trustees and other volunteers is not recognized as contributions in the financial statements.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are related to more than one program or supporting function. Expenses that are allocated based on time and effort include salaries and benefits. Expenses that are allocated based on square footage utilized include occupancy costs.

Advertising

The Foundation expenses advertising costs as incurred.

Uncertain Tax Positions

Management evaluated the Foundation's tax positions and concluded that the Foundation has not taken any uncertain tax positions that require adjustment to the financial statements to comply with the provisions of FASB ASC 740.

The Brooklyn College Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through September 30, 2020, which is the date the financial statements were available to be issued.

Recent Accounting Pronouncements

In 2020, the Foundation adopted FASB's Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)* using the modified retrospective approach. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. The adoption of ASU 2014-09 did not impact the Foundation's revenue recognition methodology.

In 2020, the Foundation adopted ASU 2018-08, *Contributions - Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance under ASU 2018-08 is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in ASU 2018-08 assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Management determined that there is no impact of adopting ASU 2018-08 on the Foundation's financial statements.

In 2019, the Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption standard changed the following aspects of the Foundation's financial statements:

- The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions.
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets With Donor Restrictions.
- The statements of functional expenses has been presented within the basic financial statements.
- The basis for allocation of expenses to functional classifications has been disclosed (Note 2).
- The financial statements include a disclosure about liquidity and availability of resources (Note 3).
- The endowment presentation has been updated to reflect the requirements of ASU 2016-14 (Note 7).

The Brooklyn College Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

3. Liquidity and Availability of Resources

The following table reflects the Foundation's financial assets available for general expenditure within one year as of June 30, 2020 and 2019. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,323,747	\$ 2,934,081
Investments, current portion	58,723,696	57,256,347
Contributions receivable, current portion	991,549	938,300
Total financial assets	61,038,992	61,128,728
Less donor restricted amounts	(56,465,403)	(58,279,242)
Less annuity obligations	(576,244)	(593,889)
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,997,345</u>	<u>\$ 2,255,597</u>

The Foundation has fluctuations of working capital and cash flow variations during the year attributable to the timing of cash receipts from contributions. As part of the Foundation's liquidity management, its practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

4. Investments and Fair Value

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under authoritative guidance are described as follows:

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

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

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from and corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology were unobservable and significant to the fair value measurement.

The Brooklyn College Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observables and minimize the use of unobservable inputs.

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2020 and 2019.

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

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

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

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

The Brooklyn College Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

The following tables present the fair value hierarchy for assets of the Foundation measured at fair value as of June 30, 2020 and 2019:

	Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds, domestic equities	\$ 25,235,801	\$ -	\$ -	\$ 25,235,801
Mutual funds, fixed income	17,676,224	6,962,574	-	24,638,798
Mutual funds, international equity	14,142,620	-	-	14,142,620
Common stock	897,210	-	-	897,210
Beneficial interest in remainder trusts	-	-	1,152,317	1,152,317
	<u>\$ 57,951,855</u>	<u>\$ 6,962,574</u>	<u>\$ 1,152,317</u>	<u>66,066,746</u>
Assets recorded at net asset value as a practical expedient to fair value (a)				<u>30,460,288</u>
Total assets at fair value				96,527,034
Plus cash equivalents				1,323,100
Less beneficial interest in remainder trusts				<u>(1,152,317)</u>
Total investments				<u>\$ 96,697,817</u>

	Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds, domestic equities	\$ 21,184,990	\$ -	\$ -	\$ 21,184,990
Mutual funds, fixed income	22,319,390	6,300,530	-	28,619,920
Mutual funds, international equity	13,185,594	-	-	13,185,594
Common stock	1,065,741	-	-	1,065,741
Beneficial interest in remainder trusts	-	-	1,165,854	1,165,854
	<u>\$ 57,755,715</u>	<u>\$ 6,300,530</u>	<u>\$ 1,165,854</u>	<u>65,222,099</u>
Assets recorded at net asset value as a practical expedient to fair value (a)				<u>30,782,650</u>
Total assets at fair value				96,004,749
Plus cash equivalents				16,920
Less beneficial interest in remainder trusts				<u>(1,165,854)</u>
Total investments				<u>\$ 94,855,815</u>

- (a) In accordance with ASU 2015-07, certain investments that are measured at NAV per share (or its equivalent) as a practical expedient to fair value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

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Changes in beneficial interest in remainder trusts for the years ended June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning	\$ 1,165,854	\$ 1,122,281
Investment gains	139,153	196,263
Distributions	<u>(152,690)</u>	<u>(152,690)</u>
Balance, ending	<u>\$ 1,152,317</u>	<u>\$ 1,165,854</u>

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

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 1,023,683	\$ 1,037,861
Realized gain on sale of investments	2,018,556	2,008,728
Unrealized (loss) gain on investments	(996,151)	718,230
Less investment fees	<u>(71,933)</u>	<u>(70,221)</u>
Total	<u>\$ 1,974,155</u>	<u>\$ 3,694,598</u>

The following table sets forth additional disclosures of the Foundation's investments in certain entities whose fair value is estimated using the NAV per share (or its equivalent) as a practical expedient to fair value as of June 30, 2020 and 2019.

	<u>Fair Value as of June 30,</u>		<u>Unfunded</u>	<u>Redemption</u>	<u>Redemption</u>
	<u>2020</u>	<u>2019</u>			
Hedge fund (a)	\$ 2,912,025	\$ 3,099,471	None	Monthly	45 days
Hedge fund (b)	2,168,556	2,951,506	None	Quarterly	60 days
Hedge fund (c)	2,353,636	1,989,123	None	3 Years	90 days
Hedge fund (d)	3,207,295	3,204,844	None	Quarterly	60 days
Hedge fund (e)	3,022,987	2,499,008	None	Quarterly	45 days
Hedge fund (f)	3,498,883	2,787,383	None	Quarterly	60 days
Hedge fund (g)	2,861,316	2,671,098	None	Quarterly	60 days
Limited Liability Company (h)	6,507,663	6,721,995	None	Monthly	10 days
Limited Partnership (i)	3,912,520	3,715,693	None	Annually	45 days
Limited Partnership (j)	15,407	1,142,529	None	2 Years	90 days
	<u>\$ 30,460,288</u>	<u>\$ 30,782,650</u>			

Hedge Fund (a)

This hedge fund is a global, market-neutral long/short equity strategy. This fund invests directly and indirectly in equity securities listed on U.S. and non-U.S. exchanges. This fund aims to capitalize on long-term market inefficiencies and is designed to have low correlation to global equity markets. This fund focuses on low turnover due to their long-term investment horizon, holding constraints with less than 8 percent of market capitalization in their long positions and minimal currency exposure to ensure their absolute return objective.

Hedge Fund (b)

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

Hedge Fund (c)

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

Hedge Fund (d)

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

Hedge Fund (e)

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

Hedge Fund (f)

This fund uses a multi-portfolio manager structure and centralized risk infrastructure to invest capital across strategies within a largely related value, market neutral investment framework. This fund is designed to produce consistently high risk-adjusted returns with limited sensitivity to traditional equity and fixed income markets. Strategies in the portfolio include merger arbitrage, fundamental market neutral long/short equity, fundamental conservative long/short equity, high yield credit long/short, investment grade credit long/short, opportunistic and convertible arbitrage. This fund's portfolio managers abide by strict risk and position size limits within their respective strategy sleeves, and the CIO and Capital Allocation committee add another layer of risk oversight at this fund level. The resulting portfolio is highly diversified, generally holding in excess of 2,000 positions. Key to this fund's process is its focus on risk management, market liquidity and its ability to allocate capital across strategies to areas with the best perceived risk adjusted return opportunities.

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Hedge Fund (g)

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

Limited Liability Company (h)

For the limited liability company, the investment manager employs a value-oriented investment strategy using strict valuation and fundamental analysis. They target stocks that are selling at a deep discount to their historical price/earnings ratios on a project earnings basis, and have above-average historical growth rates and balance sheet strength. Portfolios contain 35 to 50 issues, fairly equally weighted. Representation of a single issue within a portfolio usually does not exceed 5 percent; representation of a particular industry does not exceed 25 percent.

Limited Partnership (i)

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

Limited Partnership (j)

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

5. Charitable Gift Annuities and Remainder Trusts

The Foundation administers a Charitable Gift Annuity Program, which is regulated by New York Department of Financial Services and managed by the Foundation and is also registered in various states. The Foundation is the remainderman of the annuities. The total fair value of the assets held for the charitable gift annuities is approximately \$1,027,000 and \$1,131,000 as of June 30, 2020 and 2019, respectively. The discount rates used to determine the present value of the split-interest agreements range between 1.00 percent and 6.00 percent. The Foundation has adequate reserves as of June 30, 2020 and 2019 to fund its charitable gift annuity obligations and is in compliance with Code of Maryland Regulations 31.09.07.03. As of June 30, 2020 and 2019, the annuity obligations were approximately \$576,000 and \$594,000, respectively.

Additionally, the Foundation is the remainderman of charitable remainder trusts for which it is not the trustee. As of June 30, 2020 and 2019, the balance was approximately \$1,152,000 and \$1,166,000, respectively.

The Brooklyn College Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

6. Contributions Receivable

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

	<u>2020</u>	<u>2019</u>
Total contributions receivable	\$ 2,088,549	\$ 3,686,800
Less allowance for doubtful accounts	(100,000)	(1,050,000)
Less discount to present value	(80,648)	(139,123)
	<u>\$ 1,907,901</u>	<u>\$ 2,497,677</u>
Net present value of contributions receivable		
	<u>\$ 1,907,901</u>	<u>\$ 2,497,677</u>
Amounts due in:		
One year or less	\$ 991,549	\$ 938,300
Two to five years	916,352	1,559,377
	<u>\$ 1,907,901</u>	<u>\$ 2,497,677</u>

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

7. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the amounts restricted for the following as of June 30:

	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
Scholarships and awards	\$ 13,911,773	\$ 13,255,275
College support	36,432,772	39,316,996
Unappropriated endowment income:		
Scholarships and awards	3,076,922	2,848,351
College support	3,077,182	2,894,160
Endowments held in perpetuity:		
Scholarships and awards	22,694,746	22,387,487
College support	15,246,129	15,176,441
	<u>\$ 94,439,524</u>	<u>\$ 95,878,710</u>

Net assets released from donor restrictions by appropriation or by incurring expenses satisfying the restricted purposes of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Scholarships and awards	\$ 2,293,193	\$ 2,588,366
College support	2,320,147	2,412,508
	<u>\$ 4,613,340</u>	<u>\$ 5,000,874</u>

During 2019, certain net assets were reclassified from net assets without donor restrictions to net assets with donor restrictions in accordance with donor agreements.

The Brooklyn College Foundation, Inc.

Notes to Financial Statements

June 30, 2020 and 2019

General

The Foundation's endowment consists of 274 donor restricted endowment funds for the purposes indicated below.

Endowment

The Foundation's endowment funds are established to provide (i) scholarships, fellowships, prizes and other assistance to students of Brooklyn College; (ii) awards, prizes and subventions to Brooklyn College faculty and staff or other persons for outstanding achievements or services to Brooklyn College; (iii) funds for the library, academic departments and for the administration of Brooklyn College; (iv) support for the establishment, maintenance, building, improvement, operation and support of recreational rooms, places and buildings of Brooklyn College; and (v) support for the functioning and operation of the curricular and extra-curricular activities of Brooklyn College and its related and associated agencies.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The Foundation is now governed by the NYPMIFA spending policy, which establishes a maximum prudent spending limit of 7 percent of the average of its previous 5 years' balance. As a result of this interpretation, the Foundation classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified as net assets restricted in perpetuity is classified as time or time and purpose restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by NYPMIFA. Management has interpreted NYPMIFA as allowing spending from underwater endowment funds in accordance with the spending policy.

Return Objectives, Strategies Employed and Spending Policy

The primary investment objective of the endowment is to attain an average nominal total return of 8 percent over a full market cycle. This nominal rate of return approximates the long-term inflation rate of 3 percent plus the endowment's required annual spending rate of 4 percent of earnings. In order to achieve this rate of return, some investment risk must be taken in the management of the endowment. The most effective way to establish appropriate risk levels for the endowment is through net asset allocation (i.e., cash, fixed income, credit investments, long-only equities, alternative assets/hedge funds, private equity and real estate). A strategic long-term asset allocation has been adopted for the endowment. Over time, the endowment's allocation to specific asset classes should remain within the percentage ranges that are part of the long-term strategic asset allocation. The overall asset allocation strategy shall be to construct a diversified investment portfolio that should enhance long-term total return while avoiding undue risk or concentration in any single asset class.

Funds with Deficiencies

The Foundation does not have any funds with deficiencies.

The Brooklyn College Foundation, Inc.

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Endowment Funds

The following represents the composition of endowment net assets by fund type as of June 30, 2020:

	With Donor Restrictions		
	Original Gift	Accumulated Gains	Total
Endowment funds	\$ 37,940,875	\$ 6,154,104	\$ 44,094,979

The changes in endowment net assets were as follows for the year ended June 30, 2020:

	With Donor Restrictions		
	Original Gift	Accumulated Gains	Total
Endowment net assets, beginning	\$ 37,563,928	\$ 5,742,511	\$ 43,306,439
Contributions	260,625	85,378	346,003
Investment income	114,027	1,490,314	1,604,341
Change in value split-interest agreements	2,295	-	2,295
Appropriations	-	(1,164,099)	(1,164,099)
Endowment net assets, ending	\$ 37,940,875	\$ 6,154,104	\$ 44,094,979

The following represents the composition of endowment net assets by fund type as of June 30, 2019:

	With Donor Restrictions		
	Original Gift	Accumulated Gains	Total
Endowment funds	\$ 37,563,928	\$ 5,742,511	\$ 43,306,439

The changes in endowment net assets were as follows for the year ended June 30, 2019:

	With Donor Restrictions		
	Original Gift	Accumulated Gains	Total
Endowment net assets, beginning	\$ 31,464,310	\$ 5,168,416	\$ 36,632,726
Contributions	4,518,510	75,276	4,593,786
Investment income	1,578,685	1,444,684	3,023,369
Change in value split-interest agreements	2,423	-	2,423
Appropriations	-	(945,865)	(945,865)
Endowment net assets, ending	\$ 37,563,928	\$ 5,742,511	\$ 43,306,439

The Brooklyn College Foundation, Inc.

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8. Pension

The Foundation has a 401(k) pension plan for its employees. For the years ended June 30, 2020 and 2019, the expense was approximately \$76,000 and \$85,000, respectively.

9. Related-Party Transactions

The Foundation utilizes certain facilities and professional services provided by the College. The estimated fair value of occupancy costs and salaries and benefits amounted to approximately \$108,000 and \$989,000, respectively, for the year ended June 30, 2020, and \$111,000 and \$936,000, respectively, for the year ended June 30, 2019, and are included in the accompanying statements of activities and changes in net assets as both income and expense.

See Note 11 for unconditional promises to give to the College.

10. Concentrations

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

Pledges at gross totaling approximately \$940,000 from two donors and \$2,591,000 from three donors before discounting represent a significant portion of the total outstanding contributions receivable balance as of June 30, 2020 and 2019, respectively.

As of June 30, 2020 and 2019, approximately 12 percent and 45 percent, respectively, of gross outstanding contributions receivable represent amounts due from the Foundation's Board of Trustee members.

11. Unconditional Promises to Give

As of June 30, 2020 and 2019, the Foundation has a remaining commitment to fund the building of the Brooklyn College Performing Arts Center for \$1,600,000.

In addition, as of June 30, 2020 and 2019, the Foundation has a commitment of \$295,000 to fund the remaining construction retainage related to a Cinema Academy building at Steiner Studios.

12. Transfer of Artwork and Collections

During 2019, the Foundation received and then transferred artwork and collections that had been donated to the Foundation for the benefit of the College to Brooklyn College in the amount of \$68,500.