



Yeshiva University

FINANCIAL STATEMENTS

2013–2012

Yeshiva University and Related Entities

**Consolidated Financial Statements
June 30, 2013 and 2012**

Yeshiva University and Related Entities

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June 30, 2013 and 2012

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Independent Auditor's Report

To the Board of Trustees of
Yeshiva University and Related Entities

We have audited the accompanying consolidated financial statements of Yeshiva University and Related Entities (the "University"), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 the consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated 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 University'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yeshiva University and Related Entities at June 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

The University has incurred significant operating losses over the past several years which has reduced cash available to fund its operations. The financial condition of the University and management's plans to generate adequate cash flow to support continued operations are further described in Note 1 of the consolidated financial statements. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

New York, New York
March 1, 2014

Yeshiva University and Related Entities
Consolidated Statements of Financial Position
June 30, 2013 and 2012

<i>(in thousands of dollars)</i>	2013	2012
Assets		
Cash and cash equivalents	\$ 21,572	\$ 4,290
Contributions receivable, net (Note 7)	142,094	312,537
Grants and contracts receivable	43,420	40,505
Mortgage loans receivable	17,949	20,289
Due from affiliated organizations (Note 7)	4,904	1,674
Student receivable, net (Note 7)	55,282	65,459
Other assets (Note 7)	81,166	63,469
Funds held by bond trustees (Note 10)	7,735	17,605
Assets held for sale (Note 1)	39,550	-
Investments (Notes 3, 4, 5 and 6)	1,138,372	953,766
Trusts and split-interest agreements held by others	20,789	20,536
Land, buildings, and equipment, net (Note 8)	665,853	728,015
Total assets	<u>\$ 2,238,686</u>	<u>\$ 2,228,145</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 93,263	\$ 97,469
Deferred revenue	21,078	16,253
Line of credit (Note 10)	74,698	48,724
Trusts held for others	15,635	5,628
Investment payable for unsettled trades (Note 3)	44,213	-
Other liabilities	45,784	60,094
Refundable advances from the U.S. Government	6,104	6,008
Bonds payable and other debt (Note 10)	399,707	406,863
Capital lease obligation (Note 11)	36,264	37,416
Asset retirement obligations (Note 12)	15,279	15,252
Total liabilities	<u>752,025</u>	<u>693,707</u>
Net assets		
Unrestricted	228,284	283,130
Temporarily restricted (Note 16)	543,637	556,097
Permanently restricted (Note 17)	714,740	695,211
Total net assets	<u>1,486,661</u>	<u>1,534,438</u>
Total liabilities and net assets	<u>\$ 2,238,686</u>	<u>\$ 2,228,145</u>

The accompanying notes are an integral part of these consolidated financial statements.

Yeshiva University and Related Entities
Consolidated Statements of Activities
June 30, 2013 and 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<i>(in thousands of dollars)</i>								
Operating revenues								
Tuition and fees, net of scholarships and fellowships of \$99,415 in 2013 and \$92,534 in 2012 (Note 14)	\$ 128,760	\$ -	\$ -	\$ 128,760	\$ 122,635	\$ -	\$ -	\$ 122,635
Grants and contracts	204,856	-	-	204,856	242,607	-	-	242,607
Patient care revenue	47,525	-	-	47,525	53,189	-	-	53,189
Private gifts and bequests	30,241	-	-	30,241	21,742	-	-	21,742
Services under affiliation agreements	17,579	-	-	17,579	13,930	-	-	13,930
Endowment support utilized (Note 4)	47,091	-	-	47,091	48,247	-	-	48,247
Other investment income	763	-	-	763	-	-	-	-
Auxiliary enterprises	36,974	-	-	36,974	30,425	-	-	30,425
Other revenue	17,170	-	-	17,170	19,398	-	-	19,398
Net assets released from restrictions (Note 15)	110,109	-	-	110,109	40,223	-	-	40,223
Total operating revenues	641,068	-	-	641,068	592,396	-	-	592,396
Operating expenses								
Instruction	189,575	-	-	189,575	186,119	-	-	186,119
Research and training	241,456	-	-	241,456	241,247	-	-	241,247
Patient care	56,110	-	-	56,110	49,730	-	-	49,730
Academic support	63,161	-	-	63,161	59,539	-	-	59,539
Student services	24,420	-	-	24,420	23,184	-	-	23,184
Institutional support	83,284	-	-	83,284	97,903	-	-	97,903
Auxiliary enterprises	46,641	-	-	46,641	40,580	-	-	40,580
Total operating expenses	704,647	-	-	704,647	698,302	-	-	698,302
Decrease from operating activities	(63,579)	-	-	(63,579)	(105,906)	-	-	(105,906)
Nonoperating activities								
Private gifts and bequests	-	37,845	19,518	57,363	-	188,313	15,989	204,302
Other revenue	208	(379)	635	464	-	-	-	-
Net assets released from restrictions and reclassifications (Note 15)	(9,251)	(99,257)	(1,601)	(110,109)	-	(41,723)	1,500	(40,223)
Change in value of split-interest agreements	-	3,485	(32)	3,453	-	31	(444)	(413)
Investment return in excess of (less than) amount utilized (Note 4)	12,913	45,846	1,009	59,768	(12,977)	(19,268)	926	(31,319)
Subsidy of High Schools (Note 7)	(8,628)	-	-	(8,628)	-	-	-	-
Gain on sale of property (Note 8)	18,042	-	-	18,042	-	-	-	-
Write off of land, buildings, and equipment	(4,551)	-	-	(4,551)	-	-	-	-
Change in net assets	(54,846)	(12,460)	19,529	(47,777)	(118,883)	127,353	17,971	26,441
Net assets								
Beginning of year	283,130	556,097	695,211	1,534,438	402,013	428,744	677,240	1,507,997
Change in net assets	(54,846)	(12,460)	19,529	(47,777)	(118,883)	127,353	17,971	26,441
End of year	\$ 228,284	\$ 543,637	\$ 714,740	\$ 1,486,661	\$ 283,130	\$ 556,097	\$ 695,211	\$ 1,534,438

The accompanying notes are an integral part of these consolidated financial statements.

Yeshiva University and Related Entities
Consolidated Statements of Cash Flows
June 30, 2013 and 2012

<i>(in thousands of dollars)</i>	2013	2012
Cash flows from operating activities		
Change in net assets	\$ (47,777)	\$ 26,441
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized and unrealized gains on investments	(103,595)	(14,923)
Receipt of contributed securities	(3,968)	(5,382)
Depreciation, accretion, and amortization expense	51,994	50,175
Write off of land, buildings, and equipment	4,551	-
Gain on sale of property	(18,042)	-
(Increase) decrease in trusts and split-interest agreements held by others	(253)	604
Provision for uncollectible loans and receivables	11,714	15,032
Contributions restricted for long-term investment	(1,723)	(22,048)
Contributions restricted for investment in plant assets	(1,150)	(4,491)
Changes in operating assets and liabilities		
Receivables	169,488	(206,577)
Other assets	(20,639)	(9,329)
Asset retirement obligations	(509)	(304)
Accounts payable and accrued expenses, deferred revenue, and other liabilities	(3,684)	21,283
Net cash provided by (used in) operating activities	<u>36,407</u>	<u>(149,519)</u>
Cash flows from investing activities		
Decrease in student and faculty loans receivables, net	2,828	11,597
Proceeds from sale of contributed securities	3,968	5,382
Additions to land, buildings, and equipment	(38,743)	(43,824)
Proceeds from sale of property	22,675	-
Change in funds held by bond trustees	9,870	(1,699)
Purchases of investments	(339,856)	(284,280)
Proceeds from sales of investments	258,844	369,132
Change in investment payable for unsettled trades	44,213	-
Net cash (used in) provided by investing activities	<u>(36,201)</u>	<u>56,308</u>
Cash flows from financing activities		
Contributions restricted for long-term investment	1,723	22,048
Change in permanently restricted contributions receivable	(6,584)	(442)
Contributions restricted for investment in plant assets	1,150	4,491
Change in capital contributions receivable	2,311	3,556
Change in refundable advances from the U.S. Government	96	13
Proceeds from line of credit	155,237	285,000
Payment on line of credit	(129,263)	(237,000)
Proceeds from issuance of bonds, notes, and mortgages payable	-	90,550
Payment of bonds, notes, and mortgages payable	(6,442)	(73,631)
Payment on capital lease obligation	(1,152)	(1,099)
Net cash provided by financing activities	<u>17,076</u>	<u>93,486</u>
Net increase in cash and cash equivalents	17,282	275
Cash and cash equivalents		
Beginning of year	<u>4,290</u>	<u>4,015</u>
End of year	<u>\$ 21,572</u>	<u>\$ 4,290</u>
Supplemental disclosure		
Interest paid	\$ 19,150	\$ 16,172
Decrease in accounts payable and accrued expenses relating to plant assets	\$ (626)	\$ (477)
Loan payable held by third party	\$ 17,897	\$ 18,585

The accompanying notes are an integral part of these consolidated financial statements.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(in thousands of dollars)

1. The University and its Operations

Yeshiva University (the "University") is a private, non-profit institution of higher education primarily based in New York City. The University was founded in 1886 as the Rabbi Issac Elchanan Theological Seminary ("RIETS"), with which it is still affiliated, and was chartered as a separate University in 1945. The university brings together the heritage of Western civilization and the ancient traditions of Jewish law and life.

Several colleges and schools comprise the University providing undergraduate, graduate, professional, and post-doctoral education and training. The University's undergraduate education includes Jewish Studies (the Robert M. Beren Department of Jewish Studies and the Rebecca Ivry Department of Jewish Studies), Yeshiva College, Stern College for Women, Sy Syms School of Business and the S. Daniel Abraham Israel Program in Israel. Its graduate and professional schools include the Albert Einstein College of Medicine ("Einstein"), Benjamin N. Cardozo School of Law ("Cardozo"), Sy Syms School of Business, Wurzweiler School of Social Work, Ferkauf Graduate School of Psychology ("Ferkauf"), Azrieli Graduate School of Jewish Education and Administration, and Bernard Revel Graduate School of Jewish Studies. The University provides instruction to approximately 6,750 undergraduate, graduate and professional students.

The University is accredited by the Middle States Association of Colleges and Schools, Einstein is accredited by the Council on Medical Education of the American Medical Association, and Cardozo is accredited by the American Bar Association. The other academic programs are accredited by appropriate state and professional accrediting agencies and associations.

The University performs research and clinical services at Einstein under grants, contracts, and similar agreements with sponsoring organizations. Einstein and Ferkauf operate several clinics for programs under contracts with various agencies of New York State and New York City. The clinics primarily provide mental health and rehabilitation services to adults and children, and treatment for drug and alcohol abuse.

The University has four New York City campuses: the Wilf Campus located in the Washington Heights section of Manhattan, the Israel Henry Beren Campus located in the Murray Hill section of Manhattan, the Brookdale Center located in the Greenwich Village section of Manhattan, and the Jack and Pearl Resnick Campus located in the Bronx. The Wilf Campus, Beren Campus and the Brookdale Center, together with Ferkauf, which is located in the Bronx, comprise the Manhattan Campuses. The Manhattan Campuses include all units of the University other than Einstein. The University operates a museum in New York City and is associated with programs in Israel and Canada.

The University derives its revenues principally from student tuition and fees, government appropriations, grants and contracts, clinical services, gifts, and investment earnings. Additional support is generated through auxiliary activities carried out by the University, such as dining services, student health services, and residence facilities. The University spends these resources to meet its instructional and research mission.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

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(in thousands of dollars)

Related Entities

There are several entities (the "Related Entities") that are controlled by the University and for which the University provides various administrative services. The financial results of the Related Entities are consolidated within the financial results of the University for financial statement reporting purposes.

The Albert Einstein College of Medicine Staff Housing Co., Inc. (the "Housing Company") owns and operates a 635 unit, limited profit housing project under the supervision of the Housing Development Corporation of the City of New York through the Mitchell-Lama Housing Program. The Housing Company, a not-for-profit entity, provides housing primarily for Einstein students.

The Yeshiva Endowment Foundation, Inc. (the "Foundation") was formed in 1927 as a separate not-for-profit corporation organized for the benefit of the University and its affiliate, RIETS. Control of the Foundation is vested in a Board of Directors, all of whom are members of the University's Board of Trustees. The Foundation includes five wholly owned, for-profit real estate corporations.

The University also owns several real estate entities, some of which are for-profit, that provide housing for University-affiliated individuals and others.

Affiliated Organizations

RIETS and the Yeshiva University High Schools (the "High Schools"), an education corporation that maintains separate secondary school programs for boys and girls, are independently incorporated not-for-profit institutions separately chartered by the Board of Regents of the State of New York in 1970 and 2003, respectively. Control of RIETS and the High Schools is vested in their respective boards of trustees, a minority of whose membership includes trustees of the University. The financial results for these two entities are not included in the consolidated financial statements.

Affiliation Agreements

Einstein has long-standing affiliation agreements with the New York City Health and Hospital Corporation ("HHC") and with several area hospitals including Beth Israel Medical Center, Bronx Lebanon Hospital, Bronx Psychiatric Center, Maimonides Medical Center, Montefiore Medical Center ("Montefiore"), and North Shore-Long Island Jewish Health Systems. Under the terms of these agreements, the affiliated institutions provide a clinical training site for Einstein's students and Einstein pays a limited amount for supervision and direction of its students provided by the affiliated institutions. In addition, Einstein also provides certain professional and related supporting services in exchange for payment by the affiliated institutions of certain direct contract and overhead costs incurred by Einstein in connection with graduate educational programs and research programs conducted at the affiliated institutions. From time to time, Einstein subcontracts with researchers or physicians at the affiliated institutions to conduct research for Einstein in connection with Einstein's grants from the National Institutes of Health ("NIH"); in such instances Einstein reimburses those researchers or physicians in accordance with the budget approved by NIH.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(in thousands of dollars)

In addition, Einstein entered into a lease agreement with Montefiore in 1979, whereby Einstein granted exclusive occupation, management, and control of Weiler Hospital of Albert Einstein College of Medicine ("WHAECOM") to Montefiore. The lease expires in 2045. The agreement provides for payments of rent, personal services, and various other charges. The lease payments for fiscal 2014 amount to \$2,133 with annual increases thereafter of approximately 2% through 2045. The rental income on this lease is recognized evenly over the life of the lease, and accordingly, a rent receivable of \$7,558 and \$6,900 is included in Other assets in the Consolidated Statements of Financial Position at June 30, 2013 and 2012, respectively.

Tax Matters

The University is a not-for-profit corporation described in Internal Revenue Code Section 501(c)(3) and is generally exempt from federal income taxes on related income under Internal Revenue Code Section 501(a). Accordingly, no provision for federal income tax has been recorded in the consolidated financial statements. The University is also exempt from New York income taxes under the related state provisions. The University is subject to the unrelated business income tax on revenue generated by activities unrelated to its tax-exempt mission, primarily from income generated by certain alternative investments. For the years ended June 30, 2013 and 2012, the University generated net unrelated trade or business losses of \$(1,407) and \$(3,353), respectively. As of June 30, 2013, the University has approximately \$8,156 of ordinary loss carry-forwards to offset unrelated business income and capital gains generated in future years. Management has taken the position not to record a deferred tax asset with respect to these losses, as it is uncertain whether such losses will be utilized in the future.

The Housing Company is a not-for-profit corporation described in Internal Revenue Code Section 501(c)(2) and is exempt from federal income taxes under Internal Revenue Code Section 501(a).

The Foundation is a not-for-profit corporation described in Internal Revenue Code Section 501(c)(3) and is exempt from federal income taxes under Internal Revenue Code Section 501(a). The Foundation operates as a supporting organization of the University. The real estate entities are wholly owned by either the University or the Foundation and operate as for-profit entities which are either disregarded or are subject to income tax at the federal, state, and local levels. In the opinion of management, these entities generate recurring losses and de minimus tax liabilities that are not material to the consolidated financial statements. Management has taken the position not to record a deferred tax asset with respect to these losses, as it is uncertain whether such losses will be utilized in the future.

Management assesses its income tax position each year to determine whether it is more likely that not to be sustained if examined by an applicable taxing authority. This review for fiscal 2013 had no material impact on the consolidated financial statements.

Financial Position and Liquidity

In recent years, Yeshiva University has incurred significant operating losses, including \$63,579 in fiscal 2013 and \$105,906 in fiscal 2012. Excluding net assets released from restrictions in operating revenues, operating losses amounted to \$173,688 and \$146,129 in fiscal 2013 and fiscal 2012, respectively. These losses have significantly constrained the University's cash to finance recurring operations. The University has experienced continued operating deficits since June 30, 2013 which have been funded in part by the use of lines of credit, short-term borrowings, utilization of board-designated quasi-endowment funds, when approved by the Board, and available donor restricted gift funds.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(in thousands of dollars)

During fiscal 2013, to help finance its operations, the University increased its line of credit facility by \$25,000 to \$75,000, and this facility was fully drawn at June 30, 2013. Additionally, subsequent to June 30, 2013, the University entered into a \$60,000 short-term note purchase agreement with another bank, collateralized by certain real property owned by the University.

During fiscal 2013, the University utilized approximately \$23,000 of Consolidated Investment Pool ("CIP") funds for operations, which was recorded as an additional borrowing of Manhattan Campuses payable to the CIP. The Board of Trustees subsequently approved an intra-institutional transfer of funds of approximately \$30,000 from board-designated unrestricted funds to replenish approximately \$23,000 of the balance owed by Manhattan Campuses to the CIP (Note 5). When funds are available, such intra-institutional transfer will replenish such board-designated unrestricted funds. Additionally, as noted above, to support the University's education, research and other operating activities in fiscal 2013, the University utilized certain donor restricted non-endowed gift funds consistent with donor gift instruments. These amounts utilized have been appropriately reflected as releases of temporarily restricted net assets to unrestricted net assets in fiscal 2013 (Note 15). At June 30, 2013, temporarily restricted net assets are sufficiently supported by the University's liquid assets.

The shortfall in the University's current available cash position reflects several economic factors, including:

- Losses incurred with respect to long-term invested assets.
- Increases in the need for University funds to supplement other sources of financial aid.
- Reduced research grant funding.
- Investments in faculty to enhance undergraduate education and medical research.
- Investments in facilities to support the growth needs of education and medical research.
- Investments in updated technologies.

The University continues to face significant cash flow and other financial challenges, and as a result is considering certain strategic and operational options. With a focused effort to address the University's liquidity and other financial challenges, the University has retained a financial advisor to assist in the review of the University's financial position and, together with Board/University Committees and management, to formulate a long-term, comprehensive strategic business plan for a sustainable Yeshiva University.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

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(in thousands of dollars)

The Board of Trustees has approved certain actions and the development and implementation of both short-term and long-term strategies to generate adequate cash flow to support operations over the next 12 months, and provide adequate cash to support ongoing operations over the longer term. These include:

- Reviewing real estate holdings, including developing and implementing a strategy for the monetization of selected assets, on an as needed basis in conjunction with the proposed strategic plan for the University. The Board has already authorized the sale of ten non-core properties; the sale is expected to close by the end of fiscal 2014. The University is in the process of selling ten of its Washington Heights properties; the net book value of these properties is presented on the statement of financial position as “Assets held for sale.”
- Evaluating initiatives to reduce personnel costs and expenses as soon as practicable, including the development and implementation of a voluntary separation incentive program and, if necessary, to thereafter implement an involuntary separation program.
- Evaluating options to refinance and/or restructure its current operations and debt obligations consistent with a long term business plan.
- Reviewing strategic options related to medical research and clinical services.
- Reviewing academic offerings and alternative delivery models to ensure productivity and continued relevance in the delivery of academic programs.
- Reviewing administrative services to maximize efficiencies and reduce expenses.

The University was in compliance with its bond and bank loan covenants at June 30, 2013 and February 28, 2014, and expects to remain in compliance, through June 30, 2014.

The Board of Trustees and management believe that the University will have sufficient liquidity to meet its ongoing obligations, through June 30, 2014.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the University and the Related Entities are described below:

Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with standards established by the Financial Accounting Standards Board (FASB) for external financial reporting by not-for-profit organizations. While the underlying accounts of the University are maintained in accordance with the principles of fund accounting to facilitate observance of specific restrictions placed on the resources available to the University, the accompanying financial statements present the financial position, activities, and cash flows of the University and the Related Entities as a whole. University resources are classified and reported in the consolidated financial statements within separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(in thousands of dollars)

Net assets of the University and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that permit the University to use or expend in full the donated asset as specified. The restriction will be met by actions of the University and/or the passage of time.

Permanently Restricted Net Assets

Net assets subject to donor-imposed restrictions stipulating that the asset be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for specified or unspecified purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in temporary restricted net assets until appropriated by the University. Contributions subject to donor-imposed restrictions that the gift be maintained permanently are recognized as increases in permanently restricted net assets. Investment return subject to donor-imposed restrictions that are met in the same reporting period as received are reported as increases in unrestricted net assets.

Contributions subject to donor-imposed restrictions are reported as increases in temporarily restricted net assets in nonoperating activities and released from temporarily restricted net assets in nonoperating activities to unrestricted net assets in operating revenues when the donor-imposed restrictions are met. Such contributions, prior to fiscal 2013, were recorded as unrestricted private gifts and bequests in operating revenues if the donor-imposed restrictions were met in the same reporting period. As a result of this change in accounting method in fiscal 2013, approximately \$16,397 was reported as an increase to temporarily restricted net assets in nonoperating activities and a corresponding amount was reflected in net assets released from restrictions in operating revenues. In addition, \$17,165 was reclassified from the prior year to conform with the current year change in accounting.

The table below summarizes the effects of reclassifications on balances previously reported on the consolidated financial statements for the year ended June 30, 2012:

	As Reported	Reclassification	Reclassified
Operating revenues - Unrestricted			
Private gifts and bequests	\$ 38,907	\$ (17,165)	\$ 21,742
Net assets released from restrictions	23,058	17,165	40,223
Total operating revenues	<u>\$ 61,965</u>	<u>\$ -</u>	<u>\$ 61,965</u>
Nonoperating activities - Temporarily restricted			
Private gifts and bequests	\$ 171,148	\$ 17,165	\$ 188,313
Net assets released from restrictions and reclassifications	(24,558)	(17,165)	(41,723)
Total nonoperating activities	<u>\$ 146,590</u>	<u>\$ -</u>	<u>\$ 146,590</u>

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

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(in thousands of dollars)

Tuition and Fees

Tuition and fees are recognized on the accrual basis. Students are billed in advance of the services rendered, and revenues are recognized as earned.

Grants and Contracts

Grants and contracts are treated as exchange transactions, and accordingly, are reported as unrestricted revenue when expenses are incurred in accordance with the terms of the agreement.

More than half of the grants and contracts revenue received in support of the University's research, clinical, and training activities is derived from the U.S. Government, primarily the Department of Health and Human Services ("DHHS").

Grants and contracts revenue includes the recovery of research facility and administrative costs (indirect costs) and fringe benefit costs that have been charged to DHHS and other governmental agencies' research grants and contracts through the application of indirect cost and fringe benefit rates, which are applied on a percentage basis to modified total direct costs and salary expenses, respectively, in accordance with applicable federal regulations.

Applications for renewal of existing grants and contracts and for new grants and contracts are submitted for approval at varying times during the year. At June 30, 2013 and 2012, the University had future commitments from various agencies of the U.S. Government, New York State, and New York City of approximately \$245,000 and \$255,000, respectively, and commitments from private sources of approximately \$29,000 and \$30,000, respectively, for expenditures in future periods. These commitments are excluded from the Consolidated Statements of Financial Position at June 30, 2013 and 2012, respectively.

Contributions

Contributions, including unconditional promises to give ("pledges"), are reported as revenues in the period received or pledged.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of receipt if the University received certain goods and services that meet criteria under generally accepted accounting principles in the United States of America ("GAAP") for recognition as contributions. Contributions of property and equipment are recorded as increases in unrestricted net assets unless the donor places restrictions on their use. Pledges not expected to be received within one year are discounted at a risk-adjusted rate that includes a premium for credit risk, if any. In addition, an allowance for contributions receivable estimated to be uncollectible is provided.

Cash Equivalents

Highly liquid fixed income investments with maturities at date of purchase of 90 days or less are classified as cash equivalents, except for those that are held by bond trustees or are managed by external investment managers as part of the long-term investment strategy.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(in thousands of dollars)

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions include allowances for uncollectible receivables, the present value of multi-year pledges, the valuation of investments, and the allocation of expenses to functional classifications.

Investments and Investment Income

The fair value of all debt and equity securities with a readily determinable fair value is based on quoted market prices. The alternative investments, which are not readily marketable, are carried at estimated fair values based on net asset values provided by the investment managers. The University reviews and evaluates the values provided by the investment managers and assesses the valuation methods and assumptions used in determining the fair value of the alternative investments.

Investments are stated at estimated fair value, with the exception of directly held real estate investments which are at carrying value and tested for impairment on an annual basis. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed. Real estate investments at carrying value are valued at approximately \$2,800 at June 30, 2013 and 2012 and are included in "Other" in Note 3.

Purchase and sale of short-term instruments, fixed income and equity securities are reflected on a trade date basis. Gains and losses on the sale of securities are based on the difference between the sale price and average historical cost basis, where such basis represents the cost of securities purchased or the fair market value at the date of receipt for securities received by donation. Interest income is recorded on an accrual basis and dividend income is recorded on the ex-dividend date.

Income received from distributions from alternative investments are recorded as realized gains/losses or return of capital.

Land, Buildings, and Equipment

Land, buildings, and equipment (Note 8) are stated substantially at cost, except for those received by gift, which are stated at appraised value at date of gift. Equipment, furniture and fixtures having a useful life of one year or more and an acquisition cost of three thousand dollars or more per unit are capitalized.

In the opinion of management, the University has title to all equipment purchased with grant funds, except for certain specialized equipment. In certain cases, the granting agencies retain certain rights thereto and may request transfer of such property to others. At such time, the University recognizes equipment disposals for these items. Items of equipment purchased under affiliation agreements and various clinical program agreements are not capitalized when the terms of the agreements specify that title to such property remains with the funding agency.

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Depreciation is computed on a straight line basis over the assets' estimated useful lives. Depreciable lives of buildings and improvements are 50 years for building shell and up to 28 years for all other building components. Depreciable lives of equipment, furniture, and fixtures range from 5 to 15 years and range from 5 to 10 years for software.

Annually, in accordance with the terms of the lease of WHAECOM (Note 1), Montefiore contributes to the "Weiler Hospital Capital Account". These funds are segregated from all other assets of the University held for the benefit of Einstein and can be used only to fund capital expenditures for WHAECOM.

Student Accounts Receivable and Allowance for Doubtful Accounts

Student accounts receivable are recorded when billed to the student. Student accounts receivable are reduced for allowance for doubtful accounts. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. Historical collection is an integral part of the estimation process related to reserves for uncollectible accounts. Revisions in allowance for doubtful accounts estimates are recorded as an adjustment to the provision for bad debts.

Refundable Advances from the U.S. Government

Funds provided by the U.S. Government under the Federal Perkins Loan and the Health Professions Student Loan programs are loaned to eligible students and may be re-loaned after collection. These funds are ultimately refundable to the government and are presented in the Consolidated Statements of Financial Position as a liability.

Split-Interest Agreements and Perpetual Trusts

The University's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts for which the University serves as trustee. Assets held in these trusts are included in investments (Note 3). Contribution revenue is recognized at the date that the trusts are established, after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

The University is the beneficiary of certain perpetual trusts and other split-interest agreements held and administered by others. The present value of the estimated future cash receipts from the trusts and agreements is recognized as an asset and as a contribution when the University is notified that the trusts or agreements have been funded. Distributions from the trusts and agreements are recorded as investment income and the carrying value of the assets is adjusted annually for changes in the estimates of future receipts. Changes in the fair values of assets of perpetual trusts and agreements are recorded as increases or decreases in permanently restricted net assets.

Classification of the Sale Proceeds of Donated Financial Assets

In October 2012, the FASB issued ASU No.2012-05, Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (a consensus of the FASB EITF). This guidance requires not-for-profit entities to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated

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financial assets that upon receipt were directed without any not-for-profit entity imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts from the sale of donated financial assets should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the not-for-profit entity. The guidance is effective prospectively (with retrospective application permitted) for fiscal years beginning after June 15, 2013, and early adoption is permitted. The University adopted this guidance in fiscal year 2013.

Operating and Nonoperating Activities

The Consolidated Statements of Activities present the changes in net assets by distinguishing between operating and nonoperating activities.

Operating activities principally include all revenue and expenses that relate to the University's educational programs, research, training, and supporting activities. Operating revenues include the investment return pursuant to the University's spending policy and earned on working capital funds. Operating revenues also include the release of temporarily restricted net assets which could include prior year gifts for which the donor specified conditions have been met.

The University has defined nonoperating activities principally to include endowment investment return net of amounts distributed to support operations in accordance with the University's endowment spending policy (Note 4), temporarily and permanently restricted contributions, temporarily restricted net assets released from restriction, changes in value of split-interest agreements, provision for uncollectible contributions receivable, and bad debt expense on receivables from affiliated organizations or operating subsidiaries provided to affiliated organizations. Certain other gains, losses or transactions considered to be of a more unusual or nonrecurring nature are also included as part of nonoperating activities.

Reclassifications

The comparative totals of consolidated expenses for the year ended June 30, 2012 reflect certain reclassifications from amounts previously reported by the University. These reclassifications are the result of refinements in the methodology used to assign certain activities and allocations among the various functional expense categories during the year ended June 30, 2013.

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The table below summarizes the effects of reclassifications on balances previously reported in the consolidated financial statements for the year ended June 30, 2012:

	As Reported	Reclassification	Reclassified
Instruction	\$ 220,962	\$ (34,843)	\$ 186,119
Research and training	207,342	33,905	241,247
Patient care	49,906	(176)	49,730
Academic support	41,962	17,577	59,539
Student services	30,986	(7,802)	23,184
Institutional support	117,227	(19,324)	97,903
Auxiliary enterprises	29,917	10,663	40,580
Total expenses	<u>\$ 698,302</u>	<u>\$ -</u>	<u>\$ 698,302</u>

These reclassifications, which represent refinement in the definition of certain functional expense categories and changes in allocation methodologies, result in a consistent portrayal of University activities in the accompanying Statements of Activities for the two year period ended June 30, 2013. Research and training expense increased by \$33,905, offset by a reduction in Instruction, resulting from reassignment of non-sponsored research previously assigned to the Instruction function. The remaining changes were the result of a change in methodology to the allocation of various overhead expenses such as utilities, maintenance, depreciation, and interest to other benefitting functional expense categories.

Other Significant Accounting Policies

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

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3. Investments

The University manages an investment portfolio on behalf of the University, the Related Entities, and its unconsolidated affiliated organizations. At June 30, 2013 and 2012, the University's investments, on a consolidated basis, consisted of the following:

	<u>2013</u>	<u>2012</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 182,344	\$ 74,326
Mutual funds and money market funds	184,706	165,202
U.S. Government bonds	59,021	56,331
State of Israel bonds	14,935	13,376
Corporate bonds	731	210
Corporate stocks	43,098	42,112
Alternative investments	774,480	724,084
Alternative investment receivables	1,531	3,815
Life income fund and gift annuities	18,561	907
Other	4,419	4,562
	<u>1,283,826</u>	<u>1,084,925</u>
Less: Unconsolidated affiliates' interests in the investment portfolio	<u>(145,454)</u>	<u>(131,159)</u>
	<u>\$ 1,138,372</u>	<u>\$ 953,766</u>
Investment payable for unsettled trades	<u>\$ 44,213</u>	<u>\$ -</u>

The investment payable for unsettled trades relates to purchases of U.S. Government bonds, which settled on July 1, 2013.

The cost or contributed value of investments, valued above at \$1,138,372 and \$953,766, is \$909,080 and \$764,070 as of June 30, 2013 and 2012, respectively.

Alternative investment receivables include those alternative investments for which the University has filed for redemption, or received notification of distribution, but not collected as of June 30, 2013 and 2012 and for which the amount is considered fixed and determinable within 90 days of such date.

Life income fund and gift annuities for 2013, above, includes \$17,673 of a new life income fund which is composed of the following assets:

	<u>2013</u>
	<u>Fair Value</u>
Cash and cash equivalents	\$ 592
U.S. Government bonds	4,038
Corporate bonds	2,764
Corporate stocks	10,279
	<u>\$ 17,673</u>

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Cash and cash equivalents, US Government bonds, and Corporate stocks of \$14,909 listed above are included in Level 1 and Corporate bonds of \$2,764 are included in Level 2 within Note 6.

All investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is likely that changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported in the Consolidated Statements of Financial Position.

The alternative investment portfolio includes limited partnerships, limited liability corporations, and offshore investment funds. The underlying investments held by these investment funds may include financial instruments with off-balance-sheet risk, such as futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against equity, market, currency or interest rate risk. Substantially all of these invested funds are invested with third party investment managers.

Historically, the University managed substantially all of its investments and those of certain consolidated and unconsolidated affiliated entities in two investment pools – the Pooled Asset Fund (“PAF”) and the Consolidated Investment Pool (“CIP”). The PAF invested principally in short-term obligations, and the CIP invested principally in longer term investments, including alternative investments, as described above. At June 30, 2013, the PAF primarily held cash and cash equivalents. The portion of the PAF supporting certain irrevocable charitable remainder trusts, of \$5,116, is included within investments on the Consolidated Statement of Financial Position as of June 30, 2013. The remaining balance of \$12,150 is reported as cash and cash equivalents on the Consolidated Statement of Financial Position as of June 30, 2013.

During 2013, the University restructured the investment pools and created the Operational Investment Fund (“OIF”), which will invest principally in short-term and intermediate-term investments, including mutual funds and began the process of closing out the PAF. At June 30, 2013, the OIF held cash and cash equivalents and invested in mutual funds. The CIP continues to invest principally in longer term investments, including alternative investments, and includes the University’s endowment and other long-term investments.

At June 30, 2013 and 2012, the value of the University’s interest in these pools, as well as certain separately invested investments, is as follows:

	<u>2013</u>	<u>2012</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Pooled asset fund	\$ 5,116	\$ 21,686
Consolidated investment pool	1,011,497	907,830
Other - separately invested	37,885	24,250
Operational investment fund	83,874	-
	<u>\$ 1,138,372</u>	<u>\$ 953,766</u>

The fair value of the University’s investments include assets held in irrevocable charitable remainder trusts in the amount of \$27,135 and \$8,763 at June 30, 2013 and 2012, respectively.

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Included in the OIF are \$20,000 of assets which are pledged as collateral to a letter of credit provided to an estate for which the University is the residuary beneficiary, in connection with fulfillment of a bequest in the event of additional expenses incurred by the estate.

Under the terms of certain alternative investment agreements, the University is obligated to periodically advance additional funding. The University had commitments of approximately \$19,023 and \$20,659 at June 30, 2013 and 2012, respectively, to investment funds and limited partnerships for which capital calls had not been exercised. These amounts have not been recorded as liabilities in the Consolidated Statements of Financial Position. Such commitments generally have fixed expiration dates or other termination clauses. The University maintains sufficient liquidity in its investment portfolio to cover such calls.

The net movement of cash within the investments balance is included in purchases of investments on the Consolidated Statements of Cash Flows as of June 30, 2013.

4. Spending Rate and Investment Return

The University utilizes a spending rate in allocating income earned on the CIP. In accordance with the current spending rate policy, 5.5% of the fair value per unit in the CIP, based on a 12-quarter rolling average at December 31 of the previous fiscal year, is available for expenditure for the fiscal year commencing July 1. In addition, the University utilizes a .25% of the fair value per unit to support Institutional Advancement. If interest and dividends earned during the year are not sufficient to support the authorized spending level, the balance is provided from current and, if necessary, prior period realized gains to the extent permitted by applicable law. If investment return is in excess of the authorized spending level, the balance is reinvested.

The following summarizes the University's total investment return by net asset classification, for the years ended June 30, 2013 and 2012:

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Investment income, net of certain management and custodian fees, taxes and other expenses	\$ 230	\$ 1,776	\$ 15	\$ 2,021
Net appreciation (depreciation) on investments-realized and unrealized	59,774	44,070	994	104,838
Total investment return (loss)	60,004	45,846	1,009	106,859
Investment return recognized in operating activities	47,091	-	-	47,091
Investment gain recognized in nonoperating activities	\$ 12,913	\$ 45,846	\$ 1,009	\$ 59,768

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	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Investment income, net of certain management and custodian fees, taxes and other expenses	\$ 1,649	\$ 374	\$ (18)	\$ 2,005
Net appreciation (depreciation) on investments-realized and unrealized	33,621	(19,642)	944	14,923
Total investment return (loss)	35,270	(19,268)	926	16,928
Investment return recognized in operating activities	48,247	-	-	48,247
Investment gain(loss) recognized in nonoperating activities	\$ (12,977)	\$ (19,268)	\$ 926	\$ (31,319)

5. Endowment

The University's endowment consists of approximately 2,000 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

New York Prudent Management of Institutional Funds Act ("NYPMIFA")

On September 17, 2010, NYPMIFA became effective in New York State. NYPMIFA contains provisions that govern appropriation and use, among other things, of donor-restricted endowment funds. NYPMIFA updated certain provisions of prior endowment management law that had become outdated.

Under NYPMIFA, a detailed prudence standard governs appropriation from endowment funds, and there is no longer a requirement to always maintain historic dollar value. Prudent appropriation from a fund whose value is less than its historic dollar value is permitted under certain circumstances. In particular, NYPMIFA provides that, unless a donor expresses a contrary intention in a gift instrument, a charitable institution may appropriate as much of an endowment fund as it "determines is prudent for the uses, benefits, purposes and duration for which the fund is established," without regard for historic dollar value. NYPMIFA retains the requirement that in making any decision to appropriate, "the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances." It further provides a requirement that the institution "shall consider, if relevant" the following eight factors in deciding whether or not to appropriate from a fund:

- The duration and preservation of the endowment fund
- The purposes of the Institution and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation

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- The expected total return from income and the appreciation of investments
- Other resources of the Institution
- Alternatives to expenditure of the endowment fund
- The investment policy of the Institution

The provisions of NYPMIFA allowing prudent appropriation without regard to historic dollar value apply to funds created after its effective date. Donors of funds created before that date were given the option of requiring institutions to continue to observe the historic dollar value restrictions contained in prior law. Some donors of University funds have elected this option. Moreover, a donor may incorporate in a gift instrument specific restrictions on appropriation that are different from either NYPMIFA or prior law.

Certain of the University's funds are governed by such restrictions. Thus the University has funds that fall into three categories with respect to appropriation: those from which it may prudently appropriate without regard to historic dollar value; those from which it may prudently appropriate appreciation only above historic dollar value; and those whose appropriation is governed by specific instructions in the governing gift instrument.

The University's spending policies are consistent with the University's objectives to utilize income to support mission-critical programs while preserving capital and ensuring future growth of the endowment. Under these policies, and as approved by the Board of Trustees, the long-term focus of the endowment is to support the University's mission by providing a reliable source of funds for current and future use.

The investment objectives for the University's endowment are to preserve the principal value of those funds (noting guidance above regarding appropriation), in both absolute as well as real terms, and to maximize over the long-term the total rate of return earned without assuming an unreasonable degree of risk. In connection with these investment objectives, the Board of Trustees has adopted a spending policy, which is further described in Note 4.

Financial Reporting of Endowments

The University classifies, as permanently restricted net assets, the original value of gifts to the permanent endowment, as well as additions to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, when applicable. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as either temporarily restricted net assets or unrestricted net assets, when appropriated. Such amounts recorded as temporarily restricted net assets are released from restriction when the donor-stipulated purpose has been fulfilled and/or the required time period has elapsed.

For financial reporting purposes, donor-restricted endowment fund appreciation, gains and income are classified as temporarily restricted net assets until those amounts are appropriated for expenditure. Upon appropriation, appreciation and earnings are reclassified as unrestricted net assets.

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The following represents the University's endowment composition by type of fund as of June 30, 2013 and 2012:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (13,291)	\$ 294,551	\$ 589,087	\$ 870,347
Board-designated endowment funds	88,614	75,293	-	163,907
Total endowment net assets	<u>\$ 75,323</u>	<u>\$ 369,844</u>	<u>\$ 589,087</u>	1,034,254
Life income funds				15,635
Other funds				88,483
Total investments				<u>\$ 1,138,372</u>

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (18,756)	\$ 250,129	\$ 572,408	\$ 803,781
Board-designated endowment funds	94,337	7,637	-	101,974
Total endowment net assets	<u>\$ 75,581</u>	<u>\$ 257,766</u>	<u>\$ 572,408</u>	905,755
Life income funds				5,628
Other funds				42,383
Total investments				<u>\$ 953,766</u>

Funds with values less than original contributed values

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below its original value. Deficiencies of this nature approximated \$13,291 and \$18,756 as of June 30, 2013 and 2012, respectively.

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Changes in endowment net assets for the year ended June 30, 2013 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2012	\$ 75,581	\$ 257,766	\$ 572,408	\$ 905,755
Investment return				
Investment income, net of taxes and other expenses	235	4,480	36	4,751
Net appreciation(depreciation)-realized and unrealized	16,375	81,370	929	98,674
	<u>92,191</u>	<u>343,616</u>	<u>573,373</u>	<u>1,009,180</u>
Contributions	-	437	18,341	18,778
Appropriation of endowment assets for expenditure	(7,618)	(45,541)	(510)	(53,669)
Designation of quasi endowment funds and other changes	-	72,292	(2,319)	69,973
Reclassification related to restricted quasi endowments	(9,250)	9,250	-	-
Change in actuarial present value of split interest agreements	-	(10,210)	202	(10,008)
Endowment net assets at June 30, 2013	<u>\$ 75,323</u>	<u>\$ 369,844</u>	<u>\$ 589,087</u>	<u>\$ 1,034,254</u>

During fiscal 2013, the University reclassified \$9,250 of unrestricted net assets to temporarily restricted net assets related to restricted quasi endowment appreciation.

Changes in endowment net assets for the year ended June 30, 2012 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2011	\$ 83,789	\$ 283,552	\$ 551,859	\$ 919,200
Investment return				
Investment income, net of taxes and other expenses	-	-	798	798
Net appreciation (depreciation)-realized and unrealized	40,187	(19,629)	947	21,505
	<u>123,976</u>	<u>263,923</u>	<u>553,604</u>	<u>941,503</u>
Contributions	-	294	18,869	19,163
Appropriation of endowment assets for expenditure	(48,395)	(9,536)	(1,366)	(59,297)
Other changes	-	3,164	1,500	4,664
Change in actuarial present value of split interest agreements	-	(79)	(199)	(278)
Endowment net assets at June 30, 2012	<u>\$ 75,581</u>	<u>\$ 257,766</u>	<u>\$ 572,408</u>	<u>\$ 905,755</u>

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Borrowing from the CIP

At June 30, 2012, a remaining balance of \$48,787 was owed by Manhattan Campuses to the CIP. During 2013, Manhattan Campuses repaid \$17,684 of such amount, and also recorded an additional borrowing of \$23,175 to fund ongoing operating deficits. At June 30, 2013, a balance of \$54,279 was owed by Manhattan Campuses to the CIP. This amount is reflected on the books and records of Manhattan Campuses as a reduction of the Manhattan Campuses' investment balance reported in the Consolidating Statements of Financial Position as of June 30, 2013. Subsequent to June 30, 2013, the Board approved an intra-institutional transfer of approximately \$30,000 from board-designated unrestricted funds, of which \$23,175 was utilized to repay a portion of the Manhattan Campuses' CIP borrowing, making the balance of the CIP borrowing to be \$31,104; \$6,541 was transferred to a separate investment account to segregate certain restricted accounts (Note 1).

6. Fair Value of Financial Instruments

The carrying amount of the University's financial instruments, except as follows, approximates fair value because of their short maturity. The fair value of investments and deposits with bond trustees is discussed in Notes 2, 3 and 11, respectively. A reasonable estimate of the fair value of loans receivable from students under government loan programs could not be made because the loans are not saleable and can only be assigned to the U.S. Government or its designees.

At June 30, 2013 and 2012, the fair value of the line of credit, bonds payable, and other debt is determined based on the discounted future cash payments to be made for each issue. The discount rate used approximates current market rates for loans of similar maturities and credit quality. The University's bonds trade periodically in a limited market (Level 2). Utilizing available market pricing information provided by a third-party and other data, the University determined that at June 30, 2013 and 2012, the fair value of the line of credit, bonds payable, and other debt excluding the Housing Company's mortgage notes, was \$414,935 and \$409,512, respectively. The aggregate fair value of the Housing Company's mortgage notes at June 30, 2013 and December 31, 2012 approximates \$17,652 and \$19,129, respectively. The fair value of the mortgage loans receivable at June 30, 2013 and 2012 approximated \$17,949 and \$15,069, respectively.

Fair value is defined as the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair Value accounting establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Under Fair Value Accounting, the three levels of the fair value hierarchy are as follows:

- Level 1 Valuation inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the University has the ability to access at measurement date.
- Level 2 Valuation inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.
- Level 3 Valuation inputs are unobservable inputs for the assets or liabilities.

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The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The following table presents the fair value hierarchy for those assets reported at fair value per the Consolidated Statements of Financial Position as of June 30, 2013 and 2012:

	June 30, 2013				
	Level 1	Level 2	Level 3	Unconsolidated Affiliates	Total
Investments					
Cash and cash equivalents	\$ 182,344	\$ -	\$ -	\$ -	\$ 182,344
Mutual funds	184,706	-	-	-	184,706
U.S. Government obligations	59,021	-	-	-	59,021
State of Israel bonds	-	-	14,935	-	14,935
Corporate bonds	-	731	-	-	731
Corporate stocks	43,098	-	-	-	43,098
Alternative investments	-	287,905	486,575	-	774,480
Alternative investment receivables	-	1,531	-	-	1,531
Life income and gift annuities	15,797	2,764	-	-	18,561
Other	357	-	4,062	-	4,419
Less: unconsolidated affiliates' (RIETS and High Schools) interests in the investment portfolio	-	-	-	(145,454)	(145,454)
Investments, at fair value	<u>485,323</u>	<u>292,931</u>	<u>505,572</u>	<u>(145,454)</u>	<u>1,138,372</u>
Other assets					
Trusts and split-interest agreements held by others	-	-	20,789	-	20,789
Funds held by bond trustees	7,735	-	-	-	7,735
Total Investments and other assets at fair value	<u>\$ 493,058</u>	<u>\$ 292,931</u>	<u>\$ 526,361</u>	<u>\$ (145,454)</u>	<u>\$ 1,166,896</u>

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	June 30, 2012				
	Level 1	Level 2	Level 3	Unconsolidated Affiliates	Total
Investments					
Cash and cash equivalents	\$ 74,326	\$ -	\$ -	\$ -	\$ 74,326
Mutual funds	165,202	-	-	-	165,202
U.S. Government obligations	56,331	-	-	-	56,331
State of Israel bonds	-	-	13,376	-	13,376
Corporate bonds	210	-	-	-	210
Corporate stocks	42,112	-	-	-	42,112
Alternative investments	-	263,281	460,803	-	724,084
Alternative investment receivables	8	3,807	-	-	3,815
Gift annuities	907	-	-	-	907
Other	285	-	4,277	-	4,562
Less: unconsolidated affiliates' (RIETS and High Schools) interests in the investment portfolio	-	-	-	(131,159)	(131,159)
Investments, at fair value	<u>339,381</u>	<u>267,088</u>	<u>478,456</u>	<u>(131,159)</u>	<u>953,766</u>
Other assets					
Trusts and split-interest agreements held by others	-	-	20,536	-	20,536
Funds held by bond trustees	<u>17,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,605</u>
Total Investments and other assets at fair value	<u>\$ 356,986</u>	<u>\$ 267,088</u>	<u>\$ 498,992</u>	<u>\$ (131,159)</u>	<u>\$ 991,907</u>

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

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Approximately \$769 in alternative investments were transferred from Level 2 to Level 3 at the end of 2013. Approximately \$114,795 in alternative investments were transferred from Level 3 to Level 2 and \$19,142 in Trust and split interest agreements were transferred from Level 1 to Level 3 at the end of 2012. Most investments classified in Levels 2 and 3 consist of shares or units in alternative investment funds as opposed to direct interests in the funds' underlying holdings. Because the net asset value ("NAV") reported by each fund is used as a practical expedient to estimate the fair value of the University's interest therein, its classification in Level 2 or 3 is based on the University's ability to redeem its interest at or near June 30. If the interest can be redeemed in the near term, defined as within 90 days from the measurement date of June 30, 2013, then the investment is classified in Level 2. The following table summarizes quantitative inputs and assumptions used for Level 3 investments for which fair value is based on unobservable inputs that were not developed by the external managers at June 30, 2013:

Asset Class	Fair Value	Valuation Technique	Significant Unobservable Input	Range
State of Israel bonds	\$ 14,935	Face value	N/A	N/A
Alternative investments - Real estate	\$ 8,462	NAV	50% reduction to NAV based on uncertainty over future realization	N/A

For the State of Israel bonds, the University utilized a discounted cash flow method, which includes a significant unobservable input for counter party risk and a range of 2% - 3%, to determine that face value approximates fair value.

Excluded from the above table are "Other" investments classified in Level 3. These investments include a life insurance policy, valued at policy surrender value, and real estate properties, valued at carrying value.

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The following table presents the University's 2013 activity for those assets classified as Level 3 within the fair value hierarchy:

	Alternative Investments and Alternative Investment Receivables	State of Israel Bonds	Other	Subtotal	Trusts and Split Interest Agreements	Total
Beginning balances at June 30, 2012	\$ 460,803	\$ 13,376	\$ 4,277	\$ 478,456	\$ 20,536	\$ 498,992
Purchases/contributions	37,588	6,025	-	43,613	-	43,613
Sales/settlements	(72,673)	(4,466)	-	(77,139)	-	(77,139)
Transfers in(out)	(769)	-	-	(769)	-	(769)
Net unrealized and realized activity	61,626	-	(215)	61,411	253	61,664
Ending balances at June 30, 2013	<u>\$ 486,575</u>	<u>\$ 14,935</u>	<u>\$ 4,062</u>	<u>\$ 505,572</u>	<u>\$ 20,789</u>	<u>\$ 526,361</u>

Change in net unrealized gains or losses relating to Level 3 investments held at 6/30/2013	\$ 37,492	\$ -	\$ -	\$ 37,492	\$ 253	\$ 37,745
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The following table presents the University's 2012 activity for those assets classified as Level 3 within the fair value hierarchy:

	Alternative Investments and Alternative Investment Receivables	State of Israel Bonds	Other	Subtotal	Trusts and Split Interest Agreements	Total
Beginning balances at June 30, 2011	\$ 657,445	\$ 13,455	\$ 4,273	\$ 675,173	\$ 1,998	\$ 677,171
Purchases/contributions	7,326	3,034	-	10,360	-	10,360
Sales/settlements	(74,381)	(3,113)	-	(77,494)	-	(77,494)
Transfers in(out)	(114,795)	-	-	(114,795)	19,142	(95,653)
Net unrealized and realized activity	(14,792)	-	4	(14,788)	(604)	(15,392)
Ending balances at June 30, 2012	<u>\$ 460,803</u>	<u>\$ 13,376</u>	<u>\$ 4,277</u>	<u>\$ 478,456</u>	<u>\$ 20,536</u>	<u>\$ 498,992</u>

Change in net unrealized gains or losses relating to Level 3 investments held at 6/30/2012	\$ (56,809)	\$ -	\$ 4	\$ (56,805)	\$ (604)	\$ (57,409)
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The University uses NAV to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. Per the applicable guidance, the following table lists investments in other investment companies by investment strategy including alternative investment receivables. All percentages are based on NAV as of June 30, 2013.

Investment Strategy	# of Funds	Fair Value Determined Using NAV (\$)	Remaining Life (Years)	Unfunded Commitments (\$)	Redemption Frequency & Notice Periods	%	Redemption Restrictions (Lock-ups)	Redemptions Placed
Equity	4	124,778	NA		Monthly (notice period 90 days) Quarterly (notice period 30 days) Annually (notice period 60 days)	8% 63% 29%	NA NA One fund was locked up until 2/1/2014	NA NA NA
Event-driven	5	280,901	NA		Quarterly (notice period 60 days) Annually (notice period 45 days & 180 days)	49% 51%	NA NA	NA NA
Macro	3	70,079	NA		Monthly (notice period 30 days) Quarterly (notice period 90 days) Semi-annual (notice period 60)	30% 40% 30%	NA NA NA	NA NA NA
Equity Hedge	5	129,304	NA		Quarterly (notice period 30 days) Semi-annual (notice period 45 days) Annually (notice period 60 days)	43% 5% 52%	NA NA NA	NA NA NA NA
Redeeming Funds (a)	22	55,815	NA		NA		NA	Full redemption requests submitted for 21 funds. All other payments are expected to be received as soon as liquidity is available.
Private Equity	25	90,447	0 to 3 years 50% 3 to 5 years 17% > 5 years 24%	16,442	NA		NA	NA
Real Estate	4	24,687	0 to 3 years 100% 3 to 5 years 0% > 5 years 0%	2,581	NA		NA	NA
Total	68	776,011		19,023				

(a) Redeeming funds include hedge fund investments that are in the process of full redemption, liquidation or are side pocketed. Payout of side pockets and other redeeming funds are subject to when the asset manager of the investee fund determines and has the ability to sell the underlying assets to generate cash for payment and to benefit the fund as a whole. As such, payout of such investments may take a significant and indeterminable amount of time. Redeeming funds held as of June 30, 2013 consist of the following strategies, approximately: Equity: 2%, Equity Hedge: 31%, Event-driven: 58%, Fund of Funds: 6%, Investment Receivable: 3%. The timing of when such redemptions were filed were as follows: 0-3 years ago: 3%, 3-5 years ago: 97%; >5 years: <1%.

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The University uses NAV to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. Per the applicable guidance, the following table lists investments in other investment companies by investment strategy including alternative investment receivables. All percentages are based on NAV as of June 30, 2012.

Investment Strategy	# of Funds	Fair Value Determined Using NAV (\$)	Remaining Life (Years)	Unfunded Commitments (\$)	Redemption Frequency & Notice Periods	%	Redemption Restrictions (Lock-ups)	Redemptions Placed
Equity	2	57,164	NA	NA	Quarterly (notice period 30 days)	100%	NA	Partial redemption was placed for 2 funds.
Event-driven	5	244,358	NA	NA	Quarterly (notice periods: 60 & 65 days) Annually (notice period: 45 days & 180 days)	50% 50%	NA NA	NA Partial redemption was placed for 1 fund.
Macro	4	84,550	NA	NA	Monthly (notice period 30 days) Quarterly (notice period: 30 days & 90 days) Semi-annual (notice period 60 days)	26% 55% 19%	NA NA NA	NA NA NA
Equity Hedge	5	115,109	NA	NA	Quarterly (notice period 30 days) Semi-annual (notice period 45 days) Annually (notice period 60 days) Rolling 3 years (notice period 30 days)	40% 5% 49% 6%	NA One fund was locked up until 7/1/12. NA NA	Partial redemption was placed for 2 funds. NA NA NA
Redeeming Funds (a)	22	88,005	NA	NA		NA	NA	Full redemption requests submitted for 10 funds. One redemption allows for 6.25% of total investment redeemable each quarter. One redemption is suspended but the fund intends to make periodic distributions as assets are liquidated (5%). Two funds are in wind-down mode and redemptions are suspended. All other payments are expected to be received by June 30, 2012.
					NA			
Private Equity	26	114,197	0 to 3 years 32% 3 to 5 years 41% > 5 years 27%	18,008		NA	NA	NA
Real Estate	5	24,516	0 to 3 years 81% 3 to 5 years 19% > 5 years 0%	2,651		NA	NA	NA
					NA			
Total	69	727,899		20,659				

- (a) Redeeming funds include hedge fund investments that are in the process of full redemption, liquidation or are side pocketed. Side pockets represent the illiquid portion of hedge fund investments. Payout of side pockets and other redeeming funds are subject to when the asset manager of the investee fund determines and has the ability to sell the underlying assets to generate cash for payment and to benefit the fund as a whole. As such, payout of such investments may take a significant and indeterminable amount of time. Redeeming funds held as of June 30, 2012 consist of the following strategies, approximately: Equity: 2% (% of side-pocket), Equity Hedge: 17%, Event-driven: 76%, Fund of Funds: 5%. The timing of when such redemptions were filed were as follows: 0-3 years ago: >1%, 3-5 years ago: 99%; >5 years: <1%.

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7. Receivables and Other Assets

Contributions Receivable

Contributions receivable consist of the following at June 30, 2013 and 2012:

	2013	2012
Amounts expected to be collected in		
Less than one year	\$ 58,795	\$ 230,505
One to five years	73,006	91,969
Greater than five years	32,271	19,366
	<u>164,072</u>	<u>341,840</u>
Less: Discount to present value (1.0%–6.0%)	(12,805)	(11,860)
Less: Allowance for uncollectible amounts	(9,173)	(17,443)
	<u>\$ 142,094</u>	<u>\$ 312,537</u>

As of June 30, 2013 and 2012, approximately 56% and 76%, respectively, of gross contributions receivable was from five donors. Included in the 2012 balance is a bequest receivable of \$175,961, that was paid in full in 2013.

Student Loans and Accounts Receivable

The tables below provide disclosures about the student loan receivables as well as student tuition receivables at June 30, 2013 and June 30, 2012.

	2013		
	Receivable	Allowance	Net Receivable
Federal revolving loans	\$ 6,962	\$ (1,243)	\$ 5,719
Institutional loans	49,161	(7,786)	41,375
Accrued Interest	7,116	(2,552)	4,564
Total student loans receivable	<u>63,239</u>	<u>(11,581)</u>	<u>51,658</u>
Total student tuition receivable	<u>9,329</u>	<u>(5,705)</u>	<u>3,624</u>
Total Student Receivables	<u>\$ 72,568</u>	<u>\$ (17,286)</u>	<u>\$ 55,282</u>

	2013					
	Federal Revolving	Institutional	Accrued Interest	Total Loans Allowance	Student Receivables	Gross Allowances
Allowance at beginning of year	\$ (1,293)	\$ (7,510)	\$ (2,325)	\$ (11,128)	\$ (3,185)	\$ (14,313)
Current year provisions	50	(276)	(227)	(453)	(2,520)	(2,973)
Allowance at end of year	<u>\$ (1,243)</u>	<u>\$ (7,786)</u>	<u>\$ (2,552)</u>	<u>\$ (11,581)</u>	<u>\$ (5,705)</u>	<u>\$ (17,286)</u>

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	2012		
	Receivable	Allowance	Net Receivable
Federal revolving loans	\$ 7,266	\$ (1,293)	\$ 5,973
Institutional loans	52,752	(7,510)	45,242
Accrued interest	3,256	(2,325)	931
Total student loans receivable	63,274	(11,128)	52,146
Total student tuition receivable	16,498	(3,185)	13,313
Total student receivable	<u>\$ 79,772</u>	<u>\$ (14,313)</u>	<u>\$ 65,459</u>

	2012					
	Federal Revolving	Institutional	Accrued Interest	Total Loans Allowance	Student Receivables	Gross Allowances
Allowance at beginning of year	\$ (1,229)	\$ (6,241)	\$ (2,120)	\$ (9,590)	\$ (2,927)	\$ (12,517)
Current year provisions	(64)	(1,269)	(205)	(1,538)	(258)	(1,796)
Allowance at end of year	<u>\$ (1,293)</u>	<u>\$ (7,510)</u>	<u>\$ (2,325)</u>	<u>\$ (11,128)</u>	<u>\$ (3,185)</u>	<u>\$ (14,313)</u>

Write-offs of a student loan receivable are based primarily on the age of the receivable and an evaluation of any recent activity in the account. Overall default rates and an evaluation of general economic conditions are reviewed at least annually. The University, because of its close and continuing relationship with its students and graduates, seeks to work closely with the students to help ensure repayment.

Student loans are often subject to unique restrictions and conditions and, therefore, it is not practical to determine their fair values.

Other assets

Other assets consist of prepaid expenses, prepaid bond issuance costs, donated fractional interests in real estate, cash deposits required by vendors, due to/from related entities, and various other miscellaneous receivables. Included at fair value are the assets of the University's 457(b) deferred compensation plan (Note 9). Also, included is a receivable from the New York State Office of Alcoholism and Substance Abuse Services ("OASAS") (Note 10-f) for reimbursement of the mortgage payable on a substance abuse treatment facility.

Transactions with Affiliated Organizations

The University charges RIETS and High Schools for management services (such as accounting, treasury operations, human resources, procurement, and legal, and other administrative services) as well as facilities maintenance. The cost of these services to RIETS and High Schools were \$4,190 (\$4,850 in 2012) and \$2,490 (\$2,009 in 2012), respectively. The University's inter-company RIETS receivable was \$4,904 at June 30, 2013 (\$1,674 in 2012).

Consistent with the University's operating budget, as approved by its Board of Trustees, the University subsidizes High Schools. The University provided a subsidy for the operating deficit and allocated expenses associated with the High Schools. The subsidy to the High Schools was \$8,628 and \$4,234 for the years ended June 30, 2013 and 2012, respectively.

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8. Land, Building, and Equipment, net

Land, buildings, and equipment, net consisted of the following at June 30, 2013 and 2012:

	2013	2012
Land	\$ 18,387	\$ 24,398
Buildings and improvements	981,820	1,009,012
Equipment, furniture, and fixtures	159,266	147,018
Capitalized asbestos remediation costs (Note 12)	8,419	8,419
Library books and microfilm collections	-	5,541
Building under capital lease (Note 11)	36,150	36,150
	<u>1,204,042</u>	<u>1,230,538</u>
Less: Accumulated depreciation and amortization	<u>(538,189)</u>	<u>(502,523)</u>
Total	<u>\$ 665,853</u>	<u>\$ 728,015</u>

The University capitalized \$5,640 and \$7,136 of computer software implementation costs during the years ended June 30, 2013 and 2012, respectively.

Depreciation and amortization expense related to buildings and equipment for the year ended June 30, 2013 and 2012 was approximately \$52,171 and \$51,510, respectively. The University wrote off fully depreciated assets of approximately \$1,467 and \$10,258 during the years ended June 30, 2013 and 2012, respectively.

During 2013, the University sold real estate for \$24,000, recognizing a gain of approximately \$18,042.

During 2013, due to a change in accounting policy, the University wrote-off \$5,541 of library books and microfilm collections resulting in a net nonoperating loss of \$4,551.

9. Defined Contribution and Deferred Compensation Plans

The University has several defined contribution retirement plans in which most full-time and many part-time employees participate. The University's contributions are based on specified percentages of each employee's annual salary. It is the University's policy to fund retirement plan costs currently. Total retirement plan expense for the years ended June 30, 2013 and 2012 was \$21,629 and \$20,687, respectively.

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The University has an active 457(b) deferred compensation plan which is offered to select management employees. The employee contributions are capped at the annual Federal limit for deferred compensation. The assets related to this plan are included in Other assets in the Consolidated Statements of Financial Position and amounted to \$21,285 and \$18,641 as of June 30, 2013 and 2012, respectively. The assets primarily consist of mutual funds and guaranteed interest accounts that have been reported in the tables below with the appropriate investment leveling based on the fair value hierarchy described in Note 6. The liabilities that relate to this plan are included in Other liabilities as of June 30, 2013 and 2012, respectively.

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds	\$ 14,629	\$ -	\$ -	\$ 14,629
Guaranteed interest accounts	-	-	6,656	6,656
Plan assets at fair value	<u>\$ 14,629</u>	<u>\$ -</u>	<u>\$ 6,656</u>	<u>\$ 21,285</u>
June 30, 2012				
	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds	\$ 12,488	\$ -	\$ -	\$ 12,488
Guaranteed interest accounts	-	-	6,153	6,153
Plan assets at fair value	<u>\$ 12,488</u>	<u>\$ -</u>	<u>\$ 6,153</u>	<u>\$ 18,641</u>

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10. Bonds and Mortgages Payable and Line of Credit

Yeshiva University and Related Entities

Details of the bonds and mortgages payable and the line of credit as of June 30, 2013 and 2012 are as follows:

Description	Maturity Date	Interest Rate	Amount Outstanding at June 30, 2013	Amount Outstanding at June 30, 2012
Bonds payable				
Dormitory Authority of the State of New York Insured Revenue Bonds				
Series 2011 ^(a)	November 1, 2041	4.000% – 5.000%	\$ 90,000	\$ 90,000
Series 2009 ^(b)	September 1, 2038	3.500% – 5.180%	140,820	140,820
Series 2004 ^(c)	July 1, 2034	2.590% – 5.250%	85,800	87,850
Series 2001 ^(d)	July 1, 2030	4.000% – 5.375%	-	3,064
Principal Subtotal- DASNY Bonds			316,620	321,734
Add: Unamortized premiums			3,738	4,437
Subtotal- DASNY Bonds			320,358	326,171
Mortgages payable ^(e)	Varied	4.500% – 6.500%	18,492	18,986
Loan payable ^(f)	February 28, 2030	3.51%	17,897	18,585
The Housing Company obligations ^(g)	April 30, 2035	0.000% – 6.500%	42,960	43,121
Bonds payable and other debt			\$ 399,707	\$ 406,863
Line of credit ^(h)	Varied	Variable	\$ 74,698	\$ 48,724

- a. In September 2011, the Dormitory Authority of the State of New York (“DASNY”) issued \$90,000 of Revenue Bonds Series 2011A (Series 2011A Bonds) on behalf of the University. The Series 2011A Bonds bear interest rates ranging from 4% to 5% with principal payments due at various dates commencing November 1, 2014, with a final maturity date of November 1, 2040. The Series 2011A Bonds are general unsecured obligations of the University; no security interest or mortgage encumbering University revenues or assets was granted in connection with the issuance of the Series 2011A Bonds. A portion of the proceeds of the Series 2011A Bonds is to be used for the payment of, or to reimburse the University for the payment of, certain capital expenditures and to reimburse \$20,500 on the line of credit. A portion of the Series 2011A Bonds was used to refund all but \$3,390 of the outstanding DASNY Series 2001 Bonds. The Series 2011 bonds were issued with a premium of which \$2,639 and \$3,073 were unamortized as of June 30, 2013 and 2012, respectively.
- b. In July 2009, DASNY issued \$140,820 of revenue bonds (Series 2009 Bonds) on behalf of the University. Principal payments commence September 1, 2016. The Series 2009 bonds are general unsecured obligations of the University; no security interest or mortgage encumbering University revenues or assets was granted in connection with the issuance of the Series 2009 Bonds. A portion of the proceeds of the Series 2009 Bonds was used for the payment of, or to reimburse the University for the payment of, certain capital expenditures. A portion of the Series 2009 Bonds was used to refund the outstanding DASNY Series 1998

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- Bonds. The Series 2009 Bonds were issued with a premium of \$1,386, of which \$457 and \$702 were unamortized as of June 30, 2013 and 2012, respectively.
- c. In June 2004, DASNY issued \$100,000 of insured revenue bonds (Series 2004 Bonds) on behalf of the University. Of this amount, \$90,000 was utilized for the construction of a biomedical facility, which houses the Price Center/Block Pavilion at Einstein. The remaining \$10,000 was used for projects at the Manhattan Campuses. The Series 2004 Bonds are secured, subject to prior secured revenues, by a portion of the University's unrestricted revenues equal to the amount of principal and interest due in any year. Payment of principal and interest on the Series 2004 Bonds is guaranteed by Ambac Assurance Corporation. The Series 2004 Bonds were issued with a premium of \$2,208, of which \$642 and \$676 were unamortized as of June 30, 2013 and 2012, respectively.
- d. In April 2001, DASNY issued \$65,000 of Insured Revenue Bonds (Series 2001 Bonds) on behalf of the University. Of this amount, \$41,815 was issued to renovate existing facilities and acquire new facilities. The remaining amount of \$23,185 was issued to defease the DASNY Series 1994 Bonds. The University was released from its obligation with respect to the Series 1994 Bonds, and accordingly, the trustee assets and debt are excluded from the Consolidated Statements of Financial Position. The Series 2001 Bonds were secured by a portion of the University's unrestricted revenues equal to the amount of principal and interest due in any year. Payment of principal and interest on the Series 2001 Bonds was guaranteed by Municipal Bond Investors Assurance Corporation. In November and December 2012, a portion of the proceeds from the sale of real estate (Note 8) was used to defease and redeem the entire remaining \$3,047 balance of the Series 2001 Bonds. The defeased and redeemed amount included \$14 of unamortized discount as of June 30, 2012.
- e. In January 2007, in connection with the purchase of 12 Manhattan residential apartment buildings, the University assumed outstanding mortgage debt of \$20,698. Since that time, the mortgage debt encumbering two of the properties has been repaid in full, and all of the remaining debt on such properties has been refinanced.

At June 30, 2013, approximately \$2,207 of the mortgages payable were scheduled to mature within the next year. Subsequent to June 30, 2013, approximately \$15,000 of the mortgages payable (10 of 12 properties) were re-financed, at an annual interest rate of 3.25%.

- f. OASAS required the University to borrow approximately \$19,670 from DASNY in order to reimburse OASAS for costs paid by OASAS to construct the Waters Place substance abuse treatment facility owned and operated by the University. The loan closed in October 2011 and is payable over 20 years and is secured by a mortgage on the facility. Although the loan is an obligation of the University, debt service on the loan is expected to be funded in the first instance by OASAS first increasing the amount of payments anticipated to be made by OASAS to the University for the operation of certain programs at such facility in amounts equal to the debt service, and then deducting the amounts of the debt service and transferring such amounts to DASNY. Principal payments of \$688 were paid directly from OASAS to DASNY in fiscal 2013.

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- g. The Housing Company has outstanding a first mortgage note and a subordinated mortgage note. The Housing Company's first mortgage note was obtained in December 2004 in a principal amount of \$8,918. The note bears interest at the rate of 6.5% per annum. Installments of principal and interest are payable in 360 fixed monthly amounts of \$56. Prepayment of the loan is not permitted until December 1, 2019. The mortgage requires the Housing Company to make a monthly escrow payment to the New York City Housing Preservation and Development Corporation ("HDC") for, among other things, fire and extended coverage, and such other insurance as may be required so that there will be sufficient money on deposit to secure payment of each such item one month before the due date of such item. The mortgage provides for a reserve for replacements currently held by HDC pursuant to the original mortgage note. The reserve is increased by monthly payments in the amount of \$25 until HDC conducts its next assessment. The outstanding balance of the first mortgage note was \$7,839 at June 30 2013 (the close of the Housing Company's fiscal year).

The subordinated mortgage note is noninterest-bearing with a principal amount of \$35,121 that is due on April 30, 2035. The University is not obligated for this or any other debt of the Housing Company.

- h. In March 2013, the University and a bank agreed to amend and restate their 2010 revolving loan agreement, the proceeds of which are to be used by the University for capital expenditures or for working capital purposes. As amended and restated, the agreement provided for an increase in the facility (\$75,000, formerly \$50,000) and extended the maturity date of the facility to March 22, 2015 (formerly May 31, 2014) and provided for modestly higher interest rates (approximately 0.30% higher). At all times since March 2013, the interest rate on the outstanding balance on the line of credit has changed between 0.94% and 1.27%.

The University's line of credit requires the University to maintain a liquidity ratio not less than .50 calculated as of June 30 and December 31 for the quarter ended. The ratio is calculated by dividing the sum of cash and cash equivalents, unrestricted endowment net assets, and temporarily restricted endowment net assets, by its total indebtedness. As of June 30, 2013 the University complied with this covenant. Certain of the University's indebtedness, specifically under the University's line of credit and promissory note (as discussed in "Subsequent Events"), contain cross-default provisions whereby a default in the payment by the University of any of its debt obligations in excess of \$5,000 would be an event of default under the line of credit and the promissory note. As of June 30, 2013, the University was not in default on any of its debt obligations.

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Projected debt service payments on the bonds and mortgages payable are as follows:

Years Ending June 30,	Principal	Interest	Total
2014	\$ 5,715	\$ 18,352	\$ 24,067
2015	11,345	20,779	32,124
2016	11,417	19,545	30,962
2017	13,472	15,951	29,423
2018	15,157	15,291	30,448
Thereafter	338,863	162,175	501,038
	<u>395,969</u>	<u>\$ 252,093</u>	<u>\$ 648,062</u>
Unamortized premium	<u>3,738</u>		
	<u>\$ 399,707</u>		

The unamortized bond issuance costs were \$5,533 and \$6,247 at June 30, 2013 and 2012, respectively.

Funds Held by Bond Trustees

Deposits with trustees are primarily invested in government securities. At June 30, 2013 and 2012, the fair value of amounts held by bond trustees under these loan agreements was as follows:

	2013	2012
Debt service fund	\$ 6,821	\$ 7,628
Unexpended construction fund	<u>914</u>	<u>9,977</u>
	<u>\$ 7,735</u>	<u>\$ 17,605</u>

Interest expense on line of credit, bonds, and other debt for the years ended June 30, 2013 and 2012 was \$17,567 and \$14,891, respectively.

11. Leases

Capital Lease – Kennedy

During 2005, the University, on behalf of Einstein, entered into a lease with the HHC for an existing facility on the Jacobi campus with an initial term of 50 years. The University has the right to cancel the lease after 25 years. The lease (known as the Kennedy lease) allows for the University to renew the lease for five additional periods of 10 years each. Included in the minimum lease payments are utility expenses of the facility for the first 7 years of the lease, and the remaining lease term has a utility credit for 2.5% of the lease payment. Einstein is using this facility to support its research, clinical, and teaching activities. The lease has been accounted for as a capital lease; and therefore, the related asset and liability have been recorded on the Consolidated Statements of Financial Position. The interest rate on this capital lease obligation is approximately 4.8%. Minimum lease payments under this lease are as follows:

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(in thousands of dollars)

Years Ending June 30

2014	\$	3,000
2015		3,200
2016		3,200
2017		3,200
2018		3,200
Thereafter		<u>38,200</u>
		54,000
Less: Amounts representing interest		(16,386)
Less: Amounts representing utility costs		<u>(1,350)</u>
	\$	<u>36,264</u>

Operating Lease – Van Etten

During 2005, the University, on behalf of Einstein, entered into a 30 year noncancelable operating lease with the HHC. The lease (known as the Van Etten lease) includes clauses that allow the University, on behalf of Einstein, to renew the lease for an additional 20 year period and five more renewable periods of 10 years each. The lease includes a facility and a 10 acre parcel of vacant land directly across the street from Einstein. Einstein is using this facility to support its research, clinical, and teaching activities. Also on this parcel, Einstein has constructed the Price Center/Block Pavilion. Total rent expense under this lease was \$2,533 in 2013 and in 2012. Included in Other liabilities on the Consolidated Statements of Financial Position is a deferred rent obligation of \$9,800 and \$10,267 at June 30, 2013 and 2012, respectively, which is a result of straight-lining the total minimum lease payments over the 30 year noncancelable period. Minimum lease payments are as follows:

Years Ending June 30

2014	\$	3,000
2015		3,000
2016		3,000
2017		3,000
2018		3,000
Thereafter		<u>48,000</u>
	\$	<u>63,000</u>

Operating Lease – 5.1 acres

During 2008, the University, on behalf of Einstein, entered into a 30 year noncancelable lease of approximately 5.1 acres of land on the grounds of Jacobi with HHC. The lease includes clauses that allow Einstein to renew the lease for an additional 20 years and thereafter for two more renewal periods of 25 years and 24 years each.

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The initial base rent is \$1,355 per annum through December 31, 2020, and increases by 12% every five years through December 31, 2038 and for any renewal periods thereafter. In addition, the base rent is reduced by a base rent credit, as defined in the lease, which commences January 1, 2015, increases annually by 7%, and continues for a 10 year period ending December 31, 2024.

Any improvements to the space by the University in excess of 440,000 square feet are subject to certain base rent escalations. In addition, beginning in 2038, the leased premises and certain improvements may be subject to appraisal and may result in changes in the base rent. Currently, there are no specific plans for development of this site, but management has earmarked the property for multiple potential purposes, including housing of students and faculty.

Total rent expense under this lease was \$1,483 in 2013 and in 2012. Included in Other liabilities on the Consolidated Statements of Financial Position is a deferred rent obligation of \$702 and \$574 at June 30, 2013 and 2012, respectively, which is a result of straight-lining the total minimum lease payments over the 30 year noncancelable period. Minimum lease payments are as follows:

Years Ending June 30

2014	\$	1,355
2015		1,246
2016		1,130
2017		1,115
2018		1,097
Thereafter		31,087
	<u>\$</u>	<u>37,030</u>

12. Asset Retirement Obligations

The University has asset retirement obligations for asbestos related removal costs. The University accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability amount recorded.

A reconciliation of the beginning and ending carrying amounts of such obligations is as follows:

	2013	2012
Asset retirement obligations at June 30, 2012	\$ 15,252	\$ 14,996
Accretion expense	536	560
Asset retirement obligations settled	<u>(509)</u>	<u>(304)</u>
Asset retirement obligations at June 30, 2013	<u>\$ 15,279</u>	<u>\$ 15,252</u>

Yeshiva University and Related Entities
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13. Allocation of Certain Expenses

The accompanying Consolidated Statements of Activities report expenses by functional classification in accordance with the educational mission of the University in categories recommended by the National Association of College and University Business Officers. The University's primary program services are instruction and sponsored research. Expenses reported to academic support, student services and auxiliary enterprises are incurred in support of these primary services. Institutional support includes general and administrative expenses of the University.

Development (fundraising) expenses are included in institutional support. For the years ended June 30, 2013 and 2012, such costs were \$18,545 and \$19,442, respectively. For purposes of reporting fundraising expenses, the University includes only those fundraising costs incurred by its development office.

Expenses by functional classification after allocating operations and maintenance, depreciation, and interest are as follows for the years ended June 30, 2013 and 2012:

	<u>Before Allocation</u>	<u>Operations and Maintenance</u>	<u>Depreciation</u>	<u>Interest</u>	<u>After Allocation</u>	<u>2012 Total</u>
Instruction	\$ 152,594	\$ 19,074	\$ 12,671	\$ 5,236	\$ 189,575	\$ 186,119
Research and training	196,462	22,016	17,940	5,038	241,456	241,247
Patient care	45,365	5,258	4,284	1,203	56,110	49,730
Academic support	49,921	6,849	4,494	1,897	63,161	59,539
Student services	21,924	1,301	827	368	24,420	23,184
Institutional support	50,993	16,859	10,633	4,799	83,284	97,903
Auxiliary enterprises	41,098	2,871	1,874	798	46,641	40,580
Year ended June 30, 2013	<u>\$ 558,357</u>	<u>\$ 74,228</u>	<u>\$ 52,723</u>	<u>\$ 19,339</u>	<u>\$ 704,647</u>	
Year ended June 30, 2012	<u>\$ 584,072</u>	<u>\$ 51,165</u>	<u>\$ 48,174</u>	<u>\$ 14,982</u>		<u>\$ 698,302</u>

14. Scholarship Allowance

Student tuition and fees are presented net of amounts awarded to students to defray their costs of attending the University as follows:

	2013	2012
University support	\$ 70,446	\$ 61,410
Sponsored support	28,969	31,124
	<u>\$ 99,415</u>	<u>\$ 92,534</u>

University support includes tuition discounts, financial aid, and merit scholarships awarded to students from unrestricted operating resources. Sponsored support includes financial aid and scholarships funded from restricted and external sources, including federal grant programs and private giving.

Yeshiva University and Related Entities
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(in thousands of dollars)

15. Net Assets Released From Restrictions

Net assets were released from restrictions during June 30, 2013 and 2012 for the following purposes:

	2013	2012
Academic chairs and support	\$ 1,176	\$ 268
Facility maintenance	2,008	2,027
Fellowships	366	1,660
Instruction, training and lectureships	17,103	9,485
Other	15,158	1,914
Pledges for use in future years	229	6,309
Public service	2,328	952
Research	48,871	-
Student scholarships	22,870	17,608
	<u>\$ 110,109</u>	<u>\$ 40,223</u>

The amount of net assets released from restrictions presented in the Consolidated Statements of Activities for 2013 of \$110,109 includes the release from restriction of Block funds, as described further below.

The University recorded a bequest receivable in fiscal 2012 from the estate of Muriel Block, and the proceeds from this bequest were received and recorded during fiscal 2013. Upon receipt, the gift was recorded in temporarily restricted net assets as it was broadly restricted for medical research at Einstein. In accordance with applicable accounting standards, temporarily restricted gifts are to be released from restrictions to the extent qualifying activities take place. During fiscal 2013, \$48,853 of the Block funds were released from temporarily restricted gifts to be applied to identifiable medical research spending not related to another gift, grant, or other sponsored source.

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(in thousands of dollars)

16. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 and 2012 were available for the following purposes:

	2013	2012
Academic chairs	\$ 90,481	\$ 60,989
Facility maintenance	31,053	24,090
Faculty scholars & fellowships	25,579	21,720
Instruction, training & lectureships	43,972	54,608
Library	2,123	1,949
Other	70,740	72,108
Public service	6,151	8,443
Patient care	655	360
Pledges for use in future years	12,997	25,823
Research	171,979	199,972
Student scholarships	87,907	86,035
	<u>\$ 543,637</u>	<u>\$ 556,097</u>

17. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2013 and 2012 were restricted to investment in perpetuity, with investment return available to support the following activities:

	2013	2012
Academic chairs & support	\$ 116,663	\$ 115,668
Capital projects	6,055	6,055
Facility maintenance	3,767	3,767
Faculty scholars & fellowships	35,886	34,452
Instruction and training and lectureships	82,470	84,252
Library	2,616	2,616
Other	11,223	9,277
Patient care	4,874	4,875
Research	61,678	61,668
Revolving fund for special projects	98,151	93,232
Student loans	46,297	45,060
Student scholarships	219,908	209,696
Trusts held by others in perpetuity	10,641	10,207
Unrestricted	14,511	14,386
	<u>\$ 714,740</u>	<u>\$ 695,211</u>

In addition to certain of the above permanently restricted net assets, the University's endowment includes funds functioning as endowments, and realized and unrealized gains on investments, which are classified as unrestricted and temporarily restricted net assets.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

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(in thousands of dollars)

18. Contingencies

The University is a party to various litigation and other claims arising in the ordinary course of business. In the opinion of management, appropriate provision has been made for possible losses and the ultimate resolution of these matters will not have a significant effect on the University's consolidated financial position.

Amounts received and expended by the University under various federal and state grants and contracts are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the University's consolidated financial position.

The actions of Bernard Madoff and J. Ezra Merkin and Ascot Partners, discussed in the 2012 consolidated financial statements' Note 16 (Contingencies), led to the appointment of a trustee and receiver, respectively, for Bernard Madoff's, J.Ezra Merkin's and Ascot Partners' assets. It continues to be uncertain whether any funds will be recoverable by or for the benefit of the University, from either law enforcement officials, the trustee, or the receiver, or recoverable from the University, by either the trustee or the receiver. The University has filed a claim under the settlement negotiated by the New York State Attorney General with J. Ezra Merkin and Ascot Partners, and also intends to file a claim under the Madoff Victims Fund of the U.S. Attorney General, but there can be no assurance that the University will receive any recoveries from the settlement and/or the victims fund. The Madoff Trustee sued the University, seeking to recover approximately \$1,000 contributed by Bernard Madoff to the University across a six-year period, prior to 2008. During fiscal 2014, the University and the Madoff Trustee resolved the suit by settlement without trial, under confidential terms. The negotiated settlement amount was substantially less than the initial claim, and is not deemed material by the University.

In January 2014, the University's motion to dismiss the case brought against it (and others) in July 2013 by former students of Yeshiva University High School for Boys (an affiliate of the University) was granted, based upon the statute of limitations (and other defenses), and the case was dismissed with prejudice. The litigation alleges abuse during the 1970s and 1980s by former High School employees and seeks damages of over \$380,000. The plaintiffs have filed a Notice of Appeal. The University intends to continue to vigorously defend itself and believes the dismissal will be upheld. The University has utilized legal counsel approved by its insurance carriers and believes there should be sufficient coverage such that a negative outcome will not have material financial impact on the University. The University believes that the litigation and other related costs will not have a material adverse effect on the University.

19. Subsequent Events

Subsequent event guidance requires the University to evaluate subsequent events to determine whether they provide additional evidence about conditions that existed at the date of the Consolidated Statement of Financial Position, and to determine if those events require recognition or disclosure in the consolidated financial statements. The University has performed an evaluation of subsequent events through March 1, 2014, which is the date the consolidated financial statements were issued.

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(in thousands of dollars)

In December 2013, the University and a bank entered into an arrangement, whereby the University sold to the bank a \$60,000 short-term promissory note, entered into a note purchase agreement with the bank, and gave the bank a mortgage on certain University real property to secure the University's obligations under the note and note purchase agreement. The note matures on June 1, 2014, at which time the full principal amount shall be due, and bears interest, payable monthly and at maturity, at a rate equal to the one-month LIBOR rate plus 2.00% for the first three months, and at the one-month LIBOR rate plus 3.50% for the balance of the loan term.



Yeshiva University

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