

Yeshiva University and Related Entities

**Consolidated Financial Statements
June 30, 2015 and 2014**

Yeshiva University and Related Entities
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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, 2015 and 2014, 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, 2015 and 2014, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matters

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.

As further described in the notes to the consolidated financial statements including notes 3 and 18, on September 9, 2015 the University entered into a Joint Collaboration Agreement (JCA) regarding its medical school, the Albert Einstein College of Medicine (Einstein). Pursuant to the JCA, the University transferred operational and financial responsibility for Einstein to a newly created not-for-profit corporation. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

New York, New York
January 15, 2016

Yeshiva University and Related Entities
Consolidated Statements of Financial Position
June 30, 2015 and 2014

(in thousands of dollars)

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 34,555	\$ 39,289
Grants and contracts receivable, net	2,293	50,558
Contributions receivable, net (Note 6)	65,284	109,811
Student receivables, net (Note 6)	34,992	54,338
Due from affiliated organizations (Note 6)	3,303	4,993
Other assets (Note 6)	36,406	87,497
Mortgage loans receivable	1,115	18,059
Funds held by bond trustees (Note 9)	449	7,225
Investments (Note 4)	528,436	1,085,569
Trusts and split-interest agreements held by others	12,601	22,412
Land, buildings, and equipment, net (Note 7)	223,388	635,561
Assets held for sale - Einstein (Note 3)	986,041	-
Total assets	<u>\$ 1,928,863</u>	<u>\$ 2,115,312</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 39,538	\$ 80,140
Deferred revenue	5,477	20,967
Line of credit and short-term borrowing (Note 9)	-	125,000
Trusts held for others	526	16,048
Other liabilities	13,683	49,458
Refundable advances from the U.S. Government	6,040	6,158
Bonds payable and other debt (Note 9)	354,763	224,446
Bonds payable - Einstein (Note 9)	139,071	159,419
Capital lease obligation (Note 10)	-	35,055
Asset retirement obligations (Note 11)	9,024	11,125
Liabilities held for sale - Einstein (Note 3)	179,791	-
Total liabilities	<u>747,913</u>	<u>727,816</u>
Contingencies (Note 17)		
Net assets		
Unrestricted	68,448	182,794
Temporarily restricted (Note 15)	430,967	516,303
Permanently restricted (Note 16)	681,535	688,399
Total net assets	<u>1,180,950</u>	<u>1,387,496</u>
Total liabilities and net assets	<u>\$ 1,928,863</u>	<u>\$ 2,115,312</u>

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

Yeshiva University and Related Entities
Consolidated Statements of Activities
Years Ended June 30, 2015 and 2014

	2015				2014			
	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 of \$98,254 in 2015 and \$96,149 in 2014 (Note 13)	\$ 129,502	\$ -	\$ -	\$ 129,502	\$ 133,149	\$ -	\$ -	\$ 133,149
Grants and contracts	210,203	-	-	210,203	215,374	-	-	215,374
Patient care revenue	32,465	-	-	32,465	36,572	-	-	36,572
Contributions	15,016	-	-	15,016	21,807	-	-	21,807
Services under affiliation agreements	25,731	-	-	25,731	23,474	-	-	23,474
Investment support utilized	44,463	-	-	44,463	46,942	-	-	46,942
Other investment income	1,404	-	-	1,404	1,412	-	-	1,412
Auxiliary enterprises	30,765	-	-	30,765	37,730	-	-	37,730
Other revenue	16,829	-	-	16,829	17,578	-	-	17,578
Net assets released from restrictions (Note 14)	93,566	-	-	93,566	124,692	-	-	124,692
Total operating revenues	599,944	-	-	599,944	658,730	-	-	658,730
Operating expenses								
Instruction	193,180	-	-	193,180	200,533	-	-	200,533
Research and training	235,219	-	-	235,219	254,519	-	-	254,519
Patient care	39,659	-	-	39,659	44,060	-	-	44,060
Academic support	57,734	-	-	57,734	58,947	-	-	58,947
Student services	25,964	-	-	25,964	27,714	-	-	27,714
Institutional support	87,923	-	-	87,923	106,262	-	-	106,262
Auxiliary enterprises	44,825	-	-	44,825	49,763	-	-	49,763
Total operating expenses	684,504	-	-	684,504	741,798	-	-	741,798
Change in operating activities	(84,560)	-	-	(84,560)	(83,068)	-	-	(83,068)
Nonoperating activities								
Contributions, net	-	21,098	(3,603)	17,495	-	28,167	(1,241)	26,926
Other revenue and transfers	-	2,508	(870)	1,638	211	4,006	1,304	5,521
Net assets released from restrictions and reclassifications (Note 14)	(732)	(91,610)	(1,224)	(93,566)	1,003	(117,862)	(7,833)	(124,692)
Change in value of split-interest agreements	-	(271)	14	(257)	-	124	(23)	101
Net investment return (Note 4)	2,331	25,031	392	27,754	15,766	101,895	1,163	118,824
Investment support utilized	(6,085)	(38,378)	-	(44,463)	(6,207)	(40,735)	-	(46,942)
Provision for uncollectible contribution receivable	-	(3,714)	(1,573)	(5,287)	-	(2,929)	(19,711)	(22,640)
Subsidy of affiliated organizations (Note 6)	(3,610)	-	-	(3,610)	(9,604)	-	-	(9,604)
(Loss) gain on transfer / sale of property (Note 7)	(15,662)	-	-	(15,662)	36,409	-	-	36,409
Other nonoperating expenses	(6,028)	-	-	(6,028)	-	-	-	-
Change in net assets from nonoperating activities	(29,786)	(85,336)	(6,864)	(121,986)	37,578	(27,334)	(26,341)	(16,097)
Change in net assets	(114,346)	(85,336)	(6,864)	(206,546)	(45,490)	(27,334)	(26,341)	(99,165)
Net assets at beginning of year	182,794	516,303	688,399	1,387,496	228,284	543,637	714,740	1,486,661
Net assets at end of year	\$ 68,448	\$ 430,967	\$ 681,535	\$ 1,180,950	\$ 182,794	\$ 516,303	\$ 688,399	\$ 1,387,496

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

Yeshiva University and Related Entities
Consolidated Statements of Cash Flows
June 30, 2015 and 2014

(in thousands of dollars)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ (206,546)	\$ (99,165)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Realized and unrealized gains on investments	(22,813)	(113,738)
Unrealized loss (gain) in irrevocable charitable remainder trusts	242	(1,831)
Noncash contributions received	(1,135)	(1,462)
Proceeds from sale of donated securities	779	1,321
Depreciation, accretion, and amortization expense	46,908	51,529
Loss (gain) on transfer/sale of property	15,662	(36,409)
Change in trusts and split-interest agreements held by others	2,103	(1,623)
Present value adjustments to contributions receivable	3,006	2,244
Provision for uncollectible loans and receivables	8,226	25,626
Contributions restricted for long-term investment	(3,773)	(3,404)
Contributions restricted for investment in plant assets	(2,330)	(2,639)
Changes in operating assets and liabilities		
Receivables	18,020	7,071
Grants and contracts and other assets	6,446	(15,171)
Asset retirement obligations	(273)	(886)
Accounts payable and accrued expenses, deferred revenue, trusts held for others and other liabilities	(5,259)	(7,106)
Net cash used in operating activities	<u>(140,737)</u>	<u>(195,643)</u>
Cash flows from investing activities		
Change in student and faculty loans receivables, net	733	(211)
Additions to land, buildings and equipment	(23,091)	(23,925)
Proceeds from sale of property	-	72,500
Change in funds held by bond trustees	(340)	510
Purchases of investments	(449,349)	(377,414)
Proceeds from sales of investments	563,944	545,786
Change in investment payable for unsettled trades	-	(44,213)
Net cash provided by investing activities	<u>91,897</u>	<u>173,033</u>
Cash flows from financing activities		
Contributions restricted for long-term investment	4,129	3,545
Contributions restricted for investment in plant assets	2,330	2,639
Change in refundable advances from the U.S. Government	(2)	54
Proceeds from issuance of bonds	175,000	-
Proceeds from line of credit and short-term borrowing	-	100,500
Payment on line of credit and short-term borrowing	(125,000)	(50,198)
Payment of bonds, notes, and mortgages payable	(4,441)	(15,004)
Payment of bonds issuance costs	(4,727)	-
Payment on capital lease obligation	(1,468)	(1,209)
Net cash provided by financing activities	<u>45,821</u>	<u>40,327</u>
Net change in cash and cash equivalents	(3,019)	17,717
Cash and cash equivalents		
Beginning of year	39,289	21,572
End of year	36,270	39,289
Less: Cash included within assets held for sale - Einstein at end of year (Note 3)	(1,715)	-
Cash and cash equivalents at end of year	<u>\$ 34,555</u>	<u>\$ 39,289</u>
Supplemental disclosure		
Interest paid	\$ 24,426	\$ 20,057
Change in accounts payable and accrued expenses relating to plant assets	\$ (792)	\$ (2,041)
Transfer of loan payable held by third party	\$ 17,181	\$ -

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

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

(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 Isaac 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.

The University is comprised of several colleges and schools 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”) (Note 18), 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 6,500 undergraduate, graduate and professional students.

The University is accredited by the Middle States Association of Colleges and Schools, Einstein is accredited by the Liaison Committee on Medical Education 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 primarily 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, and residence facilities. The University spends these resources in support of its instructional and research mission.

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 for financial statement reporting purposes.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
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(in thousands of dollars)

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 (Note 18).

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 (“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 2009, 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 excluded from 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 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 the NIH.

In addition, the University through Einstein has a lease agreement with Montefiore, whereby exclusive occupation, management, and control of Jack D. Weiler Hospital of Albert Einstein College of Medicine (“WHAECOM”) is with Montefiore. The agreement provides for payments of rent, personnel services, and various other charges. The lease payments for fiscal 2015 amount to \$2,176 with annual increases thereafter of approximately 2% through 2053. The rental income on this lease is recognized evenly over the life of the lease, and accordingly, a rent receivable of \$8,697 and \$8,149 is included in other assets in the Consolidated Statements of Financial Position at June 30, 2015 and 2014, respectively. In connection with the Joint Collaboration Agreement (“Joint Collaboration Agreement”) regarding Einstein, this lease was amended to extend the term, and increase the rent; the revenue from the lease has been transferred to Manhattan Campuses (Note 18).

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

(in thousands of dollars)

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 investments. For the years ended June 30, 2015 and 2014, the University generated net unrelated trade or business losses of \$29 and \$2,280, respectively. As of June 30, 2015, the University has approximately \$10,480 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 minimis 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 likely to be sustained if examined by an applicable taxing authority. This review for fiscal 2015 had no material impact on the consolidated financial statements.

Financial Position and Liquidity

In recent years, the University has incurred significant operating losses, including \$84,560 in fiscal year 2015 and \$83,068 in fiscal year 2014, which has impacted the University's financial resources. The University's recurring operating deficits have been funded in part by short-term financing, proceeds from the sale of noncore properties, and utilization of Board-designated quasi-endowment funds, as approved by the Board of Trustees.

The recurring operating losses incurred by the University are as a result of several economic factors, including:

- 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.
- Increases in the need for University funds to supplement other sources of financial aid.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

(in thousands of dollars)

As a result of these financial and operational challenges the University has been implementing certain strategic and operational initiatives. The University retained a financial advisor to assist in the review of the University's financial position and, together with the Board of Trustees and management, formulate a short-term and long-term, comprehensive strategic business plan for a sustainable Yeshiva University.

Based on certain actions approved by the Board of Trustees, the implementation of both short-term and long-term strategies to generate adequate cash flow have been utilized to support operations and provide adequate cash to support ongoing operations over the subsequent 12 months and beyond, which included:

- 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.
- Implementing initiatives to reduce personnel costs and expenses, including a voluntary separation incentive program and an involuntary separation program.
- Refinancing short-term borrowing with long-term financing to fund operations and debt obligations consistent with a long-term business plan.
- Reviewing strategic options related to medical research and medical services, including a collaboration agreement for the transfer of financial and operational control of Einstein to a separate entity.
- 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.

During fiscal 2014, the University entered into a \$60,000 short-term note purchase agreement with a bank, collateralized by certain real property owned by the University; prior to fiscal 2014 the University had drawn down a \$75,000 line of credit with a different bank. In fiscal 2015 the University refinanced both of these borrowings with \$175,000 of long-term financing through a private placement. In addition, in fiscal 2014, the Board of Trustees authorized the sale of several properties; ten noncore properties were sold for approximately \$72,500, resulting in approximately \$59,000 of net proceeds to fund operations.

The University also implemented certain reductions in workforce and other cost saving initiatives to reduce expenses over time.

During fiscal 2015, the University entered into negotiations on a Joint Collaboration Agreement regarding Einstein, with Montefiore, Einstein's principal teaching hospital. The agreement, which was completed in September 2015, transferred operational and financial responsibility for Einstein to a newly-created not-for-profit corporation named COM Affiliation, Inc. (renamed Albert Einstein College of Medicine, Inc.) ("New Einstein"). New Einstein which is now controlled by Montefiore Medicine Academic Health System, Inc. ("Montefiore Medicine"), is now responsible for the medical school's current and future operations, including funding any operating deficits, which deficits (prior to the transfer) comprised a significant portion of the University's annual operating deficits in recent years (Notes 3 and 18).

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

(in thousands of dollars)

The University was in compliance with its bond and bank loan covenants at June 30, 2015 and 2014, and expects to remain in compliance, through fiscal 2016.

Management believes that the University will have sufficient liquidity to meet its ongoing obligations, through June 30, 2016.

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 consolidated 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:

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.

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.

Unrestricted Net Assets

Net assets that are used to carry out the University’s mission of education, research and patient care which are not subject to donor restrictions.

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. Generally, gains and losses on investments are reported as increases or decreases in temporarily restricted net assets until appropriated by the University. Investment returns subject to donor-imposed restrictions are reported as increases in temporarily restricted net assets under nonoperating activities and released from temporarily restricted net assets under nonoperating activities to unrestricted net assets as investment utilized under operating revenues when the donor-imposed restrictions are met.

Contributions subject to donor-imposed restrictions are reported as increases in temporarily restricted net assets under nonoperating activities and released from temporarily restricted net assets under nonoperating activities to unrestricted net assets as operating revenues when the donor-imposed restrictions are met.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

(in thousands of dollars)

Tuition and Fees

Tuition and fees are derived from degree and continuing education programs. The University recognizes tuition and fee revenues as operating income in the period in which it is earned. Tuition and fee receipts received in advance are recorded as deferred revenue. The University administers a variety of federal, state, institutional, and private programs in order to assist students in meeting tuition and other costs of attendance. Tuition and fee revenues are reported net of scholarships and financial aid.

Grants and Contracts

The University receives grant and contract revenue from governmental and private sources. The University recognizes revenue associated with the direct and applicable indirect costs of sponsored programs as the related costs are incurred. The University negotiates its federal indirect rate with its cognizant federal agency. Indirect costs recovered on federally-sponsored programs are generally based on predetermined reimbursement rates which are stated as percentages and distributed based on modified total direct costs incurred. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsors. Funds received for sponsored research activity are subject to audit. Based upon information currently available, management believes that any liability resulting from such audits will not materially affect the financial position or operations of the University.

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 and Cash Equivalents

Cash and cash equivalents represent the University’s working capital and include cash on hand and other highly liquid investments having an original maturity of less than three months. Cash and cash equivalents may include cash in bank accounts and investments in money market funds. Cash and cash equivalents related to the University’s investment strategies are included in Investments on the Consolidated Statements of Financial Position. At times, cash in banks may exceed Federal Deposit Insurance Corporation (“FDIC”) insured limits.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

(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.

New Accounting Pronouncements

In May 2014, the FASB issued an Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction prices to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. The University is evaluating the impact this will have on the fiscal year 2019 financial statements.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. To simplify the presentation, upon adoption, debt issuance costs will be presented in the Consolidated Statement of Financial Position as a deduction from the carrying amount of debt liability, consistent with debt discounts or premiums rather than included in other assets as currently permitted. The recognition and measurement guidance for debt issuance costs is not affected. The ASU will be effective for the University for the fiscal year beginning after December 15, 2015. The new guidance will be applied on a retrospective basis, whereby the Consolidated Statement of Financial Position for each period presented will be adjusted to reflect the respective period specific effects. While early adoption is permitted, the University has elected not to early adopt within the 2015 financial statements. Currently deferred issuance costs are \$9,166 and the University is evaluating the impact this will have on the fiscal year 2016 financial statements.

In May 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent) (“NAV”). This standard removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using NAV as a practical expedient. This standard is effective for fiscal years beginning after December 15, 2016, however, early adoption is permitted. The University elected to early adopt ASU 2015-07. Accordingly, investments for which fair value is measured using NAV as a practical expedient have not been categorized within the fair value hierarchy. Where appropriate, disclosures related to fiscal year 2014 have been adjusted following the early adoption of the ASU 2015-07.

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Fair Value

The University values certain financial and nonfinancial assets and liabilities by applying the FASB pronouncement on *Fair Value Measurements*. The pronouncement defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The hierarchy has three levels based on inputs that market participants would use in valuing the asset or liability based on market data obtained from sources independent of the University as follows:

- Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable.
- Level 3 Unobservable inputs for the asset or liability.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. The University is required by the pronouncement to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3). The University considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, provided by independent sources that are actively involved in the relevant market, and not proprietary. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the University's perceived risk of that instrument.

Assets and liabilities are disclosed in the Notes to Consolidated Financial Statements within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. The University's assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy. The fair value of assets and liabilities using Level 3 inputs are generally determined by using pricing models, discounted cash flow methods or calculated NAV, which all require significant management judgment or estimation.

As a practical expedient, the University is permitted, under the pronouncement, to estimate the fair value of an investment in an investment company at the measurement date using the reported NAV. Adjustment is required if the University expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with GAAP. Due to the early adoption of new accounting standards, all investments, for which fair value is measured using NAV, are excluded within the fair value hierarchy, as long as no adjustment is required to NAV and the manager has reported a NAV at the measurement date. Investments are categorized as Level 3 if a NAV adjustment is required or if there is no reported NAV at the measurement date.

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The University performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with GAAP. The University has assessed factors including, but not limited to, managers' compliance with the *Fair Value Measurement* standard, price transparency and valuation procedures in place.

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 fair value of the University's investments is disclosed in Note 4. The fair value of the University's bonds payable and other debt is disclosed in Note 9. 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. The fair value of the mortgage loans receivable at June 30, 2015 and 2014 approximated carrying value on the Consolidated Statements of Financial Position. The carrying amount of the remaining University's financial instruments approximates fair value because of their short maturity.

Investments and Net Investment Return

Investments are stated at estimated fair value. These fair values may differ from the values that would have been used had a ready market existed for these investments and the differences could be significant.

Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses are generally determined on the basis of average cost of securities sold and are reflected in net investment return in the Consolidated Statements of Activities. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis and are reflected in net investment return in the Consolidated Statements of Activities.

Land, Buildings, and Equipment

Land, buildings, and equipment (Note 7) 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.

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. The depreciable lives of equipment, furniture, and fixtures range from 5 to 15 years and range from 5 to 10 years for software applications.

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In accordance with the terms of the lease of WHAECOM, before it was amended (Note 1), Montefiore annually contributed funds 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 Receivables and Allowance for Doubtful Accounts

Student receivables are recorded when billed to the student. Student receivables are reduced by an 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 4). 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.

Operating and Nonoperating Activities

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

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Operating activities principally include all revenue and expenses that relate to the University's educational programs, research, training, and supporting activities. Investment returns utilized included in operating revenues consists of investment income on pooled endowed and nonendowed funds, as well as nonpooled endowed funds, that were used to support operating activities in accordance with the University's endowment spending rate (Note 5). 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 to principally include net investment return less investment return utilized to support current year operating activities in accordance with the University's endowment spending rate policy (Note 5), 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 an unusual or nonrecurring nature are also included in nonoperating activities.

Institutional Student Loans

The University manages a variety of internal loan programs. Student loans are classified as permanently restricted net assets. Interest earned on institutional loan programs is reinvested to support additional loans. The repayment and interest rate terms of the institutional loans vary considerably.

Reclassifications

Certain previously reported amounts in the fiscal 2014 financial statements have been reclassified in order to conform to the fiscal 2015 presentation.

Other Significant Accounting Policies

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

3. Assets and Liabilities Held for Sale - Einstein

As described in Notes 1 and 18, on September 9, 2015 (the "Acquisition Date" or the "Closing"), the University entered into a Joint Collaboration Agreement regarding Einstein, with the University's medical school, Montefiore Medicine, an affiliate of Montefiore which has long been Einstein's principal teaching hospital. Pursuant to the Joint Collaboration Agreement, the University transferred operational and financial responsibility for Einstein to a newly-created not-for-profit corporation (New Einstein) controlled by Montefiore Medicine. In connection therewith, substantially all of the assets, employees, liabilities, and fiduciary responsibilities to donors associated with Einstein will be transferred from the University to, and assumed by, New Einstein as part of the agreement. In addition, DASNY bonds payable of approximately \$136,100 (\$139,071 as of June 30, 2015) were also defeased as part of the transaction (the "Transaction") (Notes 9 and 18). Included in the assets transferred were Einstein-related land and buildings in the Bronx, as well as Einstein-related receivables, investments, endowments and research grants and contracts. New Einstein is now responsible for the medical school's current and future operations, including funding operating deficits. Over the course of the several years prior to the transaction, Einstein's operating deficits comprised a significant portion of the University's annual operating deficits (Note 18). Although financial and operational control transferred to the new entity, the University will continue to have significant involvement with New Einstein, as it will be the degree granting institution until New Einstein receives its accreditation.

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In accordance with ASC 360-10-35, the carrying value of the assets (and liabilities) held for sale shall be measured at the lower of their carrying amount or fair value less cost to sell where appropriate, which the University has determined to be the carrying value. Additionally, per ASC 360-10-35, assets held for sale shall not be depreciated while they are classified as held for sale. As the Board of Trustees authorized the sale of these referenced assets and liabilities in June 2015, the depreciation of such assets for that time period until the end of fiscal year was deemed to be immaterial to the overall consolidated financial statements.

All assets and liabilities that were transferred to New Einstein are presented separately as assets and liabilities held for sale in the Consolidated Statements of Financial Position. The following represents a reconciliation of carrying amounts of major classes of assets and liabilities held for sale that are presented separately on the Consolidated Statements of Financial Position as of June 30, 2015:

	<u>2015</u>
Assets Held for Sale - Einstein	
Cash and cash equivalents	\$ 1,715
Grants and contracts receivable, net	36,428
Contributions receivable, net (Note 6)	20,232
Student receivables, net (Note 6)	19,220
Other assets (Note 6)	40,292
Mortgage loans receivable	16,376
Funds held by bond trustees (Notes 4 and 9)	7,116
Investments (Note 4)	465,109
Trusts and split-interest agreements held by others (Note 4)	7,708
Land, buildings, and equipment, net (Note 7)	<u>371,845</u>
Total assets held for sale	<u>\$ 986,041</u>
Liabilities Held for Sale - Einstein	
Accounts payable and accrued expenses	\$ 29,988
Deferred revenue	21,681
Trusts held for others	14,669
Other liabilities	35,000
Refundable advances from the U.S. Government	116
Mortgage note payable (Note 9)	42,604
Capital lease obligation (Note 10)	33,587
Asset retirement obligations (Note 11)	<u>2,146</u>
Total liabilities held for sale	<u>\$ 179,791</u>

As consideration for the assets and liabilities transferred to New Einstein, the University will receive, among other things, the following consideration (information presented as of June 30, 2015):

- Cash proceeds to repay or defease outstanding DASNY bonds of \$139,071.
- Assumption of \$42,604 of mortgage related debt by New Einstein.
- Assumption of \$137,187 of liabilities by New Einstein.
- The University will receive 20 annual cash payments of \$12,500, Commencing on September 9, 2017, followed by a final payment in 2037 of \$20,000. Cash payments will aggregate \$270,000 with a present value of approximately \$159,000.

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- Other cash payments and other considerations.

Assuming the Transaction would have occurred on June 30, 2015, the effect would have resulted in a decrease in temporarily restricted net assets and permanently restricted net assets of approximately \$470,000, primarily relating to the transfer of the fiduciary obligations associated with the transfer of Einstein related investments and endowments that will be transferred as part of the agreement. The University will complete the evaluation of the impact on net assets relating to the Transaction in fiscal 2016.

4. Investments

The University manages substantially all of its investments and those of certain consolidated and unconsolidated affiliated entities and organizations in three investment groups – the Long Term Pools (“LTPools”) for long-term investments, the Operational Investment Funds (“OIFunds”) for shorter-term investments, and Segregated Investments.

The Investment Oversight Committee of the Board of Trustees (formerly the Investment Committee) oversees the University’s investment strategy for the LTPools in accordance with established guidelines, which cover, among other criteria, asset allocation, diversification, liquidity and performance return objectives. The overall investment objective of the University is to invest the LTPools in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after accounting for inflation. The University diversifies its investments among various asset classes incorporating multiple strategies and managers.

In anticipation of the Joint Collaboration Agreement regarding Einstein (Note 18), as of April 1, 2015, the University split the LTPools into two unitized pools both of which are included as part of the Long term pools in the schedule below.

The OIFunds are managed to a shorter-term investment horizon with an emphasis on liquidity. Investments include cash and cash equivalents, fixed income, and equities held in mutual funds.

Segregated Investments include investments that are donor directed and assets held in irrevocable charitable remainder trusts. These investments include cash and cash equivalents, U.S. Government obligations, mutual funds (fixed income), corporate debt, State of Israel Bonds, corporate stocks, mutual funds (equities), investment receivables, investment payables and other investments.

At June 30, 2015 and 2014, the value of the University’s interest in these groups is as follows:

	Fair Value	
	2015	2014
Long term pools	\$ 916,659	\$ 1,013,306
Operational investment funds	39,947	28,179
Segregated investments	36,939	44,084
Total investments, including assets held for sale	993,545	1,085,569
Less: Assets held for sale - Einstein (Note 3)	(465,109)	-
Total investments	<u>\$ 528,436</u>	<u>\$ 1,085,569</u>

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At June 30, 2015, assets held in irrevocable charitable remainder trusts were included in Segregated Investments in the amount of \$25,088. At June 30, 2014, assets held in irrevocable charitable remainder trusts were included in Segregated Investments in the amount of \$28,082.

Included in the OIFunds are \$7,875 as of June 30, 2015 and 2014 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 the event additional expenses are incurred by the estate.

The following tables present the fair value hierarchy for those assets reported at fair value in the Consolidated Statements of Financial Position as of June 30, 2015 and 2014. The fair value amounts presented below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statements of Financial Position as of June 30, 2015 and 2014:

	June 30, 2015				Unconsolidated Affiliates & Assets held for sale	Total
	Level 1	Level 2	Level 3	NAV		
Investment strategy						
Cash and cash equivalents	\$ 130,298	\$ -	\$ -	\$ -	\$ -	\$ 130,298
Fixed income						
U.S. Government obligations	78,912	-	-	-	-	78,912
Mutual funds (fixed income)	2,899	-	-	-	-	2,899
Corporate debt	-	23,205	-	-	-	23,205
State of Israel bonds	-	-	7,066	-	-	7,066
Equities						
Corporate stocks	70,174	-	-	-	-	70,174
Mutual funds (equities)	94,224	-	-	-	-	94,224
Long-only equities	-	-	-	136,891	-	136,891
Long-short equities	-	-	-	148,511	-	148,511
Private equity	-	-	-	64,367	-	64,367
Venture capital	-	-	-	25,519	-	25,519
Marketable alternatives						
Multi-strategy/event-driven	-	-	-	210,095	-	210,095
Macro	-	-	-	1,055	-	1,055
Real assets	-	-	-	6,478	-	6,478
Real estate	-	-	11,899	14,684	-	26,583
Investment receivables	-	-	-	109,584	-	109,584
Investment payables	-	-	-	(784)	-	(784)
Other investments	467	-	4,494	-	-	4,961
	<u>376,974</u>	<u>23,205</u>	<u>23,459</u>	<u>716,400</u>	<u>-</u>	<u>1,140,038</u>
Less: Unconsolidated affiliates' (RIETS and High Schools) interests in the investment portfolio	-	-	-	-	(146,493)	(146,493)
Total investments, including assets held for sale	376,974	23,205	23,459	716,400	(146,493)	993,545
Less: Assets held for sale - Einstein (Note 3)	-	-	-	-	(465,109)	(465,109)
Total investments	<u>376,974</u>	<u>23,205</u>	<u>23,459</u>	<u>716,400</u>	<u>(611,602)</u>	<u>528,436</u>
Other assets						
Trusts and split-interest agreements held by others	-	-	20,309	-	(7,708)	12,601
Funds held by bond trustees	7,565	-	-	-	(7,116)	449
Total Investments and other assets	<u>\$ 384,539</u>	<u>\$ 23,205</u>	<u>\$ 43,768</u>	<u>\$ 716,400</u>	<u>\$ (626,426)</u>	<u>\$ 541,486</u>

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	June 30, 2014					
	Level 1	Level 2	Level 3	NAV	Unconsolidated Affiliates	Total
Investment strategy						
Cash and cash equivalents	\$ 81,771	\$ -	\$ -	\$ -	\$ -	\$ 81,771
Fixed income						
U.S. Government obligations	100,003	-	-	-	-	100,003
Mutual funds (fixed income)	13,706	-	-	-	-	13,706
Corporate debt	-	24,910	-	-	-	24,910
State of Israel bonds	-	-	8,571	-	-	8,571
Equities						
Corporate stocks	61,151	-	-	-	-	61,151
Mutual funds (equities)	129,305	-	-	-	-	129,305
Long-only equities	-	-	-	164,466	-	164,466
Long-short equities	-	-	-	144,407	-	144,407
Private equity	-	-	-	68,584	-	68,584
Venture capital	-	-	-	11,945	-	11,945
Marketable alternatives						
Multi-strategy/event-driven	-	-	-	309,341	-	309,341
Macro	-	-	-	20,592	-	20,592
Real assets						
Real estate	-	-	13,494	14,574	-	28,068
Investment receivables	-	-	-	61,283	-	61,283
Other investments	127	343	4,097	-	-	4,567
	<u>386,063</u>	<u>25,253</u>	<u>26,162</u>	<u>798,934</u>	<u>-</u>	<u>1,236,412</u>
Less: Unconsolidated affiliates' (RIETS and High Schools) interests in the investment portfolio						
	-	-	-	-	(150,843)	(150,843)
Total investments	<u>386,063</u>	<u>25,253</u>	<u>26,162</u>	<u>798,934</u>	<u>(150,843)</u>	<u>1,085,569</u>
Other assets						
Trusts and split-interest agreements held by others						
	-	-	22,412	-	-	22,412
Funds held by bond trustees						
	<u>7,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,225</u>
Total Investments and other assets	<u>\$ 393,288</u>	<u>\$ 25,253</u>	<u>\$ 48,574</u>	<u>\$ 798,934</u>	<u>\$ (150,843)</u>	<u>\$ 1,115,206</u>

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and other highly liquid investments having an original maturity of less than three months. Cash and cash equivalents may include cash in bank accounts and investments in money market funds. At times, cash in banks may exceed FDIC insured limits.

Fixed Income

Fixed income securities include directly held U.S. Government obligations, fixed income securities held in mutual funds, directly held corporate debt and directly held State of Israel bonds. U.S. Government obligations and fixed income securities held in mutual funds are valued based on quoted market prices in active markets and are categorized as Level 1. Corporate debt is valued based on quoted market prices, dealer or broker quotations and is categorized as Level 2. State of Israel bonds are recorded at face value, which approximates fair value, and are therefore categorized as Level 3.

Equities

Equity investments include directly held corporate stocks, public equities held in mutual funds, long-only equities, long-short equities, private equity and venture capital, all held in limited partnerships. Corporate stocks and public equities held in mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1. Long-only equities (where only long positions in assets and securities are traded and held), long-short equities (where long positions that are expected to appreciate and short positions that are expected to decline are traded and held), private

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equity (which invests directly in private firms) and venture capital (which includes direct equity investments of less mature firms) are valued at the NAV provided by the investment manager. All investments, for which fair value is measured using NAV, have been excluded within the fair value hierarchy.

Marketable Alternatives

Marketable alternatives include limited partnership investments in multi-strategy/event-driven and macro strategies. Multi-strategy/event-driven (which represents an investment strategy that includes several strategies or attempts to take advantage of events such as mergers and restructurings) and macro (that bases its holdings - such as long and short positions in various equity, fixed income, currency, and futures markets - primarily on overall economic and political views of various countries (macroeconomic principles)) are valued at the NAV provided by the investment manager. All investments, for which fair value is measured using NAV, have been excluded within the fair value hierarchy.

Real Assets and Real Estate

Real Assets represent limited partnership investments in tangible assets that may include rail cars, ships, aircraft, forestry or traded commodities. Real estate represents limited partnership investments in real property. The interests in these investments are valued at the NAV provided by the investment manager. All investments, for which fair value is measured using NAV, have been excluded within the fair value hierarchy, as long as no adjustment is required to NAV and the manager has reported a NAV at the measurement date. Investments are categorized as Level 3 if a NAV adjustment is required or if there is no reported NAV at the measurement date.

Investment Receivables and Investment Payables

Investment receivables include investments in limited partnerships where the University has placed redemption requests and are valued at NAV. Investment payables include unsettled trades at the measurement date and are valued at NAV. All investments, for which fair value is measured using NAV, have been excluded within the fair value hierarchy.

Other Investments

The majority of other investments includes a life insurance policy, and directly held real estate property, which are categorized as Level 3.

The following table summarizes quantitative inputs and assumptions used for Level 3 investments for which fair value is based on unobservable inputs at June 30, 2015 and 2014:

June 30, 2015					
Fair Value	Valuation Technique	Significant Unobservable Input	Range		
Investment strategy					
State of Israel bonds	\$ 7,066	Face value	N/A	N/A	N/A
Real estate	11,899	NAV	80–100% reduction to NAV based on uncertainty over future realization	N/A	N/A

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June 30, 2014				
Fair Value	Valuation Technique	Significant Unobservable Input	Range	
Investment strategy				
State of Israel bonds	\$ 8,571	Face value	N/A	N/A
Real estate	13,494	NAV	78–90% 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 directly held real estate properties, held at carrying value.

The following table presents the University’s 2015 activity for those assets classified as Level 3 within the fair value hierarchy:

	June 30, 2014	Purchases	Sales	Net Realized and Unrealized Gain (Loss)	June 30, 2015
State of Israel bonds	\$ 8,571	\$ -	\$ (1,505)	\$ -	\$ 7,066
Real estate	13,494	-	(4,273)	2,678	11,899
Other investments	4,097	350	-	47	4,494
	26,162	350	(5,778)	2,725	23,459
Trusts and split interest agreements	22,412	-	-	(2,103)	20,309
Total Level 3 investments	\$ 48,574	\$ 350	\$ (5,778)	\$ 622	\$ 43,768

The following table presents the University’s 2014 activity for those assets classified as Level 3 within the fair value hierarchy:

	June 30, 2013	Purchases	Sales	Net Realized and Unrealized Gain (Loss)	June 30, 2014
State of Israel bonds	\$ 14,935	\$ -	\$ (6,366)	\$ 2	\$ 8,571
Real estate	8,462	151	(2,443)	7,324	13,494
Other investments	4,062	-	-	35	4,097
	27,459	151	(8,809)	7,361	26,162
Trusts and split interest agreements	20,789	-	-	1,623	22,412
Total Level 3 investments	\$ 48,248	\$ 151	\$ (8,809)	\$ 8,984	\$ 48,574

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All net realized and unrealized gains (losses) in the tables above are reflected on the Consolidated Statements of Activities. Net unrealized gains (losses) still held relating to Level 3 investments are (\$2,439) and \$7,041 at June 30, 2015 and 2014, respectively. The University's policy is to recognize transfers in and transfers out as of the end of the period. During the years ended June 30, 2015 and 2014, there were no significant transfers between Level 1, Level 2 or Level 3.

The University has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups and other restrictions. The University has also made commitments to provide capital to various limited partnerships, and under the terms of those agreements, the University is obligated to periodically advance additional funding. The University had commitments of approximately \$47,959 and \$46,755 at June 30, 2015 and 2014, respectively, to investment funds and limited partnerships for which capital calls had not been exercised. These amounts have not been recorded as liabilities on 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. Details on liquidity, restrictions by strategy and type of investment are provided below as of June 30, 2015 and 2014:

	June 30, 2015						Notice Periods in Days
	Monthly and More Frequent	Quarterly	Semi- annually and Annually	Greater Than One Year	Redemptions Placed	Total	
Investment strategy							
Cash and cash equivalents	\$ 130,298	\$ -	\$ -	\$ -	\$ -	\$ 130,298	N/A
Fixed income							
U.S. Government obligations	78,912	-	-	-	-	78,912	N/A
Mutual funds (fixed income)	2,899	-	-	-	-	2,899	N/A
Corporate debt	23,205	-	-	-	-	23,205	N/A
State of Israel bonds	-	-	-	7,066	-	7,066	N/A
Equities							
Corporate stocks	70,174	-	-	-	-	70,174	N/A
Mutual funds (equities)	94,224	-	-	-	-	94,224	N/A
Long-only equities	30,526	62,166	44,199	-	-	136,891	10-90
Long-short equities	-	69,020	63,257	-	16,234	148,511	30-60
Private equity	-	-	-	64,367	-	64,367	N/A
Venture capital	-	-	-	25,519	-	25,519	N/A
Marketable alternatives							
Multi-strategy/event-driven	-	79,187	113,147	-	17,761	210,095	45-180
Macro	-	-	1,055	-	-	1,055	60
Real assets	-	-	-	6,478	-	6,478	N/A
Real estate	-	-	-	26,583	-	26,583	N/A
Investment receivables	634	108,950	-	-	-	109,584	N/A
Investment payables	(784)	-	-	-	-	(784)	N/A
Other investments	469	-	-	4,492	-	4,961	N/A
Total investments	\$ 430,557	\$ 319,323	\$ 221,658	\$ 134,505	\$ 33,995	\$ 1,140,038	

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	June 30, 2014						Notice Periods in Days
	Monthly and More Frequent	Quarterly	Semi- annually and Annually	Greater Than One Year	Redemptions Placed	Total	
Investment strategy							
Cash and cash equivalents	\$ 81,771	\$ -	\$ -	\$ -	\$ -	\$ 81,771	N/A
Fixed income							
U.S. Government obligations	100,003	-	-	-	-	100,003	N/A
Mutual funds (fixed income)	13,706	-	-	-	-	13,706	N/A
Corporate debt	24,910	-	-	-	-	24,910	N/A
State of Israel bonds	-	-	-	8,571	-	8,571	N/A
Equities							
Corporate stocks	61,151	-	-	-	-	61,151	N/A
Mutual funds (equities)	129,305	-	-	-	-	129,305	N/A
Long-only equities	37,465	83,379	42,765	-	857	164,466	30-90
Long-short equities	-	64,832	63,066	-	16,509	144,407	30-60
Private equity	-	-	-	68,584	-	68,584	N/A
Venture capital	-	-	-	11,945	-	11,945	N/A
Marketable alternatives							
Multi-strategy/event-driven	-	108,578	173,373	-	27,390	309,341	45-180
Macro	-	-	20,592	-	-	20,592	60
Real assets	-	-	-	3,742	-	3,742	N/A
Real estate	-	-	-	28,068	-	28,068	N/A
Investment receivables	394	60,889	-	-	-	61,283	N/A
Other investments	471	-	-	4,096	-	4,567	N/A
Total investments	\$ 449,176	\$ 317,678	\$ 299,796	\$ 125,006	\$ 44,756	\$ 1,236,412	

As of June 30, 2015, \$27,229 within the multi-strategy/event driven investment strategy is locked up until September 1, 2015. As of June 30, 2014, \$26,875 within the multi-strategy/event driven investment strategy is locked up until September 1, 2015.

The University has placed redemptions with certain investments that are in the process of fully redeeming, in liquidation or are side pocketed. Payout from these investments is subject to when the investment manager determines and has the ability to sell the underlying assets to generate cash for payment. As such, payout of such investments may take a significant and indeterminable amount of time.

Details on outstanding commitments and remaining estimated life by strategy and type of investment are provided below as of June 30, 2015 and 2014:

	June 30, 2015				
	Unfunded Commitment	Remaining Years of Investments			Total
		0-3 Years	4-5 Years	Greater Than 5	
Investment strategy					
Equities					
Private equity	\$ 35,529	\$ 42,312	\$ 15,734	\$ 6,321	\$ 64,367
Venture capital	712	21,422	4,097	-	25,519
Real assets	9,137	1,581	-	4,897	6,478
Real estate	2,581	26,583	-	-	26,583
	\$ 47,959	\$ 91,898	\$ 19,831	\$ 11,218	\$ 122,947

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	June 30, 2014				
	Unfunded Commitment	Remaining Years of Investments			Total
		0-3 Years	4-5 Years	Greater Than 5	
Investment strategy					
Equities					
Private equity	\$ 29,671	\$ 51,050	\$ 16,816	\$ 718	\$ 68,584
Venture capital	974	2,791	9,154	-	11,945
Real assets	13,529	2,563	-	1,179	3,742
Real estate	2,581	28,068	-	-	28,068
	<u>\$ 46,755</u>	<u>\$ 84,472</u>	<u>\$ 25,970</u>	<u>\$ 1,897</u>	<u>\$ 112,339</u>

The net movement of cash and cash equivalents within the investments balance is included in proceeds from sales of investments on the Consolidated Statements of Cash Flows as of June 30, 2015 and 2014.

Net Investment Return

Net investment return for the years ended June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Investment income	\$ 7,776	\$ 8,149
Investment expenses	(2,835)	(3,063)
Net realized and unrealized gains (losses)	<u>22,813</u>	<u>113,738</u>
Net investment return	<u>\$ 27,754</u>	<u>\$ 118,824</u>

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.

The University classifies as permanently restricted net assets: (a) the original values of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment required by the applicable donor gift instrument. Appreciation related to donor-restricted endowment funds is classified as temporarily restricted net assets and reclassified as unrestricted net assets when those amounts are appropriated for expenditure and utilized.

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The following represents the University's endowment net asset composition by type of fund as of June 30, 2015 and 2014:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (10,937)	\$ 299,371	\$ 594,366	\$ 882,800
Board-designated endowment funds	4,217	7,442	-	11,659
Total endowment net assets	<u>\$ (6,720)</u>	<u>\$ 306,813</u>	<u>\$ 594,366</u>	894,459
Other funds				99,086
Less: Assets held for sale - Einstein				(465,109)
Total investments				<u>\$ 528,436</u>

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (9,962)	\$ 319,705	\$ 592,040	\$ 901,783
Board-designated endowment funds	11,182	8,090	-	19,272
Total endowment net assets	<u>\$ 1,220</u>	<u>\$ 327,795</u>	<u>\$ 592,040</u>	921,055
Other funds				164,514
Total investments				<u>\$ 1,085,569</u>

Changes in endowment net assets for the year ended June 30, 2015 were as follows:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets at June 30, 2014	<u>\$ 1,220</u>	<u>\$ 327,795</u>	<u>\$ 592,040</u>	<u>\$ 921,055</u>
Endowment income, net of expenses	39	3,755	36	3,830
Net realized and unrealized gains (losses) on endowments	199	19,211	191	19,601
Net endowment return	238	22,966	227	23,431
Contributions	30	535	4,129	4,694
Appropriation of endowment assets for expenditure	(533)	(43,423)	(432)	(44,388)
Transfers, withdrawals and other changes	(6,700)	(3,258)	(375)	(10,333)
Reclassifications	(975)	2,198	(1,223)	-
Endowment net assets at June 30, 2015	<u>\$ (6,720)</u>	<u>\$ 306,813</u>	<u>\$ 594,366</u>	<u>\$ 894,459</u>

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Changes in endowment net assets for the year ended June 30, 2014 were as follows:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets at June 30, 2013	\$ 75,323	\$ 360,019	\$ 587,411	\$ 1,022,753
Endowment income, net of expenses	222	2,598	23	2,843
Net realized and unrealized gains (losses) on endowments	6,136	97,042	1,110	104,288
Net endowment return	6,358	99,640	1,133	107,131
Contributions	130	880	3,545	4,555
Appropriation of endowment assets for expenditure	(3,870)	(45,994)	(518)	(50,382)
Transfers, withdrawals and other changes	(89,453)	(74,032)	483	(163,002)
Reclassifications	12,732	(12,718)	(14)	-
Endowment net assets at June 30, 2014	\$ 1,220	\$ 327,795	\$ 592,040	\$ 921,055

In September 2010, the New York Prudent Management of Institutional Funds Act (“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
- 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

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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 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.

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 University utilizes a spending rate in allocating appreciation earned on assets invested in the LTPools. In accordance with the current spending rate policy, 5.5% of the fair value per unit in the LTPools, based on a 12-quarter average value through December 31 of the previous year, is available for expenditure for the fiscal year commencing July 1. When donors have expressly stipulated the payout percentage of earnings on endowment that differs from the University's policies, the donors' intent prevails.

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 \$10,937 and \$9,962 as of June 30, 2015 and 2014, respectively.

Manhattan Campuses has a balance of prior borrowings from the LTPools utilized to fund operations of \$34,215 and \$33,303 at June 30, 2015 and 2014, respectively. This amount is reported as a reduction to the investment balance in the Consolidated Statements of Financial Position as of June 30, 2015 and 2014. This borrowing has earned \$912 and \$2,199 for the year ended June 30, 2015 and 2014, respectively.

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6. Receivables and Other Assets

Contributions Receivable, Net

Contributions receivable consists of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Amount expected to be collected in		
Less than one year	\$ 39,449	\$ 41,161
One to five years	29,203	39,002
Greater than five years	<u>73,304</u>	<u>76,827</u>
	141,956	156,990
Less:		
Discount to present value (1.67%–6.0%)	(18,056)	(15,050)
Allowance for uncollectible amounts	<u>(38,384)</u>	<u>(32,129)</u>
Total including assets held for sale	85,516	<u>\$ 109,811</u>
Less:		
Assets held for sale - Einstein (Note 3)	<u>(20,232)</u>	
Total contribution receivable, net	<u>\$ 65,284</u>	

As of June 30, 2015 and 2014, approximately 59% and 58%, respectively, of gross contributions receivable were from five donors. The allowance in 2015 and 2014 includes approximately \$20,000 related to a long-term donor due to changes in circumstances.

Student Receivables, Net

The tables below provide disclosures about the student loan receivables as well as student tuition receivables at June 30, 2015 and 2014.

	<u>2015</u>		
	<u>Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>
Federal revolving loans	\$ 7,228	\$ (1,415)	\$ 5,813
Institutional loans	48,974	(8,213)	40,761
Accrued Interest	<u>7,824</u>	<u>(3,196)</u>	<u>4,628</u>
Total student loans receivable	64,026	(12,824)	51,202
Total student tuition receivable	<u>7,313</u>	<u>(4,303)</u>	<u>3,010</u>
Total including assets held for sale	71,339	(17,127)	54,212
Less:			
Assets held for sale - Einstein (Note 3)	<u>(20,001)</u>	781	<u>(19,220)</u>
Total student receivables	<u>\$ 51,338</u>	<u>\$ (16,346)</u>	<u>\$ 34,992</u>

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	2015					
	Federal Revolving	Institutional	Accrued Interest	Total Loans Allowance	Student Receivables	Gross Allowances
Allowance at beginning of year	\$ (1,319)	\$ (8,545)	\$ (2,856)	\$ (12,720)	\$ (5,757)	\$ (18,477)
Current year (provisions) recovery	(96)	332	(340)	(104)	1,454	1,350
	<u>\$ (1,415)</u>	<u>\$ (8,213)</u>	<u>\$ (3,196)</u>	<u>\$ (12,824)</u>	<u>\$ (4,303)</u>	<u>\$ (17,127)</u>
Less: Assets held for sale - Einstein						781
Allowance at end of year						<u>\$ (16,346)</u>

	2014		
	Receivable	Allowance	Net Receivable
Federal revolving loans	\$ 7,047	\$ (1,319)	\$ 5,728
Institutional loans	49,193	(8,545)	40,648
Accrued Interest	7,534	(2,856)	4,678
Total student loans receivable	<u>63,774</u>	<u>(12,720)</u>	<u>51,054</u>
Total student tuition receivable	<u>9,041</u>	<u>(5,757)</u>	<u>3,284</u>
Total student receivables	<u>\$ 72,815</u>	<u>\$ (18,477)</u>	<u>\$ 54,338</u>

	2014					
	Federal Revolving	Institutional	Accrued Interest	Total Loans Allowance	Student Receivables	Gross Allowances
Allowance at beginning of year	\$ (1,243)	\$ (7,786)	\$ (2,552)	\$ (11,581)	\$ (5,705)	\$ (17,286)
Current year provisions	(76)	(759)	(304)	(1,139)	(52)	(1,191)
Allowance at end of year	<u>\$ (1,319)</u>	<u>\$ (8,545)</u>	<u>\$ (2,856)</u>	<u>\$ (12,720)</u>	<u>\$ (5,757)</u>	<u>\$ (18,477)</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.

Due From Affiliated Organizations

The University charges RIETS and the High Schools for management services (such as accounting, treasury operations, human resources, procurement, legal, and other administrative services) as well as facilities maintenance. The cost of these services to RIETS and High Schools in 2015 were \$2,500 (\$4,539 in 2014) and \$1,740 (\$2,078 in 2014), respectively. The University's inter-company receivable for RIETS is \$3,303 at June 30, 2015 (\$4,993 in 2014).

Consistent with the University's operating budget, as approved by its Board of Trustees, the University subsidizes the High Schools. The University provided a subsidy for the High Schools of \$2,617 and \$6,604 for the years ended June 30, 2015 and 2014, respectively. The University also provided a subsidy for RIETS of \$993 and \$3,000 for the years ended June 30, 2015 and 2014, respectively.

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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, rent receivables, and various other miscellaneous receivables. Included at fair value are the assets of the University's 457(b) deferred compensation plan (Note 8). Included in the June 30, 2014 balance is a receivable from the New York State Office of Alcoholism and Substance Abuse Services ("OASAS") for reimbursement of the mortgage payable on a substance abuse treatment facility (Note 9-d). On March 30, 2015, the University transferred this receivable to Montefiore.

7. Land, Buildings, and Equipment

Land, buildings, and equipment, net consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 17,387	\$ 18,388
Buildings and improvements	993,732	997,510
Equipment, furniture and fixtures	139,058	147,295
Capitalized asbestos remediation costs (Note 10)	6,704	6,704
Building under capital lease (Note 9)	36,150	36,150
	<u>1,193,031</u>	<u>1,206,047</u>
Less: Accumulated depreciation and amortization	<u>(597,798)</u>	<u>(570,486)</u>
Total including assets held for sale	595,233	<u>\$ 635,561</u>
Less: Assets held for sale - Einstein (Note 3)	<u>(371,845)</u>	
Total land, buildings and equipment	<u>\$ 223,388</u>	

Depreciation and amortization expense related to buildings and equipment for the years ended June 30, 2015 and 2014 was \$46,991 and \$51,064, respectively. The University wrote off fully depreciated assets of \$13,865 and \$17,619 during the years ended June 30, 2015 and 2014, respectively.

On March 30, 2015, the University transferred to Montefiore real estate property located at 1510 Waters Place in Bronx, NY in connection with the transfer of Einstein's substance abuse program. The net book value of the property resulted in a loss of \$15,232 (Note 9-d).

During fiscal year 2014, the University sold real estate for \$72,500. The University recognized a (loss) gain for the years ended June 30, 2015 and 2014 of (\$430) and \$36,409, respectively.

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8. Retirement Plans

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, 2015 and 2014 was \$18,364 and \$19,703, respectively.

The University has a 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 \$26,486 and \$25,513 as of June 30, 2015 and 2014, 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 4.

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds	\$ 18,417	\$ -	\$ -	\$ 18,417
Guaranteed interest accounts	-	-	8,069	8,069
Plan assets at fair value	<u>\$ 18,417</u>	<u>\$ -</u>	<u>\$ 8,069</u>	<u>\$ 26,486</u>
Less: Assets held for sale - Einstein				(18,103)
Plan assets at fair value				<u>\$ 8,383</u>

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds	\$ 17,705	\$ -	\$ -	\$ 17,705
Guaranteed interest accounts	-	-	7,808	7,808
Plan assets at fair value	<u>\$ 17,705</u>	<u>\$ -</u>	<u>\$ 7,808</u>	<u>\$ 25,513</u>

Offsetting liabilities that relate to this plan are included in other liabilities as of June 30, 2015 and 2014.

Multi-Employer Benefit Plan

The University participates in the 1199 SEIU Health Care Employees Pension Fund multi-employer defined benefit pension plan for its Manhattan-based and Einstein 1199 union employees.

The University makes cash contributions to the plan under the terms of collective-bargaining agreements that cover its union employees based on a fixed rate and hours of service per week worked by the covered employees. The risks of participating in these multi-employer plans are different from other single-employer plans in the following aspects: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers; (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (3) if

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the University chooses to stop participating in its multi-employer plans, the University may be required to pay an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

In connection with the Joint Collaboration Agreement regarding Einstein (Note 18) substantially all 1199 employees of Einstein have been hired by New Einstein. As a result, the transaction does not result in any withdrawal liability for the University. In the event that New Einstein withdraws from the plan during the first five years and fails to pay its withdrawal liability the University will be secondarily liable. New Einstein has assumed all obligations under the plan and as part of the agreement agreed to make the required plan contributions.

The University contributed \$5,378 and \$7,070 in cash and recorded expenses for the multi-employer plan for the fiscal 2015 and 2014, respectively. The University's contributions to the 1199 Pension Fund represent less than 5% of total plan contributions.

The following table includes additional disclosure information related to the Pension Fund.

Plan Name	EIN Plan Number /Pension	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration date of Collective Bargaining Agreement
		2015	2014			
1199 Pension Fund	13-3604862/001	Green	Green	N/A	No	September 30, 2018

The Pension Protection Act zone status indicates the plan's funded status of either at least 80% funded (green) or less than 80% funded (red). A zone status of red requires the plan sponsor to implement a Funding Improvement Plan or Rehabilitation Plan.

The University has two contracts with 1199 SEIU; contract for Einstein expires on April 30, 2016 and a contract for the University expires on September 30, 2018.

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9. Bonds and Mortgages Payable and Short-term Borrowing

Details of the bonds, mortgages payable and the line of credit and short-term borrowing as of June 30, 2015 and 2014 are as follows:

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Outstanding at June 30, 2015</u>	<u>Amount Outstanding at June 30, 2014</u>
Bonds payable				
Dormitory Authority of the State of New York Insured Revenue Bonds				
Series 2011 ^(a)	November 1, 2040	4.00%–5.00%	\$ 88,075	\$ 90,000
Series 2009 ^(b)	September 1, 2038	3.50%–5.18%	140,820	140,820
Series 2004 ^(c)	July 1, 2034	2.59%–5.25%	81,400	83,650
Principal Subtotal- DASNY Bonds			310,295	314,470
Add: Unamortized premiums			2,095	2,900
Subtotal-DASNY Bonds			312,390	317,370
Loans payable (OASAS) ^(d)	February 28, 2030	3.51%	-	17,181
Private placement note ^(e)	September 1, 2024	6.75%	175,000	-
Mortgages payable ^(f)	Varied	4.50%–6.50%	6,444	6,526
The Housing Company obligations ^(g)	April 30, 2035	0%–6.50%	42,604	42,788
Total bonds and mortgage payable including				
bonds payable - Einstein and liabilities held for sale - Einstein			536,438	383,865
Less: Bonds payable - Einstein (Note 3)			(139,071)	(159,419)
Liabilities held for sale - Einstein (Note 3)			(42,604)	-
Bonds payable and other debt			\$ 354,763	\$ 224,446
Line of credit and short-term borrowing ^(h)	Varied	Variable	\$ -	\$ 125,000

- 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, 2041. 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 was 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 \$3,064 of the outstanding DASNY Series 2001 Bonds. The Series 2011A Bonds were issued with a net premium of \$3,390, of which \$1,767 and \$2,192 were unamortized as of June 30, 2015 and 2014, respectively. Subsequent to year end, \$32,484 of the Series 2011A Bonds was defeased as part of the Transaction (Note 18).
- 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

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- 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 Bonds. The Series 2009 Bonds were issued with a net premium of \$1,386, of which (\$60) and \$203 were unamortized as of June 30, 2015 and 2014, respectively. Subsequent to year end, \$24,594 of the Series 2009 Bonds was defeased as part of the Transaction (Note 18).
- 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 net premium of \$2,208, of which \$388 and \$505 were unamortized as of June 30, 2015 and 2014, respectively. Subsequent to year end, the remaining balance of \$79,030 of the Series 2004 Bonds was defeased as part of the Transaction (Note 18).
- d. 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 as part of Einstein's substance abuse treatment program. 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. On March 30, 2015, the University transferred to Montefiore substantially all of the assets and significant liabilities of the University's substance abuse treatment program, which included the entire loan payable to OASAS of \$17,181.
- e. In August 2014, the University entered into a financing agreement with a private lender whereby they issued \$175,000 of taxable bonds in a private placement. The note bears interest at the rate of 6.75% per annum. Interest on the note is payable semi annually in February and August and the principal payment is due upon maturity on September 1, 2024. The University utilized a portion of the proceeds to refinance its outstanding line of credit and the note purchase agreement. The University will incur approximately \$11,813 annually in additional interest through 2024 when the bonds mature.
- f. 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 mortgaged debt encumbering two of the properties was repaid in full, and all of the remaining debt on such properties was refinanced. During fiscal 2014, the University sold ten of the properties, and repaid or transferred the entire then-remaining associated mortgage debt of approximately \$12,500.

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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 refinanced 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 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 \$7,483 at June 30, 2015. 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. Subsequent to year end, as part of the Transaction, the University transferred 100% of its membership interest in the Housing Company to New Einstein (Notes 3 and 18).
- h. In March 2013, the University and a bank agreed to amend and restate their 2010 revolving loan agreement, the proceeds of which were 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). After March 2013, the interest rate on the outstanding balance on the line of credit ranged between 0.94% and 1.27%. The University's line of credit required 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 was calculated by dividing the sum of cash and cash equivalents, unrestricted endowment net assets, and temporarily restricted endowment net assets, by total indebtedness. As of June 30, 2014 the University complied with this covenant; the line was paid off in full in August 2014 using proceeds from the private lender note (Note 9-e).

In December 2013, the University entered into a note purchase agreement with another bank, the proceeds were used by the University for general corporate purposes. The agreement provided for an obligation of \$60,000 to the bank, with a maturity date of June 1, 2014. During fiscal 2014, the University repaid \$10,000 toward the note purchase agreement, reducing the balance to \$50,000 at June 30, 2014. The maturity date was extended and the note was paid off in full in August 2014 using proceeds from the private lender note (Note 9-e).

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

Years Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,752	\$ 27,562	\$ 32,314
2017	12,729	27,167	39,896
2018	14,377	26,539	40,916
2019	10,146	25,954	36,100
2020	10,651	25,446	36,097
Thereafter	481,688	180,155	661,843
	<u>534,343</u>	<u>\$ 312,823</u>	<u>\$ 847,166</u>
Unamortized premium	2,095		
	536,438		
Less: Bonds payable - Einstein	(139,071)		
Liabilities held for sale - Einstein (Note 3)	(42,604)		
Total projected debt service payments	<u>\$ 354,763</u>		

The unamortized bond issuance costs were \$9,166 and \$5,142 at June 30, 2015 and 2014, respectively.

Funds Held by Bond Trustees

Deposits with trustees are primarily invested in government securities. At June 30, 2015 and 2014, the fair value of amounts held by bond trustees under these loan agreements was as follows:

	<u>2015</u>	<u>2014</u>
Total Funds held by bond trustees including assets held for sale	\$ 7,565	\$ 7,225
Less: Assets held for sale - Einstein (Note 3)	(7,116)	
	<u>\$ 449</u>	

Interest expense on the line of credit and short-term borrowing, bonds, and other debt for the years ended June 30, 2015 and 2014 was \$24,631 and \$20,540, respectively.

Fair Value

At June 30, 2015 and 2014, the fair value of the line of credit and short-term borrowing, bonds payable and other debt was 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, 2015 and 2014, the fair value of the line of credit, bonds payable, and other debt, excluding the Housing Company's mortgage notes, was \$489,454 and \$445,131, respectively. The aggregate fair value of the Housing Company's mortgage notes at June 30, 2015 and 2014 approximates \$18,024 and \$17,352, respectively.

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10. 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%. Subsequent to year end, as part of the Transaction the University transferred 100% of the lease obligation (and benefits) to New Einstein (Note 18).

Minimum lease payments under this lease are as follows:

Years Ending June 30,	
2016	\$ 3,200
2017	3,200
2018	3,200
2019	3,200
2020	3,400
Thereafter	<u>31,600</u>
	47,800
Less:	
Amounts representing interest	(13,018)
Amounts representing utility costs	<u>(1,195)</u>
	\$ 33,587
Less:	
Liabilities held for sale - Einstein (Note 3)	<u>(33,587)</u>
Capital lease obligation	<u>\$ -</u>

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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 2015 and in 2014. Included in Liabilities held for sale and Other liabilities on the Consolidated Statements of Financial Position is a deferred rent obligation of \$8,867 and \$9,333 at June 30, 2015 and 2014, respectively, which is a result of straight-lining the total minimum lease payments over the 30 year noncancelable period. Subsequent to year end, as part of the Transaction the University transferred 100% of the lease obligation (and benefits) to New Einstein (Note 18).

The minimum lease payments that are associated with this lease are as follows:

Years Ending June 30,	
2016	\$ 3,000
2017	3,000
2018	3,000
2019	3,000
2020	3,000
Thereafter	<u>42,000</u>
	<u>\$ 57,000</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 the University to renew the lease for an additional 20 years and thereafter for two more renewal periods of 25 years and 24 years each.

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. As of June 30, 2015, there were no specific plans for development of this site.

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Total rent expense under this lease was \$1,483 in 2015 and in 2014. Included in liabilities held for sale and other liabilities on the Consolidated Statements of Financial Position is a deferred rent obligation of \$1,066 and \$798 at June 30, 2015 and 2014, respectively, which is a result of straight-lining the total minimum lease payments over the 30 year noncancelable period. . Subsequent to year end, as part of the Transaction the University transferred 100% of the lease obligation (and benefits) to New Einstein (Note 18).

The minimum lease payments that are associated with this lease are as follows:

Years Ending June 30,	
2016	\$ 1,130
2017	1,115
2018	1,097
2019	1,079
2020	1,059
Thereafter	<u>28,949</u>
	<u>\$ 34,429</u>

11. 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:

	<u>2015</u>	<u>2014</u>
Asset retirement obligations at June 30, 2014	\$ 11,125	\$ 15,279
Accretion expense	318	530
Asset retirement obligations settled or eliminated	<u>(273)</u>	<u>(4,684)</u>
Total including liabilities held for sale	11,170	<u>\$ 11,125</u>
Less: Liabilities held for sale - Einstein (Note 3)	<u>(2,146)</u>	
Asset retirement obligations at June 30, 2015	<u>\$ 9,024</u>	

12. 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 as 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.

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Expenses by functional classification, after allocating operations and maintenance, depreciation, and interest, are as follows for the years ended June 30, 2015 and 2014:

	Before Allocation	Operations and Maintenance	Depreciation	Interest	After Allocation	2014 Total
Instruction	\$ 155,181	\$ 18,332	\$ 11,732	\$ 7,935	\$ 193,180	\$ 200,533
Research and training	196,683	18,011	16,778	3,747	235,219	254,519
Patient care	32,305	3,437	3,202	715	39,659	44,060
Academic support	45,635	5,871	3,447	2,781	57,734	58,947
Student services	22,798	1,526	988	652	25,964	27,714
Institutional support	76,711	5,333	4,101	1,778	87,923	106,262
Auxillary enterprises	19,740	12,343	5,719	7,023	44,825	49,763
Year ended June 30, 2015	<u>\$ 549,053</u>	<u>\$ 64,853</u>	<u>\$ 45,967</u>	<u>\$ 24,631</u>	<u>\$ 684,504</u>	
Year ended June 30, 2014	<u>\$ 606,054</u>	<u>\$ 72,665</u>	<u>\$ 48,356</u>	<u>\$ 14,723</u>		<u>\$ 741,798</u>

Development (fundraising) expenses are included in Institutional support. For the years ended June 30, 2015 and 2014, such costs were \$14,932 and \$17,711, respectively. For purposes of reporting fundraising expenses, the University includes only those fundraising costs incurred by its development office. Institutional Support includes approximately \$6,000 and \$14,600 of restructuring costs incurred during 2015 and 2014, respectively.

13. Scholarship Allowance

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

	<u>2015</u>	<u>2014</u>
University unfunded support	\$ 72,992	\$ 70,619
University funded support	<u>25,262</u>	<u>25,530</u>
	<u>\$ 98,254</u>	<u>\$ 96,149</u>

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

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14. Net Assets Released From Restrictions

Net assets were released from restrictions during June 30, 2015 and 2014 for the following purposes:

	<u>2015</u>	<u>2014</u>
Academic chairs and support	\$ 2,536	\$ 13,490
Facility maintenance	5,960	17,400
Fellowships	986	2,317
Instruction, training and lectureships	1,626	3,583
Other	16,810	17,586
Public service	578	-
Research	49,900	57,349
Student scholarships	8,250	3,722
Time restricted pledges	6,920	9,245
	<u>\$ 93,566</u>	<u>\$ 124,692</u>

The amount of net assets released from restrictions presented in the Consolidated Statements of Activities for 2015 and 2014 of \$93,566 and \$124,692, respectively, includes the release from restriction of a bequest for the years ended June 30, 2015 and 2014, of \$56,634 and \$72,566, respectively.

15. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014 were available for the following purposes:

	<u>2015</u>	<u>2014</u>
Academic chairs	\$ 78,559	\$ 83,313
Facility maintenance	13,437	15,993
Faculty scholars and fellowships	28,884	29,934
Instruction, training and lectureships	42,865	46,977
Library	2,305	2,421
Other	73,399	79,566
Public service	4,608	5,387
Patient care	864	1,002
Research	62,284	116,662
Student scholarships	107,279	114,171
Time restricted pledges	16,483	20,877
	<u>\$ 430,967</u>	<u>\$ 516,303</u>

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16. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2015 and 2014 includes endowments, pledges, and loans and were available for the following purposes:

	<u>2015</u>	<u>2014</u>
Academic chairs and support	\$ 117,227	\$ 116,915
Capital projects	6,055	6,038
Facility maintenance	3,642	3,817
Faculty scholars and fellowships	36,738	36,399
Instruction and training and lectureships	82,853	82,935
Library	2,616	2,616
Other	12,482	11,949
Patient care	4,874	4,874
Research	60,703	61,375
Revolving fund for special projects	69,740	74,316
Student loans	39,241	40,010
Student scholarships	219,481	220,975
Trusts held by others in perpetuity	11,200	11,561
Unrestricted	14,683	14,619
	<u>\$ 681,535</u>	<u>\$ 688,399</u>

17. 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 2013 consolidated financial statements' Note 8 (Contingencies), led to the appointment of a trustee and receiver, respectively, for Bernard Madoff's, J. Ezra Merkin's and Ascot Partners' assets. In August 2014, the University received a payment under the settlement negotiated by the New York State Attorney General with J. Ezra Merkin and Ascot Partners. The University has also filed 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 that 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 (and the High Schools') motion to dismiss the case brought against them (and others) in federal court in July 2013 by former students of the High Schools was

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granted, based upon the fact that the statute of limitations on such claims had run, among other defenses. The case was dismissed with prejudice by the trial judge. The litigation alleged abuse during the 1970s and 1980s by former High Schools employees and sought damages of over \$680 million. The Plaintiffs appealed such dismissal and subsequently lost the appeal before the Second Circuit Court of Appeals, (and the Plaintiffs' request for review by that court was also denied, as was their request for certiorari to the United States Supreme Court). The University understands that counsel for the Plaintiffs filed a request for the trial judge to reconsider his earlier decision to dismiss the case, which was subsequently denied, and that counsel for the Plaintiffs has also filed a separate claim on behalf of parents of one of the alleged victims in New York state court. The High Schools has moved to dismiss that action, but no decision has yet been rendered. In all such cases, the University and the High Schools intend to continue to vigorously defend themselves, and believe all previously issued dismissals will be upheld. The University and the High Schools have utilized legal counsel approved by their insurance carriers and believe there should be sufficient coverage such that a negative outcome will not have material financial impact. The University and the High Schools further believe that the litigation and other related costs will not have a material adverse effect.

18. 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 financial statements, 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 January 15, 2016, which is the date the consolidated financial statements were issued.

On September 9, 2015, the University entered into a Joint Collaboration Agreement regarding Einstein, the University's medical school, with Montefiore Medicine, an affiliate of Montefiore which has long been Einstein's principal teaching hospital. Pursuant to the Joint Collaboration Agreement, the University transferred operational and financial responsibility for Einstein to a newly-created not-for-profit corporation (New Einstein) controlled by Montefiore Medicine. In connection with the Transaction, substantially all of the University's assets, employees, and liabilities associated with Einstein, as well as those pertaining to the consolidated related entity, the Housing Company, will be transferred from the University to, and assumed by New Einstein. As detailed below, included in the assets transferred were Einstein-related land and buildings in the Bronx, as well as Einstein-related receivables, investments, endowments and research grants and contracts. New Einstein is controlled by an affiliate of Montefiore and is now responsible for the medical school's current and future operations, including funding operating deficits. Over the course of the several years prior to the Transaction, Einstein's operating deficits comprised a significant portion of the University's annual operating deficits. See Note 3 for the schedule of assets and liabilities transferred as part of this transaction, which are reported as assets and liabilities held for sale in the accompanying consolidated financial statements.

In accordance with the Joint Collaboration Agreement, those portions of the University's investment and endowment accounts that were attributable to (i.e., donated for the benefit of) Einstein will be transferred from the University to New Einstein.

The Consolidated Statement of Activities incorporates the activities of Einstein for the year ended June 30, 2015. Such activities include total operating revenues of approximately \$416,000, total

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operating expenses and transfers of approximately \$447,000 and deficit changes in operating activity of approximately (\$31,000).

For a transition period, estimated to be at least three years following the Closing, until New Einstein receives full accreditation as a freestanding degree-granting institution, the University will: (i) maintain academic oversight for New Einstein, including granting degrees until New Einstein is granted the necessary accreditations and authority to grant degrees itself; and (ii) provide certain administrative services to or on behalf of New Einstein. As part of the University's continuing involvement during the transition period until New Einstein receives full accreditation, certain employees including a number of faculty members and academic officers will remain employed by the University. Additionally, during this transition period, medical school students will continue to enroll at the University and financial aid will be administered by the University in accordance with applicable federal and state law and accreditation requirements. As part of a transition service agreement New Einstein will reimburse the University for the costs of the University's ongoing activities benefitting medical students and the medical school during the transition period.

The University received consideration for the Transaction in a number of forms including utilizing a portion of the cash proceeds to reduce its long-term debt, by redeeming or defeasing approximately \$136,100 (\$139,071 as of June 30, 2015) of outstanding DASNY bonds. In addition, the Housing Company being transferred to New Einstein, relieving the University of responsibility for approximately \$43,000 (\$42,604 as of June 30, 2015) of mortgage debt (both the first and subordinated mortgage notes and the associated mortgages) comprising the entire outstanding long-term debt encumbering the Housing Company's land and buildings (Note 9).

The University will receive additional consideration, in the form of 21 annual cash payments from New Einstein, commencing on September 9, 2017, and on each September 9th thereafter through 2037. Such payments aggregate \$270,000 (20 payments of \$12,500 each, followed by a final payment of \$20,000), with a present value (discounted at 5%) of \$159,000 (New Einstein has the right to prepay). New Einstein's payment obligation is set forth in a promissory note from New Einstein to the University. Montefiore has guaranteed New Einstein's obligation to make such cash payments.

At Closing, the University also retained ownership of certain limited assets as well as the right to utilize certain portions of one of the Einstein buildings rent-free. The University was also relieved of substantially all of its inter-divisional borrowing from Einstein.

