

Yeshiva University and Related Entities

**Consolidated Financial Statements
June 30, 2014 and 2013**

Yeshiva University and Related Entities
Index
June 30, 2014 and 2013

	Page(s)
Independent Auditor's Report	1-2
Consolidated Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-42



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, 2014 and 2013, 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, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

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

PricewaterhouseCoopers LLP

New York, New York
February 28, 2015

Yeshiva University and Related Entities
Consolidated Statements of Financial Position
June 30, 2014 and 2013

<i>(in thousands of dollars)</i>	2014	2013
Assets		
Cash and cash equivalents	\$ 39,289	\$ 21,572
Contributions receivable, net (Note 5)	109,811	142,094
Grants and contracts receivable, net	50,558	43,420
Mortgage loans receivable	18,059	17,949
Due from affiliated organizations (Note 5)	4,993	4,904
Student receivables, net (Note 5)	54,338	55,282
Other assets (Note 5)	87,497	81,166
Funds held by bond trustees (Note 8)	7,225	7,735
Assets held for sale	-	39,550
Investments (Note 3)	1,085,569	1,138,372
Trusts and split-interest agreements held by others	22,412	20,789
Land, buildings, and equipment, net (Note 6)	635,561	665,853
Total assets	<u>\$ 2,115,312</u>	<u>\$ 2,238,686</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 80,140	\$ 93,263
Deferred revenue	20,967	21,078
Line of credit and short-term borrowing (Note 8)	125,000	74,698
Trusts held for others	16,048	15,635
Investment payable for unsettled trades	-	44,213
Other liabilities	49,458	45,784
Refundable advances from the U.S. Government	6,158	6,104
Bonds payable and other debt (Note 8)	383,865	399,707
Capital lease obligation (Note 9)	35,055	36,264
Asset retirement obligations (Note 10)	11,125	15,279
Total liabilities	<u>727,816</u>	<u>752,025</u>
Contingencies (Note 16)		
Net assets		
Unrestricted	182,794	228,284
Temporarily restricted (Note 14)	516,303	543,637
Permanently restricted (Note 15)	688,399	714,740
Total net assets	<u>1,387,496</u>	<u>1,486,661</u>
Total liabilities and net assets	<u>\$ 2,115,312</u>	<u>\$ 2,238,686</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, 2014 and 2013

	2014			2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<i>(in thousands of dollars)</i>								
Operating revenues								
Tuition and fees, net of scholarships and fellowships of \$96,149 in 2014 and \$99,415 in 2013 (Note 12)	\$ 133,149	\$ -	\$ -	\$ 133,149	\$ 128,760	\$ -	\$ -	\$ 128,760
Grants and contracts	215,374	-	-	215,374	204,856	-	-	204,856
Patient care revenue	36,572	-	-	36,572	47,525	-	-	47,525
Private gifts and bequests	21,807	-	-	21,807	30,241	-	-	30,241
Services under affiliation agreements	23,474	-	-	23,474	17,579	-	-	17,579
Investment support utilized	46,942	-	-	46,942	47,091	-	-	47,091
Other investment income	1,412	-	-	1,412	763	-	-	763
Auxiliary enterprises	37,730	-	-	37,730	36,974	-	-	36,974
Other revenue	17,578	-	-	17,578	17,170	-	-	17,170
Net assets released from restrictions (Note 13)	124,692	-	-	124,692	110,109	-	-	110,109
Total operating revenues	658,730	-	-	658,730	641,068	-	-	641,068
Operating expenses								
Instruction	200,533	-	-	200,533	189,575	-	-	189,575
Research and training	254,519	-	-	254,519	241,456	-	-	241,456
Patient care	44,060	-	-	44,060	56,110	-	-	56,110
Academic support	58,947	-	-	58,947	63,161	-	-	63,161
Student services	27,714	-	-	27,714	24,420	-	-	24,420
Institutional support	106,262	-	-	106,262	83,284	-	-	83,284
Auxiliary enterprises	49,763	-	-	49,763	46,641	-	-	46,641
Total operating expenses	741,798	-	-	741,798	704,647	-	-	704,647
Decrease from operating activities	(83,068)	-	-	(83,068)	(63,579)	-	-	(63,579)
Nonoperating activities								
Private gifts and bequests	-	28,167	(1,241)	26,926	-	34,441	15,425	49,866
Other revenue	211	4,006	1,304	5,521	208	(379)	635	464
Net assets released from restrictions and reclassifications (Note 13)	1,003	(117,862)	(7,833)	(124,692)	(9,251)	(99,257)	(1,601)	(110,109)
Change in value of split-interest agreements	-	124	(23)	101	-	3,485	(32)	3,453
Net investment return (Note 3)	15,766	101,895	1,163	118,824	22,618	83,232	1,009	106,859
Investment support utilized	(6,207)	(40,735)	-	(46,942)	(9,705)	(37,386)	-	(47,091)
(Provision) recovery for uncollectible contribution receivable	-	(2,929)	(19,711)	(22,640)	-	3,404	4,093	7,497
Subsidy of affiliated organizations (Note 5)	(9,604)	-	-	(9,604)	(8,628)	-	-	(8,628)
Gain on sale of property (Note 6)	36,409	-	-	36,409	18,042	-	-	18,042
Write off of land, buildings, and equipment	-	-	-	-	(4,551)	-	-	(4,551)
Change in net assets from nonoperating activities	37,578	(27,334)	(26,341)	(16,097)	8,733	(12,460)	19,529	15,802
Change in net assets	(45,490)	(27,334)	(26,341)	(99,165)	(54,846)	(12,460)	19,529	(47,777)
Net assets at beginning of year	228,284	543,637	714,740	1,486,661	283,130	556,097	693,211	1,534,438
Net assets at end of year	\$ 182,794	\$ 516,303	\$ 688,399	\$ 1,387,496	\$ 229,284	\$ 543,637	\$ 714,740	\$ 1,486,661

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

Yeshiva University and Related Entities
Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

<i>(in thousands of dollars)</i>	2014	2013
Cash flows from operating activities		
Change in net assets	\$ (99,165)	\$ (47,777)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Realized and unrealized gains on investments	(113,738)	(103,595)
Unrealized gain in irrevocable charitable remainder trusts	(1,831)	-
Noncash contributions received	(1,462)	(3,968)
Proceeds from sale of donated securities	1,321	-
Depreciation, accretion, and amortization expense	51,529	51,994
Write off of land, building, and equipment	-	4,551
Gain on sale of property	(36,409)	(18,042)
Change in trusts and split-interest agreements held by others	(1,623)	(253)
Present value adjustments to contributions receivable	2,244	-
Provision for uncollectible loans and receivables	25,626	11,714
Contributions restricted for long-term investment	(3,404)	(1,723)
Contributions restricted for investment in plant assets	(2,639)	(1,150)
Changes in operating assets and liabilities		
Receivables	7,071	169,488
Grants and contracts and other assets	(15,171)	(20,639)
Asset retirement obligations	(886)	(509)
Accounts payable and accrued expenses, deferred revenue, trusts held for others and other liabilities	(7,106)	(3,684)
Net cash (used in) provided by operating activities	<u>(195,643)</u>	<u>36,407</u>
Cash flows from investing activities		
Change in student and faculty loans receivables, net	(211)	2,828
Proceeds from sale of contributed securities	-	3,968
Additions to land, buildings and equipment	(23,925)	(38,743)
Proceeds from sale of property	72,500	22,675
Change in funds held by bond trustees	510	9,870
Purchases of investments	(377,414)	(339,856)
Proceeds from sales of investments	545,786	258,844
Change in investment payable for unsettled trades	(44,213)	44,213
Net cash provided by (used in) investing activities	<u>173,033</u>	<u>(36,201)</u>
Cash flows from financing activities		
Contributions restricted for long-term investment	3,545	(4,861)
Contributions restricted for investment in plant assets	2,639	3,461
Change in refundable advances from the U.S. Government	54	96
Proceeds from line of credit and short-term borrowing	100,500	155,237
Payment on line of credit and short-term borrowing	(50,198)	(129,263)
Payment of bonds, notes, and mortgages payable	(15,004)	(6,442)
Payment on capital lease obligation	(1,209)	(1,152)
Net cash provided by financing activities	<u>40,327</u>	<u>17,076</u>
Net increase in cash and cash equivalents	17,717	17,282
Cash and cash equivalents		
Beginning of year	21,572	4,290
End of year	<u>\$ 39,289</u>	<u>\$ 21,572</u>
Supplemental disclosure		
Interest paid	\$ 20,057	\$ 19,150
Change in accounts payable and accrued expenses relating to plant assets	(2,041)	(626)
Loan payable held by third party	17,181	17,897

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

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(in thousands of dollars)

1. The University and its Operations

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

Several colleges and schools comprise the University providing undergraduate, graduate, professional, and post-doctoral education and training. The University's undergraduate education includes Jewish Studies (the Robert M. Beren Department of Jewish Studies and the Rebecca Ivry Department of Jewish Studies), Yeshiva College, Stern College for Women, Sy Syms School of Business and the S. Daniel Abraham Israel Program in Israel. Its graduate and professional schools include the Albert Einstein College of Medicine ("Einstein"), Benjamin N. Cardozo School of Law ("Cardozo"), Sy Syms School of Business, Wurzweiler School of Social Work, Ferkauf Graduate School of Psychology ("Ferkauf"), Azrieli Graduate School of Jewish Education and Administration, and Bernard Revel Graduate School of Jewish Studies. The University provides instruction to approximately 6,700 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 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

June 30, 2014 and 2013

(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.

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

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

Affiliated Organizations

RIETS and the Yeshiva University High Schools (the "High Schools"), an education corporation that maintains separate secondary school programs for boys and girls, are independently incorporated not-for-profit institutions separately chartered by the Board of Regents of the State of New York in 1970 and 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 Lebanon Hospital, Bronx Psychiatric Center, Maimonides Medical Center, Montefiore Medical Center ("Montefiore"), and North Shore-Long Island Jewish Health Systems. Under the terms of these agreements, the affiliated institutions provide a clinical training site for Einstein's students and Einstein pays a limited amount for supervision and direction of its students provided by the affiliated institutions. In addition, Einstein also provides certain professional and related supporting services in exchange for payment by the affiliated institutions of certain direct contract and overhead costs incurred by Einstein in connection with graduate educational programs and research programs conducted at the affiliated institutions. From time to time, Einstein subcontracts with researchers or physicians at the affiliated institutions to conduct research for Einstein in connection with Einstein's grants from the National Institutes of Health ("NIH"); in such instances Einstein reimburses those researchers or physicians in accordance with the budget approved by the NIH.

In addition, Einstein entered into a lease agreement with Montefiore in 1979, whereby Einstein granted exclusive occupation, management, and control of Weiler Hospital of Albert Einstein College of Medicine ("WHAECOM") to Montefiore. The lease expires in 2054. The agreement provides for payments of rent, personal services, and various other charges. The lease payments for fiscal 2014 amount to \$2,133 with annual increases thereafter of approximately 2% through 2045. Subsequent lease payments are to be determined through mutual agreement. The rental income on this lease is recognized evenly over the life of the lease, and accordingly, a rent receivable of \$8,149 and \$7,558 is included in Other assets in the Consolidated Statements of Financial Position at June 30, 2014 and 2013, respectively.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(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 alternative investments. For the years ended June 30, 2014 and 2013, the University generated net unrelated trade or business losses of \$(2,280) and \$(1,423), respectively. As of June 30, 2014, the University has approximately \$10,452 of ordinary loss carry-forwards to offset unrelated business income and capital gains generated in future years. Management has taken the position not to record a deferred tax asset with respect to these losses, as it is uncertain whether such losses will be utilized in the future.

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

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

Management assesses its income tax position each year to determine whether it is likely to be sustained if examined by an applicable taxing authority. This review for fiscal 2014 had no material impact on the consolidated financial statements.

Financial Position and Liquidity

In recent years, Yeshiva University has incurred significant operating losses, including \$83,068 in fiscal 2014 and \$63,579 in fiscal 2013. These losses have constrained the University's resources to finance recurring operations. The University's recurring operating deficits have been funded in part by proceeds from the sale of noncore properties, short-term financing, utilization of board-designated quasi-endowment funds, as approved by the Board, and available donor restricted gift funds.

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

- Increases in the need for University funds to supplement other sources of financial aid
- Reduced research grant funding
- Investments in faculty to enhance undergraduate education and medical research
- Investments in facilities to support the growth needs of education and medical research

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(in thousands of dollars)

- Investments in updated technologies

The University continues to face financial and operational challenges and, as a result, has been considering certain strategic and operational options. In fiscal 2014, 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, to formulate a long-term, comprehensive strategic business plan for a sustainable Yeshiva University.

In fiscal 2014, the Board of Trustees approved certain actions and the development and implementation of both short-term and long-term strategies to generate adequate cash flow to support operations in fiscal year 2014 and provide adequate cash to support ongoing operations over the subsequent 12 months and beyond. These 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 as soon as practicable, including a voluntary separation incentive program and, if necessary, 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 clinical services.
- Reviewing academic offerings and alternative delivery models to ensure productivity and continued relevance in the delivery of academic programs.
- Reviewing administrative services to maximize efficiencies and reduce expenses.

During fiscal 2013, to help finance its operations, the University increased its line of credit facility by \$25,000 to \$75,000, which was fully drawn at June 30, 2013 and 2014. Additionally, 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. Subsequent to June 30, 2014 the University refinanced these borrowings with \$175,000 of long-term financing (See Note 17 Subsequent Events). In addition, in fiscal 2014, the Board authorized the sale of several properties; ten noncore properties were sold in fiscal 2014 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 the next 12 months and over the longer term.

Subsequent to June 30, 2014, the University and Montefiore Health System approved terms under which operations of Einstein would be transferred into a newly-formed joint venture entity. The University and Montefiore are to be the sole members. Montefiore as the member with a majority interest in the entity would assume full responsibility for operational and financial matters. (See Note 17 Subsequent Events).

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(in thousands of dollars)

The University was in compliance with its bond and bank loan covenants at June 30, 2014 and 2013, and expects to remain in compliance, through fiscal 2015.

The Board of Trustees and management believe that the University will have sufficient liquidity to meet its ongoing obligations, through June 30, 2015.

2. Summary of Significant Accounting Policies

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

Basis of Presentation

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

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. Gains and losses on investments are reported as increases or decreases in temporarily restricted net assets until appropriated by the University. Contributions subject to donor-imposed restrictions that direct the gift be maintained in perpetuity are recognized as increases in permanently restricted net assets. Investment returns subject to donor-imposed restrictions that are met in the same reporting period as earned are reported as increases in unrestricted net assets.

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, 2014 and 2013

(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 financial statements. At times, cash in banks may exceed FDIC insured limits.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(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.

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 net asset value per share, which all require significant management judgment or estimation.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(in thousands of dollars)

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 net asset value (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. Investments in an investment company which can be redeemed at NAV by the University up to 90 days beyond the measurement date are classified as Level 2. If the redemption period extends beyond 90 days, the investment in an investment company is categorized as Level 3.

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, and the ability to redeem at NAV at the measurement date.

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 3. The fair value of the University's bonds payable and other debt is disclosed in Note 8. 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, 2014 and 2013 approximated \$18,059 and \$17,949, respectively. The carrying amount of the remaining University's financial instruments approximates fair value because of their short maturity.

Investments and 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 the Consolidated Statements of Activities. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis.

Land, Buildings, and Equipment

Land, buildings, and equipment (Note 6) 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.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(in thousands of dollars)

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

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

Student Accounts Receivable and Allowance for Doubtful Accounts

Student accounts receivable are recorded when billed to the student. Student accounts receivable are reduced 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 3). Contribution revenue is recognized at the date that the trusts are established, after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

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

Operating and Nonoperating Activities

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

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

Operating activities principally include all revenue and expenses that relate to the University's educational programs, research, training, and supporting activities. Investment return 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 4). 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 4), temporarily and permanently restricted contributions, temporarily restricted net assets released from restriction, changes in value of split-interest agreements, provision for uncollectible contributions receivable, and bad debt expense on receivables from affiliated organizations or operating subsidiaries provided to affiliated organizations. Certain other gains, losses or transactions considered to be of a more unusual or nonrecurring nature are also 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.

New Accounting Pronouncements

The University adopted new accounting guidance from the Financial Accounting Standards Board for the year ended June 30, 2014 which requires that proceeds from donated securities that are immediately converted to cash be classified in the Statement of Cash Flows as if they were cash contributions received. Such donated securities with no donor-imposed long-term restrictions are to be included in the cash flows from operating activities, while donated securities with donor imposed long-term restrictions should be included in the cash flows from financing activities. The guidance became effective for the year ending June 30, 2014, with retrospective adoption being permissible. The University has not retrospectively applied the guidance to the June 30, 2013 statement of cash flows.

Reclassifications and Other Adjustments

Certain previously reported amounts in the fiscal 2013 financial statements have been reclassified in order to conform with the fiscal 2014 presentation.

Additionally, the University revised the classification of certain net assets in fiscal 2014. These adjustments are presented within the nonoperating activities of the Statement of Activities within "Net assets released from restrictions and reclassifications" and "Private gifts and bequests." The following table summarizes the impact of these adjustments:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Fiscal 2014 Net assets before adjustments	\$ 172,326	\$ 524,191	\$ 695,415	\$ 1,391,932
Adjustments to net assets	10,468	(7,888)	(7,016)	(4,436)
Fiscal 2014 Net assets, as reported	<u>\$ 182,794</u>	<u>\$ 516,303</u>	<u>\$ 688,399</u>	<u>\$ 1,387,496</u>

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

Management of the University does not believe these adjustments being recorded in 2014 have a material impact on the overall results for the period.

Other Significant Accounting Policies

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

3. 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 Pool (“LTPool”) for long-term investments (formerly referred to as the Consolidated Investment Pool), the Operational Investment Funds (“OIFunds”) for shorter-term investments, and Segregated Investments.

The Investment Committee of the Board of Trustees oversees the University’s investment strategy for the LTPool 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 LTPool 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.

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 and other investments.

The University also managed a Pooled Asset Fund (“PAF”), which was dissolved during the year ended June 30, 2014. At June 30, 2013, the PAF primarily held cash and cash equivalents.

At June 30, 2014 and 2013, the value of the University’s interest in these groups is as follows:

	Fair Value	
	2014	2013
Long term pool	\$ 1,013,306	\$ 1,011,497
Operational investment funds	28,179	83,874
Segregated investments	44,084	37,885
Pooled asset fund	-	5,116
Total investments	<u>\$ 1,085,569</u>	<u>\$ 1,138,372</u>

At June 30, 2014, assets held in irrevocable charitable remainder trusts were included in Segregated Investments in the amount of \$28,082. At June 30, 2013, assets held in irrevocable charitable remainder trusts were included in the Segregated Investments in the amount of \$22,019 and in the PAF in the amount of \$5,116.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

Included in the OIFunds are \$7,875 and \$20,000 as of June 30, 2014 and June 30, 2013, respectively, 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 per the Consolidated Statements of Financial Position as of June 30, 2014 and 2013:

	June 30, 2014				
	Level 1	Level 2	Level 3	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	-	116,674	47,792	-	164,466
Long-short equities	-	49,490	94,917	-	144,407
Private equity	-	-	68,584	-	68,584
Venture capital	-	-	11,945	-	11,945
Marketable alternatives					
Multi-strategy/event-driven	-	79,424	229,917	-	309,341
Macro	-	-	20,592	-	20,592
Real assets	-	-	3,742	-	3,742
Real estate	-	-	28,068	-	28,068
Investment receivables	394	60,889	-	-	61,283
Other investments	127	343	4,097	-	4,567
	<u>386,457</u>	<u>331,730</u>	<u>518,225</u>	<u>-</u>	<u>1,236,412</u>
Less: Unconsolidated affiliates' (RIETS and High Schools) interests in the investment portfolio	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,843)</u>	<u>(150,843)</u>
Total investments	386,457	331,730	518,225	(150,843)	1,085,569
Other assets					
Trusts and split-interest agreements held by others	-	-	22,412	-	22,412
Funds held by bond trustees	7,225	-	-	-	7,225
Total Investments and other assets	<u>\$ 393,682</u>	<u>\$ 331,730</u>	<u>\$ 540,637</u>	<u>\$ (150,843)</u>	<u>\$ 1,115,206</u>

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

	June 30, 2013				
	Level 1	Level 2	Level 3	Unconsolidated Affiliates	Total
Investment strategy					
Cash and cash equivalents	\$ 182,958	\$ -	\$ -	\$ -	\$ 182,958
Fixed income					
U.S. Government obligations	63,312	-	-	-	63,312
Mutual funds (fixed income)	39,648	-	-	-	39,648
Corporate debt	-	3,674	-	-	3,674
State of Israel bonds	-	-	14,935	-	14,935
Equities					
Corporate stocks	53,812	-	-	-	53,812
Mutual funds (equities)	145,058	-	-	-	145,058
Long-only equities	-	84,241	41,515	-	125,756
Long-short equities	-	52,646	94,079	-	146,725
Private equity	-	-	76,119	-	76,119
Venture capital	-	-	11,733	-	11,733
Marketable alternatives					
Multi-strategy/event-driven	-	101,823	214,962	-	316,785
Macro	-	49,195	20,885	-	70,080
Real assets					
Real estate	-	-	2,595	-	2,595
Real estate	-	-	24,687	-	24,687
Investment receivables	59	1,531	-	-	1,590
Other investments	297	-	4,062	-	4,359
	<u>485,144</u>	<u>293,110</u>	<u>505,572</u>	<u>-</u>	<u>1,283,826</u>
Less: Unconsolidated affiliates' (RIETS and High Schools) interests in the investment portfolio					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(145,454)</u>	<u>(145,454)</u>
Total investments	485,144	293,110	505,572	(145,454)	1,138,372
Other assets					
Trusts and split-interest agreements held by others					
	-	-	20,789	-	20,789
Funds held by bond trustees	7,735	-	-	-	7,735
	<u>7,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,735</u>
Total Investments and other assets	<u>\$ 492,879</u>	<u>\$ 293,110</u>	<u>\$ 526,361</u>	<u>\$ (145,454)</u>	<u>\$ 1,166,896</u>

Long-only equities, long-short equities, private equity, venture capital, multi-strategy/event-driven, macro, real assets and real estate were classified as alternative investments in the June 30, 2013 financial statements. Mutual funds (fixed income) and mutual funds (equity) were classified as mutual funds in the June 30, 2013 financial statements. Additionally, \$613 of cash and cash equivalents, \$4,292 of U.S. Government obligations, \$2,943 of corporate debt and \$10,713 of corporate stocks were classified as life income and gift annuities in the June 30, 2013 financial statements.

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.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(in thousands of dollars)

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 held in limited partnerships, long-short equities held in limited partnerships, private equity held in limited partnerships and venture capital 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 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. If the University has the ability to redeem from the investment or a portion of the investment up to 90 days beyond the measurement date (June 30) at NAV, the investment or a portion of the investment is classified as Level 2. If the redemption period extends beyond 90 days, the investment or a portion of the investment is categorized as Level 3.

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. If the University has the ability to redeem from the investment or a portion of the investment up to 90 days beyond the measurement date (June 30) at NAV, the investment or a portion of the investment is classified as Level 2. If the redemption period extends beyond 90 days, the investment or a portion of the investment is categorized as Level 3.

Investment Receivables

Investment receivables include investments in limited partnerships where the University has placed redemption requests, and expects to receive the distributions within 90 days of the measurement date and is classified as Level 2.

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. As the redemption period for these investments extends beyond 90 days of the measurement date (June 30), these investments are categorized as Level 3.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

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, 2014 and 2013:

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
June 30, 2013				
	Fair Value	Valuation Technique	Significant Unobservable Input	Range
Investment strategy				
State of Israel bonds	\$ 14,935	Face value	N/A	N/A
Real estate	8,462	NAV	50% reduction to NAV based on uncertainty over future realization	N/A

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

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

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

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)	Transfers In	Transfers Out	June 30, 2014
State of Israel bonds	\$ 14,935	\$ -	\$ (6,366)	\$ 2	\$ -	\$ -	\$ 8,571
Equities							
Long-only equities	41,515	389	(860)	6,748	-	-	47,792
Long-short equities	94,079	12,500	(27,665)	16,003	-	-	94,917
Private equity	76,119	1,107	(20,563)	13,196	-	(1,275)	68,584
Venture capital	11,733	629	(2,722)	2,305	-	-	11,945
Marketable alternatives							
Multi-strategy/event-driven	214,962	25,000	(33,653)	22,950	658	-	229,917
Macro	20,885	-	-	(293)	-	-	20,592
Real assets	2,595	2,432	(859)	(426)	-	-	3,742
Real estate	24,687	151	(4,527)	7,757	-	-	28,068
Other investments	4,062	-	-	35	-	-	4,097
	505,572	42,208	(97,215)	68,277	658	(1,275)	518,225
Trusts and split interest agreements	20,789	-	-	1,623	-	-	22,412
Total Level 3 investments	\$ 526,361	\$ 42,208	\$ (97,215)	\$ 69,900	\$ 658	\$ (1,275)	\$ 540,637

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

	June 30, 2012	Purchases	Sales	Net Realized and Unrealized Gain (Loss)	Transfers In	Transfers Out	June 30, 2013
State of Israel bonds	\$ 13,376	\$ 6,025	\$ (4,466)	\$ -	\$ -	\$ -	\$ 14,935
Equities							
Long-only equities	3,611	35,285	-	2,619	-	-	41,515
Long-short equities	79,611	-	(1,830)	16,298	-	-	94,079
Private equity	98,105	1,201	(29,351)	6,164	-	-	76,119
Venture capital	13,263	841	(2,516)	145	-	-	11,733
Marketable alternatives							
Multi-strategy/event-driven	222,463	60	(35,872)	28,157	154	-	214,962
Macro	16,526	-	-	5,282	-	(923)	20,885
Real assets	2,708	61	-	(174)	-	-	2,595
Real estate	24,516	140	(3,104)	3,135	-	-	24,687
Other investments	4,277	-	-	(215)	-	-	4,062
	478,456	43,613	(77,139)	61,411	154	(923)	505,572
Trusts and split interest agreements	20,536	-	-	253	-	-	20,789
Total Level 3 investments	\$ 498,992	\$ 43,613	\$ (77,139)	\$ 61,664	\$ 154	\$ (923)	\$ 526,361

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 \$32,531 and \$37,745 at June 30, 2014 and 2013, respectively. The University's policy is to recognize transfers in and transfers out as of the end of the period. The transfer from Level 3 to Level 2 is reported at gross values due to the criteria described above. During the years ended June 30, 2014 and 2013, there were no significant transfers between Level 1 and Level 2.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

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 \$46,755 and \$19,023 at June 30, 2014 and 2013, 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, 2014 and 2013:

	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	

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

	June 30, 2013						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	\$ 182,958	\$ -	\$ -	\$ -	\$ -	\$ 182,958	N/A
Fixed income							
U.S. Government obligations	63,312	-	-	-	-	63,312	N/A
Mutual funds (fixed income)	39,648	-	-	-	-	39,648	N/A
Corporate debt	3,674	-	-	-	-	3,674	N/A
State of Israel bonds	-	-	-	14,935	-	14,935	N/A
Equities							
Corporate stocks	53,812	-	-	-	-	53,812	N/A
Mutual funds (equities)	145,058	-	-	-	-	145,058	N/A
Long-only equities	10,314	77,818	36,646	-	978	125,756	30-90
Long-short equities	-	55,417	73,886	-	17,422	146,725	30-60
Private equity	-	-	-	76,119	-	76,119	N/A
Venture capital	-	-	-	11,733	-	11,733	N/A
Marketable alternatives							
Multi-strategy/event-driven	-	138,031	142,870	-	35,884	316,785	45-180
Macro	20,726	28,469	20,885	-	-	70,080	30-90
Real assets	-	-	-	2,595	-	2,595	N/A
Real estate	-	-	-	24,687	-	24,687	N/A
Investment receivables	59	1,531	-	-	-	1,590	N/A
Other investments	298	-	-	4,061	-	4,359	N/A
Total investments	\$ 519,859	\$ 301,266	\$ 274,287	\$ 134,130	\$ 54,284	\$ 1,283,826	

As of June 30, 2014, \$26,875 within the multi-strategy/event driven investment strategy is currently locked up until September 1, 2015. As of June 30, 2013, \$42,765 within the long-only equities investment strategy was locked up until February 1, 2014.

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, 2014 and 2013:

	June 30, 2014				
	Unfunded Commitment	Remaining Years of Investments			Total
0-3 Years		4-5 Years	Greater Than 5 Years		
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
	\$ 46,755	\$ 84,472	\$ 25,970	\$ 1,897	\$ 112,339

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

	June 30, 2013				
	Unfunded Commitment	Remaining Years of Investments			Total
0-3 Years		4-5 Years	Greater Than 5 Years		
Investment strategy					
Equities					
Private equity	\$ 14,689	\$ 48,612	\$ 10,758	\$ 16,749	\$ 76,119
Venture capital	1,603	3,454	4,411	3,868	11,733
Real assets	150	2,595	-	-	2,595
Real estate	2,581	24,687	-	-	24,687
	<u>\$ 19,023</u>	<u>\$ 79,348</u>	<u>\$ 15,169</u>	<u>\$ 20,617</u>	<u>\$ 115,134</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, 2014 and in purchases of investments as of June 30, 2013.

Investment Return

Net investment return for the years ended June 30, 2014 and 2013 is as follows:

	2014	2013
Investment income	\$ 8,149	\$ 4,778
Investment expenses	(3,063)	(2,757)
Net realized and unrealized gains	<u>113,738</u>	<u>104,838</u>
Net investment return	<u>\$ 118,824</u>	<u>\$ 106,859</u>

4. 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.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

The following represents the University's endowment net asset composition by type of fund as of June 30, 2014 and 2013:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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>	<u>921,055</u>
Other funds				164,514
Total investments				<u>\$ 1,085,569</u>

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (13,291)	\$ 284,726	\$ 587,411	\$ 858,846
Board-designated endowment funds	88,614	75,293	-	163,907
Total endowment net assets	<u>\$ 75,323</u>	<u>\$ 360,019</u>	<u>\$ 587,411</u>	<u>1,022,753</u>
Other funds				115,619
Total investments				<u>\$ 1,138,372</u>

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

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2013	<u>\$ 75,323</u>	<u>\$ 360,019</u>	<u>\$ 587,411</u>	<u>\$ 1,022,753</u>
Endowment income, net of expenses	222	2,598	23	2,843
Net realized and unrealized gains 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	<u>\$ 1,220</u>	<u>\$ 327,795</u>	<u>\$ 592,040</u>	<u>\$ 921,055</u>

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

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

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets at June 30, 2012	\$ 75,581	\$ 255,252	\$ 570,662	\$ 901,495
Endowment income, net of expenses	235	3,031	35	3,301
Net realized and unrealized gains on endowments	7,045	87,252	994	95,291
Endowment return	7,280	90,283	1,029	98,592
Contributions	-	387	18,340	18,727
Appropriation of endowment assets for expenditure	(3,753)	(45,530)	(510)	(49,793)
Designation of quasi endowment funds and other changes	5,466	50,376	(2,110)	53,732
Reclassification related to restricted quasi endowments	(9,251)	9,251	-	-
Endowment net assets at June 30, 2013	\$ 75,323	\$ 360,019	\$ 587,411	\$ 1,022,753

In September 2010, 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

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(in thousands of dollars)

- The investment policy of the Institution

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

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

The 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 LTPool. In accordance with the current spending rate policy, 5.5% of the fair value per unit in the LTPool, 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. In addition, for 2013, the University utilized 0.25% of the fair value per unit to support Institutional Advancement.

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 \$9,962 and \$13,291 as of June 30, 2014 and 2013, respectively.

At June 30, 2013, \$54,279 was owed by Manhattan Campuses to the LTPool as the remaining balance from prior borrowings from the LTPool utilized to fund operations and ongoing operating deficits. In 2014, the Board approved an intra-institutional transfer of approximately \$29,716 from board-designated unrestricted funds, of which \$23,175 was utilized to repay a portion of the Manhattan Campuses' LTPool borrowing, resulting in the balance of the LTPool borrowing at June 30, 2014 of \$33,303 which includes \$2,199 of interest. This amount is reported in the Consolidating Statements of Financial Position as of June 30, 2014 and 2013 as a reduction of the Manhattan Campuses' investment balance. The balance of the intra-institutional transfer, \$6,541, was transferred to a separate investment account to segregate certain restricted accounts.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

5. Receivables and Other Assets

Contributions Receivable, net

Contributions receivable consists of the following at June 30, 2014 and 2013:

	2014	2013
Amount expected to be collected in		
Less than one year	\$ 41,161	\$ 35,623
One to five years	39,002	43,028
Greater than five years	76,827	85,421
	<u>156,990</u>	<u>164,072</u>
Less:		
Discount to present value (1.67%–6.0%)	(15,050)	(12,805)
Allowance for uncollectible amounts	(32,129)	(9,173)
	<u>\$ 109,811</u>	<u>\$ 142,094</u>

As of June 30, 2014 and 2013, approximately 58% and 56%, respectively, of gross contributions receivable were from five donors. The allowance in 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, 2014 and June 30, 2013.

	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>

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

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

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

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.

Other Assets

Other assets consist of prepaid expenses, prepaid bond issuance costs, donated fractional interests in real estate, cash deposits required by vendors, due to/from related entities, and various other miscellaneous receivables. Included at fair value are the assets of the University's 457(b) deferred compensation plan (Note 7). Also, included 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 8-d).

Due From Affiliated Organizations

The University charges RIETS and High Schools for management services (such as accounting, treasury operations, human resources, procurement, and legal, and other administrative services) as well as facilities maintenance. The cost of these services to RIETS and High Schools were \$4,539 (\$4,190 in 2013) and \$2,078 (\$2,490 in 2013), respectively. The University's inter-company receivable for RIETS was \$4,993 at June 30, 2014 (\$4,904 in 2013).

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 \$6,604 and \$8,628 for the years ended June 30, 2014 and 2013, respectively. The University also provided a subsidy for RIETS of \$3,000 in fiscal 2014.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

6. Land, Buildings, and Equipment

Land, buildings, and equipment, net consisted of the following at June 30, 2014 and 2013:

	2014	2013
Land	\$ 18,388	\$ 18,387
Buildings and improvements	997,510	981,820
Equipment, furniture and fixtures	147,295	159,266
Capitalized asbestos remediation costs (Note 10)	6,704	8,419
Building under capital lease (Note 9)	36,150	36,150
	<u>1,206,047</u>	<u>1,204,042</u>
Less: Accumulated depreciation and amortization	<u>(570,486)</u>	<u>(538,189)</u>
	<u>\$ 635,561</u>	<u>\$ 665,853</u>

The University capitalized \$81 and \$5,640 of computer software implementation costs during the years ended June 30, 2014 and 2013, respectively.

Depreciation and amortization expense related to buildings and equipment for the year ended June 30, 2014 and 2013 was approximately \$51,064 and \$52,171, respectively. The University wrote off fully depreciated assets of approximately \$17,619 and \$1,467 during the years ended June 30, 2014 and 2013, respectively.

During fiscal years 2014 and 2013, the University sold real estate for approximately \$72,500 and \$24,000, respectively. The University recognized a gain for the years ended June 30, 2014 and 2013, of approximately \$36,409 and \$18,042, respectively.

7. 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, 2014 and 2013 was \$19,703 and \$21,629, respectively.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

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 \$25,512 and \$21,285 as of June 30, 2014 and 2013, 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 3.

	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>

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

Offsetting liabilities that relate to this plan are included in Other liabilities as of June 30, 2014 and 2013.

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 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.

The University contributed \$7,070 and \$6,793 in cash and recorded expenses for the multi-employer plan for the fiscal 2014 and 2013, respectively. The University's contributions to the 1199 Pension Fund represent less than 5% of total plan contributions.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

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
		2014	2013			
1199 Pension Fund	13-3604862/001	Green	Green	N/A	No	April 30, 2015

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 College of Medicine expires on April 30, 2015 and a contract for the University expires on June 30, 2015.

8. 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, 2014 and 2013 are as follows:

Description	Maturity Date	Interest Rate	Amount Outstanding at June 30, 2014	Amount Outstanding at June 30, 2013
Bonds payable				
Dormitory Authority of the State of New York Insured Revenue Bonds				
Series 2011 ^(a)	November 1, 2041	4.00%–5.00%	\$ 90,000	\$ 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%	83,650	85,800
Principal Subtotal- DASNY Bonds			314,470	316,620
Add: Unamortized premiums			2,900	3,738
Subtotal-DASNY Bonds			317,370	320,358
Loans payable (OASAS) ^(d)	February 28, 2030	3.51 %	17,181	17,897
Mortgages payable ^(e)	Varied	4.50%–6.50%	6,526	18,492
The Housing Company obligations ^(f)	April 30, 2035	0.00%–6.50%	42,788	42,960
Bonds payable and other debt			\$ 383,865	\$ 399,707
Line of credit and short-term borrowing ^(g)	Varied	Variable	\$ 125,000	\$ 74,698

- 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 is to be used for the payment of, or to reimburse the University for the payment of, certain capital expenditures and to reimburse \$20,500 on the line of credit. A portion of the Series 2011A Bonds was used to refund all but \$3,064 of the outstanding DASNY Series 2001 Bonds. The

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(in thousands of dollars)

Series 2011 Bonds were issued with a premium of \$3,390, of which \$2,192 and \$2,639 were unamortized as of June 30, 2014 and 2013, respectively.

- b. In July 2009, DASNY issued \$140,820 of revenue bonds (Series 2009 Bonds) on behalf of the University. Principal payments commence September 1, 2016. The Series 2009 Bonds are general unsecured obligations of the University; no security interest or mortgage encumbering University revenues or assets was granted in connection with the issuance of the Series 2009 Bonds. A portion of the proceeds of the Series 2009 Bonds was used for the payment of, or to reimburse the University for the payment of, certain capital expenditures. A portion of the Series 2009 Bonds was used to refund the outstanding DASNY Series 1998 Bonds. The Series 2009 Bonds were issued with a premium of \$1,386, of which \$203 and \$457 were unamortized as of June 30, 2014 and 2013, respectively.
- c. In June 2004, DASNY issued \$100,000 of insured revenue bonds (Series 2004 Bonds) on behalf of the University. Of this amount, \$90,000 was utilized for the construction of a biomedical facility, which houses the Price Center/Block Pavilion at Einstein. The remaining \$10,000 was used for projects at the Manhattan Campuses. The Series 2004 Bonds are secured, subject to prior secured revenues, by a portion of the University's unrestricted revenues equal to the amount of principal and interest due in any year. Payment of principal and interest on the Series 2004 Bonds is guaranteed by Ambac Assurance Corporation. The Series 2004 Bonds were issued with a premium of \$2,208, of which \$505 and \$642 were unamortized as of June 30, 2014 and 2013, respectively.
- 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. The loan closed in October 2011 and is payable over 20 years and is secured by a mortgage on the facility. Although the loan is an obligation of the University, debt service on the loan is expected to be funded in the first instance by OASAS first increasing the amount of payments anticipated to be made by OASAS to the University for the operation of certain programs at such facility in amounts equal to the debt service, and then deducting the amounts of the debt service and transferring such amounts to DASNY. Principal payments of \$716 were paid directly from OASAS to DASNY in fiscal 2014.
- e. In January 2007, in connection with the purchase of 12 Manhattan residential apartment buildings, the University assumed outstanding mortgage debt of \$20,698. Since that time, the 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 approximately \$12,500 of associated mortgage debt.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(in thousands of dollars)

- f. The Housing Company has outstanding a first mortgage note and a subordinated mortgage note. The Housing Company's first mortgage note was obtained in December 2004 in a principal amount of \$8,918. The note bears interest at the rate of 6.5% per annum. Installments of principal and interest are payable in 360 fixed monthly amounts of \$56. Prepayment of the loan is not permitted until December 1, 2019. The mortgage requires the Housing Company to make a monthly escrow payment to the New York City Housing 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 \$7,667 at June 30, 2014. 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.
- g. In March 2013, the University and a bank agreed to amend and restate their 2010 revolving loan agreement, the proceeds of which are to be used by the University for capital expenditures or for working capital purposes. As amended and restated, the agreement provided for an increase in the facility (\$75,000, formerly \$50,000) and extended the maturity date of the facility to March 22, 2015 (formerly May 31, 2014) and provided for modestly higher interest rates (approximately 0.30% higher). Since March 2013, the interest rate on the outstanding balance on the line of credit has ranged between 0.94% and 1.27%. The University's line of credit requires the University to maintain a liquidity ratio not less than .50 calculated as of June 30 and December 31 for the quarter ended. The ratio is calculated by dividing the sum of cash and cash equivalents, unrestricted endowment net assets, and temporarily restricted endowment net assets, by its total indebtedness. As of June 30, 2014 the University complied with this covenant; the line was paid off in full in August 2014.

In December 2013, the University entered into a note purchase agreement with another bank, the proceeds of which are to be 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 subsequently paid off in full in August 2014.

The University's line of credit and note purchase agreements contained cross-default provisions whereby a default in the payment by the University of any of its debt obligations in excess of \$5,000 would be an event of default under the line of credit and the promissory note. As of June 30, 2014, the University was not in default on any of its debt obligations.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

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

Years Ending June 30,	Principal	Interest	Total
2015	\$ 5,326	\$ 16,738	\$ 22,064
2016	5,530	16,484	22,014
2017	13,544	16,056	29,600
2018	15,232	15,392	30,624
2019	11,043	14,769	25,812
Thereafter	330,290	148,190	478,480
	<u>380,965</u>	<u>\$ 227,629</u>	<u>\$ 608,594</u>
Unamortized premium	<u>2,900</u>		
	<u>\$ 383,865</u>		

In August 2014, the University refinanced its outstanding line of credit and the note purchase agreement with long-term taxable bonds. The University will incur approximately \$11,813 annually in additional interest through 2024 when the bonds mature (See Note 17 on Subsequent Events).

The unamortized bond issuance costs were \$5,142 and \$5,533 at June 30, 2014 and 2013, respectively.

Funds Held by Bond Trustees

Deposits with trustees are primarily invested in government securities. At June 30, 2014 and 2013, the fair value of amounts held by bond trustees under these loan agreements was as follows:

	2014	2013
Debt service fund	\$ 7,225	\$ 6,821
Unexpended construction fund	-	914
	<u>\$ 7,225</u>	<u>\$ 7,735</u>

Interest expense on the line of credit and short-term borrowing, bonds, and other debt for the years ended June 30, 2014 and 2013 was \$20,540 and \$17,567, respectively.

Fair Value

At June 30, 2014 and 2013, the fair value of the line of credit and short-term borrowing, bonds payable and other debt is determined based on the discounted future cash payments to be made for each issue. The discount rate used approximates current market rates for loans of similar maturities and credit quality. The University's bonds trade periodically in a limited market (Level 2). Utilizing available market pricing information provided by a third-party and other data, the University determined that at June 30, 2014 and 2013, the fair value of the line of credit, bonds payable, and other debt, excluding the Housing Company's mortgage notes, was \$445,131 and \$414,935, respectively. The aggregate fair value of the Housing Company's mortgage notes at June 30, 2014 and 2013 approximates \$17,352 and \$17,652, respectively.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

9. Leases

Capital Lease – Kennedy

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

Years Ending June 30,	
2015	\$ 3,200
2016	3,200
2017	3,200
2018	3,200
2019	3,200
Thereafter	<u>35,000</u>
	51,000
Less:	
Amounts representing interest	(14,670)
Amounts representing utility costs	<u>(1,275)</u>
	<u>\$ 35,055</u>

Operating Lease – Van Etten

During 2005, the University, on behalf of Einstein, entered into a 30 year noncancelable operating lease with the HHC. The lease (known as the Van Etten lease) includes clauses that allow the University, on behalf of Einstein, to renew the lease for an additional 20 year period and five more renewable periods of 10 years each. The lease includes a facility and a 10 acre parcel of vacant land directly across the street from Einstein. Einstein is using this facility to support its research, clinical, and teaching activities. Also on this parcel, Einstein has constructed the Price Center/Block Pavilion. Total rent expense under this lease was \$2,533 in 2014 and in 2013. Included in Other liabilities on the Consolidated Statements of Financial Position is a deferred rent obligation of \$9,333 and \$9,800 at June 30, 2014 and 2013, respectively, which is a result of straight-lining the total minimum lease payments over the 30 year noncancelable period. Minimum lease payments are as follows:

Years Ending June 30,	
2015	\$ 3,000
2016	3,000
2017	3,000
2018	3,000
2019	3,000
Thereafter	<u>45,000</u>
	<u>\$ 60,000</u>

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

Operating Lease – Jacobi

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

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

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

Total rent expense under this lease was \$1,483 in 2014 and in 2013. Included in Other liabilities on the Consolidated Statements of Financial Position is a deferred rent obligation of \$798 and \$702 at June 30, 2014 and 2013, respectively, which is a result of straight-lining the total minimum lease payments over the 30 year noncancelable period. Minimum lease payments are as follows:

Years Ending June 30,	
2015	\$ 1,246
2016	1,130
2017	1,115
2018	1,097
2019	1,079
Thereafter	<u>30,009</u>
	<u>\$ 35,676</u>

10. 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.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

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

	2014	2013
Asset retirement obligations at June 30, 2013	\$ 15,279	\$ 15,252
Accretion expense	530	536
Asset retirement obligations settled or eliminated	<u>(4,684)</u>	<u>(509)</u>
Asset retirement obligations at June 30, 2014	<u>\$ 11,125</u>	<u>\$ 15,279</u>

11. 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.

Expenses by functional classification, after allocating operations and maintenance, depreciation, and interest, are as follows for the years ended June 30, 2014 and 2013:

	Before Allocation	Operations and Maintenance	Depreciation	Interest	After Allocation	2013 Total
Instruction	\$ 163,901	\$ 20,235	\$ 12,205	\$ 4,192	\$ 200,533	\$ 189,575
Research and training	213,445	20,099	17,182	3,793	254,519	241,456
Patient care	36,006	3,941	3,369	744	44,060	56,110
Academic support	47,136	6,653	3,761	1,397	58,947	63,161
Student services	24,646	1,688	1,031	349	27,714	24,420
Institutional support	94,388	6,185	4,461	1,228	106,262	83,284
Auxiliary enterprises	<u>26,532</u>	<u>13,864</u>	<u>6,347</u>	<u>3,020</u>	<u>49,763</u>	<u>46,641</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>	
Year ended June 30, 2013	<u>\$ 558,357</u>	<u>\$ 74,228</u>	<u>\$ 52,723</u>	<u>\$ 19,339</u>		<u>\$ 704,647</u>

Development (fundraising) expenses are included in Institutional support. For the years ended June 30, 2014 and 2013, such costs were \$17,711 and \$18,545, respectively. For purposes of reporting fundraising expenses, the University includes only those fundraising costs incurred by its development office. Institutional Support includes approximately \$14,600 of restructuring costs incurred during 2014. These costs included voluntary separation agreements of approximately \$5,500, legal expenses of approximately \$2,200, and consulting services of approximately \$6,900.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

12. Scholarship Allowance

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

	2014	2013
University unfunded support	\$ 70,619	\$ 70,446
University funded support	<u>25,530</u>	<u>28,969</u>
	<u>\$ 96,149</u>	<u>\$ 99,415</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.

13. Net Assets Released From Restrictions

Net assets were released from restrictions during June 30, 2014 and 2013 for the following purposes:

	2014	2013
Academic chairs and support	\$ 13,490	\$ 1,176
Facility maintenance	17,400	2,008
Fellowships	2,317	366
Instruction, training and lectureships	3,583	17,103
Other	17,586	15,158
Time restricted pledges	9,245	229
Public service	-	2,328
Research	57,349	48,871
Student scholarships	<u>3,722</u>	<u>22,870</u>
	<u>\$ 124,692</u>	<u>\$ 110,109</u>

The amount of net assets released from restrictions presented in the Consolidated Statements of Activities for 2014 and 2013 of \$124,692 and \$110,109, respectively, includes the release from restriction of a bequest for the years ended June 30, 2014 and 2013, of \$72,566 and \$48,853, respectively.

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

(in thousands of dollars)

14. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013 were available for the following purposes:

	2014	2013
Academic chairs	\$ 83,313	\$ 90,481
Facility maintenance	15,993	31,053
Faculty scholars and fellowships	29,934	25,579
Instruction, training and lectureships	46,977	43,972
Library	2,421	2,123
Other	79,566	70,740
Public service	5,387	6,151
Patient care	1,002	655
Pledges for use in future years	20,877	12,997
Research	116,662	171,979
Student scholarships	114,171	87,907
	<u>\$ 516,303</u>	<u>\$ 543,637</u>

15. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2014 and 2013 were restricted to investment in perpetuity, with investment return available to support the following activities:

	2014	2013
Academic chairs and support	\$ 116,915	\$ 116,663
Capital projects	6,038	6,055
Facility maintenance	3,817	3,767
Faculty scholars and fellowships	36,399	35,886
Instruction and training and lectureships	82,935	82,470
Library	2,616	2,616
Other	11,949	11,223
Patient care	4,874	4,874
Research	61,375	61,678
Revolving fund for special projects	74,316	98,151
Student loans	40,010	46,297
Student scholarships	220,975	219,908
Trusts held by others in perpetuity	11,561	10,641
Unrestricted	14,619	14,511
	<u>\$ 688,399</u>	<u>\$ 714,740</u>

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(in thousands of dollars)

16. 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 motion to dismiss the case brought against it (and others) in July 2013 by former students of Yeshiva University High School for Boys (an affiliate of the University) was granted, based upon the statute of limitations (and other defenses), and the case was dismissed with prejudice. The litigation alleges abuse during the 1970s and 1980s by former High School employees and sought damages of over \$680,000. The plaintiffs appealed such dismissal and subsequently lost the appeal. The University intends to continue to vigorously defend itself and believes the dismissal will continue to be upheld. The University has utilized legal counsel approved by its insurance carriers and believes there should be sufficient coverage such that a negative outcome will not have material financial impact on the University. The University believes that the litigation and other related costs will not have a material adverse effect on the University.

17. 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 Statements of Financial Position, and to determine if those events require recognition or disclosure in the consolidated financial statements. The University has performed an evaluation of subsequent events through February 28, 2015, which is the date the consolidated financial statements were issued.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2014 and 2013

(in thousands of dollars)

In August 2014, the University issued \$175,000 of taxable bonds. The bonds mature on September 1, 2024 and bear interest at the rate of 6.75% per annum. Interest is payable semi-annually, on March 1 and September 1 in each year. No payment of the principal amount is due until maturity. The bond proceeds were used to pay-off the entire \$75,000 balance on the line of credit and to redeem in its entirety the University's short-term debt of \$50,000 and to provide working capital. The bonds are secured by mortgages on certain University real estate.

Subsequent to June 30, 2014, the University and Montefiore Health System approved terms by which both entities would expand upon their longstanding collaborative relationship in providing medical education, research and clinical services, and establish a strategic joint venture for the operations of the Albert Einstein College of Medicine. Under the proposed terms, among other things, the operations of Einstein would be transferred into a newly-formed joint venture entity, with the University and Montefiore as the sole members. Montefiore, as the member with the majority interest in the entity, would assume full responsibility for operational and financial matters. The agreement is subject to, among other things, regulatory approval and the execution of definitive agreements.