MANHATTAN COLLEGE

Financial Statements

June 30, 2013

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
Manhattan College:

We have audited the accompanying financial statements of Manhattan College, which comprise the balance sheet as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Manhattan College as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Manhattan College's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

October 23, 2013

MANHATTAN COLLEGE

Balance Sheet

June 30, 2013
(with comparative financial information as of June 30, 2012)

Assets	2013	2012
Cash and cash equivalents	$ 30,098,412	27,114,141
Student accounts receivable (net of allowance for uncollectible amounts of $1,002,477 in 2013 and $1,036,417 in 2012)	1,437,078	749,722
Government grants and other receivables	1,889,152	5,514,820
Contributions receivable, net (note 3)	2,287,046	2,684,688
Prepaid expenses and other assets (note 7)	450,289	667,252
Investments (note 4)	72,561,357	67,000,676
Student loans receivable (net of allowance for uncollectible amounts of $90,000 in 2013 and 2012)	1,143,701	1,136,562
Funds held by bond trustee (notes 4 and 8)	8,156,399	11,156,375
Deferred bond issuance costs, net	2,922,627	3,186,115
Property, plant, and equipment, net (notes 6 and 7)	140,675,756	132,612,543
Total assets	$ 261,621,817	251,822,894
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 8,994,345	8,021,184
Deferred revenues and student deposits	8,664,276	6,005,590
Liability under planned giving agreements	1,655,752	1,944,887
Long-term debt (note 7)	73,228,163	78,948,364
Asset retirement obligation	1,572,000	1,541,000
U.S. government grants refundable	1,221,672	1,221,672
Total liabilities	95,336,208	97,682,697
Commitments and contingencies (notes 7, 14, 15, and 16)		
Net assets:		
Unrestricted (note 5)	87,516,269	85,485,258
Temporarily restricted (notes 5 and 10)	35,323,904	26,706,089
Permanently restricted (notes 5 and 10)	43,445,436	41,948,850
Total net assets	166,285,609	154,140,197
Total liabilities and net assets	$ 261,621,817	251,822,894

See accompanying notes to financial statements.

MANHATTAN COLLEGE

Statement of Activities

Year ended June 30, 2013
(with summarized financial information for the year ended June 30, 2012)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2013	Total 2012
Revenues:					
Tuition and fees, net (notes 7 and 11)	$ 69,481,927	—	—	69,481,927	65,090,620
Contributions	3,092,024	4,981,922	1,496,586	9,570,532	7,094,699
Investment return (note 4)	246,595	6,068,728	—	6,315,323	1,806,145
State of New York appropriations	274,786	—	—	274,786	249,861
Government grants and contracts	415,036	1,866,024	—	2,281,060	1,909,410
Auxiliary enterprises (note 7)	27,822,240	—	—	27,822,240	24,350,364
Other revenue, including short-term interest income	2,352,913	—	—	2,352,913	1,992,872
Net assets released from restrictions	4,298,859	(4,298,859)	—	—	—
Total revenues	107,984,380	8,617,815	1,496,586	118,098,781	102,493,971
Expenses (notes 12 and 13):					
Instruction	34,667,745	—	—	34,667,745	32,942,908
Research and sponsored programs	720,230	—	—	720,230	568,229
Academic support	11,853,889	—	—	11,853,889	11,004,262
Student services	18,131,384	—	—	18,131,384	17,592,392
Institutional support	20,376,513	—	—	20,376,513	19,232,791
Auxiliary enterprises	20,203,608	—	—	20,203,608	18,507,610
Total expenses	105,953,369	—	—	105,953,369	99,848,192
Increase in net assets	2,031,011	8,617,815	1,496,586	12,145,412	2,645,779
Net assets at beginning of year	85,485,258	26,706,089	41,948,850	154,140,197	151,494,418
Net assets at end of year	$ 87,516,269	35,323,904	43,445,436	166,285,609	154,140,197

See accompanying notes to financial statements.

MANHATTAN COLLEGE

Statement of Cash Flows

Year ended June 30, 2013
(with comparative financial information for the year ended June 30, 2012)

		2013	2012
Cash flows from operating activities:			
Increase in net assets	$	12,145,412	2,645,779
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Accretion of asset retirement obligation		31,000	45,000
Provision for doubtful student accounts receivable		120,000	10,000
Contributions restricted for long-term investment and capital projects		(5,359,214)	(2,490,834)
Depreciation expense		6,821,529	6,682,797
Net appreciation in fair value of investments		(4,507,812)	(245,824)
Amortization of deferred bond issuance costs		160,729	173,700
Amortization of original issue premium		(55,260)	(130,260)
Loss on extinguishment of long-term debt		62,319	—
Changes in assets and liabilities:			
Contributions receivable		76,012	101,711
Student accounts receivable		(807,356)	248,829
Government grants and other receivables		3,625,668	(872,851)
Prepaid expenses and other assets		216,963	91,375
Accounts payable and accrued expenses		(967,734)	(341,682)
Deferred revenues and student deposits		2,658,686	409,613
Net cash provided by operating activities		14,220,942	6,327,353
Cash flows from investing activities:			
Proceeds from the sale of investments		3,868,522	368,087
Purchase of investments		(4,921,391)	(2,060,081)
Increase in accounts payable and accrued expenses relating to capital		1,940,895	125,871
Increase in student loans receivable		(7,139)	(7,071)
Acquisitions of property, plant, and equipment		(14,884,742)	(8,290,489)
Net cash used in investing activities		(14,003,855)	(9,863,683)
Cash flows from financing activities:			
Contributions restricted for long-term investment and capital projects		5,359,214	2,490,834
Decrease in contributions receivable relating to endowment and capital projects		321,630	1,641,566
Issuance of long-term debt		21,420,000	—
Bond issuance costs		(559,482)	—
Retirement of long-term debt		(23,645,000)	—
Decrease (increase) in funds held by bond trustee		2,999,976	(760,629)
Principal payments on long-term debt		(2,840,019)	(2,676,331)
(Decrease) increase in liability under planned giving agreements		(289,135)	32,629
Net cash provided by financing activities		2,767,184	728,069
Net increase (decrease) in cash and cash equivalents		2,984,271	(2,808,261)
Cash and cash equivalents at beginning of year		27,114,141	29,922,402
Cash and cash equivalents at end of year	$	30,098,412	27,114,141
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	3,749,706	4,020,480

See accompanying notes to financial statements.

(1) Organization

Manhattan College (the College) is a private independent institution of higher learning. The College was founded by the Brothers of the Christian Schools, an order organized by St. John Baptist de La Salle, an educational leader and social reformer. The College was incorporated by the Regents of the State of New York in 1863. Its principal campus is located on approximately 22 acres in the Riverdale section of Bronx County in the City of New York. The College is exempt from federal income tax under the provisions of Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The College's 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. Accordingly, net assets of the College and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. In addition, changes to this category of net assets include restricted gifts whose donor-imposed restrictions were met in the year received, through the passage of time, or through fulfillment of the restricted purpose.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met either by actions of the College or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions, which stipulate that the principal be maintained permanently by the College, but permit the College to expend part or all of the income and gains derived there from.

Revenues and gains and losses on investments and other assets are reported as changes in unrestricted net assets unless their use is limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets is reported as net assets released from restrictions.

(b) Release of Restrictions on Net Assets Held for Acquisition of Property, Plant, and Equipment

Contributions of property, plant, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net assets class. Contributions of cash or other assets to be used to acquire property, plant, and equipment with such donor stipulations are reported as revenues of the temporarily restricted net assets class; the restrictions are considered to be released at the time such long-lived assets are placed into service.

(c) Cash Equivalents

The College considers all highly liquid securities that have a maturity of three months or less at the time of purchase to be cash equivalents, except for those short-term investments purchased by the College's investment managers as part of their investment strategy.

(d) Investments

The College's investments (including investments held by bond trustees) are reported at estimated fair value based upon quoted market prices or, with respect to alternative investments, at estimated fair value using net asset values, as a practical expedient, provided by the fund manager. The net asset value is reviewed and evaluated by the College. Due to the inherent uncertainties of the estimate, the value may differ from the values that would have been used had a ready market existed for such investment.

(e) Property, Plant, and Equipment

Property, plant, and equipment are valued as follows:

- Buildings, improvements, and equipment – at replacement value at May 31, 1972 based on a revaluation at such date; additions subsequent to May 1972 at cost.
- Library books – at $10 per volume.

Depreciation expense is computed on a straight-line basis over the estimated useful lives of the respective assets as follows:

Asset	Average useful life (years)
Buildings	40
Building improvements	15–25
Equipment	5

(f) Deferred Revenues

Deferred revenues include tuition received and deposits related to programs applicable to the next fiscal year.

(g) Deferred Bond Issuance Costs and Original Issue Premium

Deferred bond issuance costs and original issue premium are amortized on a straight-line basis over the lives of the related bonds. Accumulated amortization for bond issuance costs was $524,329 and $1,273,895 and original issue premium was $276,300 and $1,046,004 at June 30, 2013 and 2012, respectively.

(h) Refundable Loan Program

The College participates in the federally sponsored Perkins Loan Program. The government's share of the program is recorded as a liability.

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(i) Liabilities under Planned Giving Agreements

The College receives certain gifts (charitable annuities and life income trusts) where a donor or named beneficiary maintains an interest in income earned. Contribution revenue is recognized at the date 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.

(j) Contributions

Contributions, including unconditional promises to give (pledges), are initially reported at fair value as revenues in the period received or pledged. Contributions with purpose and/or time restrictions are reported as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restrictions are met. Contributions subject to donor-imposed restrictions that the corpus be maintained permanently are recognized as increases in permanently restricted net assets.

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. Contributions not expected to be received within one year are discounted at a risk-adjusted rate (0.2%– 4.9%). Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. In addition, an allowance for contributions receivable estimated to be uncollectible is provided. The inputs to the fair value estimate are considered Level 3 in the fair value hierarchy.

(k) Use of Estimates

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

(l) Tax Status

The College recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. The College evaluates, on an annual basis, the effects of any uncertain tax positions on its financial statements. As of June 30, 2013 and 2012, the College has not identified or provided for any such positions.

(m) Prior Year Summarized Financial Information

The accompanying statement of activities is presented with prior year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College’s financial statements for the year ended June 30, 2012, from which the summarized information was derived.

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(3) Contributions Receivable

Contributions receivable at June 30, 2013 and 2012, including pledges from various corporations, foundations, and individuals, are as follows:

		2013	2012
Contributions due:			
In less than one year	$	1,397,379	1,459,922
In one to five years		1,321,513	1,675,324
Gross contributions receivable		2,718,892	3,135,246
Allowance for uncollectible contributions		(411,500)	(411,500)
Discount to present value		(20,346)	(39,058)
Contributions receivable, net	$	2,287,046	2,684,688

Pledges from three donors accounted for 82% and 79% of gross contributions receivable at June 30, 2013 and 2012, respectively.

(4) Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The College measures the fair value of its financial and nonfinancial assets and liabilities utilizing a three-tiered hierarchy, defined as follows:

> Level 1 – Valuation based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
>
> Level 2 – Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities.
>
> Level 3 – Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Classification in Level 2 or Level 3 is based on the College's ability to redeem its interest at or near the balance sheet date (within 90 days), and if the interest can be redeemed in the near term, the investment is classified as Level 2.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement.

The carrying values of the College's cash equivalents, student accounts receivable, government grants and other receivables, and accounts payable and accrued expenses approximated their fair values at June 30, 2013 and 2012 because of the terms and relatively short maturities of these financial instruments. These estimated fair values, however, involve unobservable inputs considered to be Level 3 in the fair value hierarchy. The fair value of long-term debt and the interest rate swap are discussed in note 7.

The following tables present the College's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2013 and 2012:

	2013			
Investments	**Level 1**	**Level 2**	**Level 3**	**Fair value**
Money market funds	$ 4,729,134	—	—	4,729,134
Common stocks	59,756	—	—	59,756
Mutual funds – equity:				
Domestic	29,058,187	—	—	29,058,187
International	5,784,261	—	—	5,784,261
Mutual funds – bonds	23,672,133	—	—	23,672,133
Cash surrender value of life insurance policies	—	1,933,666	—	1,933,666
Alternative investments – hedge fund of funds	—	5,022,055	2,302,165	7,324,220
Total investments	63,303,471	6,955,721	2,302,165	72,561,357
Funds held by bond trustee				
Cash and cash equivalents	4,087,192	—	—	4,087,192
U.S. Treasury bills	4,069,207	—	—	4,069,207
Total funds held by bond trustee	8,156,399	—	—	8,156,399
Total assets	$ 71,459,870	6,955,721	2,302,165	80,717,756

(Continued)

		2012			
Investments		**Level 1**	**Level 2**	**Level 3**	**Fair value**
Money market funds	$	5,191,185	—	—	5,191,185
Common stocks		69,399	—	—	69,399
Mutual funds – equity:					
Domestic		23,580,578	—	—	23,580,578
International		5,326,748	—	—	5,326,748
Mutual funds – bonds		24,519,243	—	—	24,519,243
Municipal – bonds		18,111	—	—	18,111
Corporate bonds		149,135	—	—	149,135
Cash surrender value of life insurance policies		—	1,734,319	—	1,734,319
Alternative investments-hedge fund of funds		—	—	6,411,958	6,411,958
Total investments		58,854,399	1,734,319	6,411,958	67,000,676
Funds held by bond trustee					
Cash and cash equivalents		4,711,457	—	—	4,711,457
U.S. Treasury bills		6,444,918	—	—	6,444,918
Total funds held by bond trustee		11,156,375	—	—	11,156,375
Total assets	$	70,010,774	1,734,319	6,411,958	78,157,051

Included in investments are $2,822,203 and $2,620,362 under planned giving agreements at June 30, 2013 and 2012, respectively.

Investment return comprised $1,807,511 of dividends and interest income and $4,507,812 of net appreciation in fair value of investments for the year ended June 30, 2013, and $1,560,321 of dividends and interest income and $245,824 of net appreciation in fair value of investments for the year ended June 30, 2012.

As of June 30, 2013, the alternative investments consist of three hedge funds with various investment strategies. The investment strategy of one hedge fund includes providing net returns over a full market cycle in excess of its benchmark, the London Interbank Offered Rate (LIBOR) plus 500 basis points, and to maintain significant regional diversification. Another strategy is to achieve consistent, positive, and absolute returns with low volatility primarily by seeking to exploit pricing inefficiencies in equity and debt securities. The third fund was formed for the purpose of trading and investing in private investment companies.

The table below presents the change in Level 3 investments for the years ended June 30, 2013 and 2012:

		2013	2012
Fair value at beginning of year	$	6,411,958	6,600,218
Unrealized gains (losses)		912,262	(188,260)
Transfers (net)		(5,022,055)	—
Fair value at end of year	$	2,302,165	6,411,958

As of June 30, 2013 and 2012, the following table summarizes the redemption frequency of alternative investments (hedge funds of funds):

		2013	2012
Redemption frequency:			
Annual redemption with 90 days' notice	$	7,324,220	—
Three-year initial lockup with 90 days' notice, annual		—	6,411,958

At June 30, 2013, the College had no outstanding commitments to invest in any alternative investment funds. Due to the expiration of the three-year initial lockup periods, $5,022,055 was transferred from Level 3 to Level 2 in fiscal year 2013.

(5) Endowment Funds

The College's endowment consist of approximately 221 individual funds established for a variety of purposes, including both donor-restricted endowment funds and the funds designated by the College to function as endowments (quasi-endowment).

The College employs an asset allocation spending model of 4% on a three-year moving average of the fair market value of the fund. The calculated 4% for spending in fiscal year 2013 was based upon the fair market value as of June 30, 2012, 2011, and 2010. The College manages its long-term investments in accordance with the total return concept and the goal of maximizing long-term return within acceptable levels of risk. The College's spending policy is designed to provide a stable level of financial support and to preserve the real value of its endowment. The College compares the performance of its investments against several benchmarks, including its asset allocation spending model policy index.

In 2006, the Uniform Law Commission approved a model act, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), to serve as a guideline for states to use in enacting new legislation to govern the investment and use of endowment funds. In September 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), its version of UPMIFA, effective immediately. Among NYPMIFA's most significant changes was the elimination of the prior law's important concept of the historical dollar-value threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending.

The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor-restricted amounts reported below include net appreciation (depreciation) reported as temporarily restricted net assets and the underwater amount of endowment funds reported as unrestricted net assets:

		2013			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	$	—	18,183,275	43,445,436	61,628,711
Quasi (board-designated)		2,473,520	—	—	2,473,520
Total	$	2,473,520	18,183,275	43,445,436	64,102,231

		2012			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	$	—	13,749,103	41,948,850	55,697,953
Quasi (board-designated)		2,205,167	—	—	2,205,167
Total	$	2,205,167	13,749,103	41,948,850	57,903,120

Changes in endowment net assets for the fiscal years ended June 30, 2013 and 2012 were as follows:

		2013			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, June 30, 2012	$	2,205,167	13,749,103	41,948,850	57,903,120
Interest and dividends		69,913	1,643,800	—	1,713,713
Net appreciation		175,107	4,336,212	—	4,511,319
Contributions		34,867	—	1,496,586	1,531,453
Distributions		(11,534)	(1,545,840)	—	(1,557,374)
Net assets, June 30, 2013	$	2,473,520	18,183,275	43,445,436	64,102,231

(Continued)

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Net assets, June 30, 2011	$ 2,223,294	13,457,053	41,295,709	56,976,056
Interest and dividends	74,750	1,461,035	—	1,535,785
Net appreciation	12,789	233,407	—	246,196
Contributions	—	—	653,141	653,141
Distributions	(105,666)	(1,402,392)	—	(1,508,058)
Net assets, June 30, 2012	$ 2,205,167	13,749,103	41,948,850	57,903,120

(6) Property, Plant, and Equipment

Property, plant, and equipment at June 30, 2013 and 2012 are summarized as follows:

	2013	**2012**
Land and land improvements	$ 4,794,104	4,794,104
Buildings and improvements	208,012,501	203,888,274
Construction in progress	12,918,680	3,303,773
Equipment	22,018,717	20,841,439
Artwork	214,425	214,425
Library books	2,892,710	2,924,380
	250,851,137	235,966,395
Less accumulated depreciation	(110,175,381)	(103,353,852)
Property, plant, and equipment, net	$ 140,675,756	132,612,543

(7) Long-Term Debt

Long-term debt at June 30, 2013 and 2012 consists of the following:

	2013	**2012**
Mortgage payable (a)	$ 386,833	432,186
Note payable (b)	424,738	469,404
Bonds payable, Series 2000 including unamortized premium of $599,922 in 2012 (c)	—	26,714,922
Bonds payable, Series 2007A including unamortized premium of $1,501,749 in 2013 and $1,555,349 in 2012 (d)	36,501,749	36,555,349
Bonds payable, Series 2007B including unamortized premium of $39,843 in 2013 and $41,503 in 2012 (e)	14,494,843	14,776,503
Bonds payable, Series 2012 (f)	21,420,000	—
Total long-term debt	$ 73,228,163	78,948,364

(a) The mortgage payable to the Department of Education in semiannual installments of $28,990, including interest at 3% per annum, is due through fiscal year 2020. This debt is collateralized by a first lien on a dormitory and a pledge of the net revenues derived from the operations of the dormitory, limited to an amount necessary to cover the annual debt service payments and reserve requirements totaling $96,267.

(b) The note payable to U.S. government-sponsored college facilities program in semiannual payments of $34,939, including interest at 5.5% per annum, is due through September 1, 2020. This debt is secured by the Research and Learning Center.

(c) On January 10, 2001, the Dormitory Authority of the State of New York issued $42,025,000 of tax-exempt Manhattan College Insured Revenue Bonds, Series 2000 (the Series 2000 Bonds). The proceeds of the Series 2000 Bonds, including the original issue premium of $1,424,886, were used (i) to refund $42,000,000 of the then outstanding Manhattan College Insured Revenue Bonds, Series 1992, (ii) to make a deposit to debt service reserve funds, (iii) to pay certain costs incurred in connection with the issuance of the Series 2000 Bonds, and (iv) for renovation and expansion of the College's library. The bonds bore interest at annual rates ranging from 4.25% to 5.5%, mature in 2020, and are secured by certain revenues (tuition, fees, and other charges) and certain buildings, fixtures, and equipment of the College. The bonds were retired on August 9, 2012 with proceeds from a new bond borrowing issued by Build NYC Resource Corporation see (f) below.

(d) On March 8, 2007, the Dormitory Authority of the State of New York issued $35,000,000 of tax-exempt Manhattan College Insured Revenue Bonds, Series 2007A (the Series 2007A Bonds). The proceeds of the Series 2007A Bonds, including the original issue premium of $1,769,749, were used for the construction of East Hill Tower II. This new residence hall building is 10 stories and offers approximately 275 two-bed units to accommodate 550 residents. The bonds bear interest at annual rates ranging from 4% to 5%, mature in 2041, and are secured by certain revenues (tuition, fees, and other charges) and certain buildings, fixtures, and equipment of the College.

(e) On November 29, 2007, the Dormitory Authority of the State of New York issued $15,000,000 of tax-exempt Manhattan College Insured Revenue Bonds, Series 2007B (the Series 2007B Bonds). The proceeds of the Series 2007B Bonds, including the original issue premium of $48,143, were used for the construction of the Manhattan College Parking Garage. The parking garage is a four-story precast concrete parking structure with 170,000 square feet of space to accommodate 540 cars with provisions for an additional 180 cars to be parked on grade under and surrounding the elevated structure. The bonds bear interest at annual rates ranging from 5.0% to 5.3%, mature in 2037, and are secured by certain revenues (tuition, fees, and other charges) and certain buildings, fixtures, and equipment of the College.

(f) On August 9, 2012, Build NYC Resource Corporation issued $21,420,000 of Manhattan College Revenue Bonds, Series 2012 bonds (the Series 2012 Bonds) to refund the Series 2000 Bonds and to pay costs of issuance of the Series 2012 bonds. The new bonds were sold in a direct purchase with TD Bank, N.A. The term of the new Bonds is consistent with the remaining life of the Series 2000 Bonds. The bonds bear interest at 75% of the sum of the one month Adjusted Libor Rate, as defined, plus 1.75%. The interest rate at June 30, 2013 was 1.46%.

The College and TD Bank, N.A. simultaneously entered into an interest rate swap agreement (swap agreement) effective October 1, 2012 with a notional amount of $21,420,000 for the purpose of creating a synthetic fixed rate of 2.36% on the Series 2012 bonds. The fair value of the swap at June 30, 2013 was $30,572 and is included in prepaid expenses and other assets on the 2013 balance sheet. The fair value was estimated based on pricing models that utilize significant observable inputs, such as relevant interest rates, that reflect assumptions market participant would use in pricing the instruments. These inputs fall within Level 2 of the fair value hierarchy.

Interest expense on long-term debt approximated $3,167,435 in 2013 and $3,830,424 in 2012.

Aggregate future minimum annual payments of principal for long-term debt at June 30, 2013 are as follows:

Year ending June 30:		
2014	$	3,068,881
2015		3,087,923
2016		3,107,153
2017		3,126,583
2018		3,151,221
Thereafter		56,144,810
		71,686,571
Add original issue premium		1,541,592
Total long-term debt	$	73,228,163

Fair value measurements of long-term debt are based on observable interest rates and maturity schedules that fall within Level 2 of the hierarchy of fair value inputs. The fair value of long-term debt approximates $71.2 million and $76.8 million as of June 30, 2013 and 2012, respectively.

The College is required to meet certain financial covenants in connection with the respective outstanding bonds. For the years ended June 30, 2013 and 2012, the College was in compliance with these covenants.

(8) Funds Held by Bond Trustee

Funds held by bond trustee, at fair value, are invested in cash equivalents and U.S. Treasury bills and consist of the following at June 30, 2013 and 2012:

		2013	2012
Debt service funds	$	4,366,611	4,710,925
Debt service reserve funds		3,789,788	6,445,450
Total funds held by trustee	$	8,156,399	11,156,375

(9) Pension Plans

Retirement benefits are provided to academic and nonacademic personnel under a defined-contribution plan through Teacher's Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF), a national organization used to fund pension benefits for educational institutions. Under this agreement, the College makes annual contributions to TIAA-CREF to purchase individual annuities equivalent to retirement benefits earned. Contributions by the College for the years ended June 30, 2013 and 2012 aggregated $2,615,276 and $2,511,000, respectively. There are no unfunded vested benefits and it is the College's policy to fund pension costs accrued.

(10) Temporarily and Permanently Restricted Net Assets

At June 30, 2013 and 2012, temporarily restricted net assets comprised the following:

		Temporarily restricted	
		2013	2012
Pledges and bequests receivable	$	2,153,715	2,528,676
Capital projects		10,948,922	6,787,345
Life income, annuity, and similar funds		2,024,516	1,637,716
Scholarships		12,375,806	9,209,441
Other		7,820,945	6,542,911
Total net assets	$	35,323,904	26,706,089

The investment return on permanently restricted net assets is expendable principally to support scholarships.

(11) Tuition and Fees

Tuition and fees are presented net of amounts awarded to students to defray their cost of attending the College and are summarized as follows for the years ended June 30, 2013 and 2012:

		2013	2012
Tuition and fees	$	107,622,014	96,807,980
Less:			
College funded scholarships		(35,927,977)	(29,831,311)
Endowed scholarships		(1,264,338)	(1,192,300)
Government grant and private gift funded scholarships		(947,772)	(693,749)
Tuition and fees, net	$	69,481,927	65,090,620

(Continued)

(12) Expenses

Expenses are reported in the accompanying statement of activities in categories recommended by the National Association of Colleges and University Business Officers. The College's primary program services are instruction and research and sponsored programs. Expenses reported as academic support, student services, and auxiliary enterprises are incurred in support of these primary program services. Institutional support includes fund-raising expenses of $3,835,851 in 2013 and $3,848,955 in 2012. For purposes of reporting fund-raising expenses, the College includes only those fund-raising costs incurred by its institutional advancement office.

(13) Allocation of Certain Expenses

The College allocates certain operation and maintenance of plant, depreciation, and interest and other debt-related expenses based upon building square footage and the use of each facility. Direct expenses of auxiliary enterprises also include other operation and maintenance of plant costs. For the year ended June 30, 2013 (with comparative totals for 2012), the following allocation of expenses was included in the statement of activities:

	Operation and maintenance of plant	Depreciation	Interest and other debt-related expenses	Direct expenses	2013	2012
Instruction	$ 2,491,179	469,002	—	31,707,564	34,667,745	32,942,908
Research and sponsored programs	—	—	—	720,230	720,230	568,229
Academic support	2,690,261	1,086,608	19,514	8,057,506	11,853,889	11,004,262
Student services	2,005,701	926,903	—	15,198,780	18,131,384	17,592,392
Institutional support	921,340	241,089	4,878	19,209,206	20,376,513	19,232,791
Auxiliary enterprises	505,776	4,097,928	3,905,894	11,694,010	20,203,608	18,507,610
Total 2013	$ 8,614,257	6,821,530	3,930,286	86,587,296	105,953,369	
Total 2012	$ 8,508,668	6,682,796	3,830,424	80,826,304		99,848,192

(14) Contingencies

Certain federally funded financial aid programs are routinely subject to special audit. The reports on the audits, which are conducted pursuant to specific regulatory requirements by the auditors of the College, are required to be submitted to both the College and the U.S. Department of Education. Such agency has the authority to determine liabilities, as well as to limit, suspend, or terminate federal student aid programs. In the opinion of management, audit adjustments, if any, would not have a significant effect on the financial position of the College.

(15) Commitments

The College has commitments under construction contracts of approximately $31,556,000 and $1,417,700 at June 30, 2013 and June 30, 2012, respectively.

(16) Subsequent Events

On August 6, 2013, Build NYC Resource Corporation issued $10,000,000 of Manhattan College Revenue Bonds, Series 2013A (Series 2013A) and $17,000,000 of Manhattan College Revenue Bonds, Series 2013B (Series 2013B). The Series 2013A serial bonds were issued at a fixed interest rate of 2.23%, due annually through August 1, 2020. The Series 2013B term bonds were issued at an adjustable rate of 67% of LIBOR plus 1.03%, due August 1, 2038. The proceeds of the bonds will be used to finance construction of the Kelly Student Commons and to pay costs of issuance of the Series 2013A and 2013B bonds. The new bonds were sold in a direct purchase with Bank of America, N.A.

In connection with the preparation of the financial statements, the College evaluated events through October 23, 2013, which was the date the financial statements were issued, and concluded that no additional disclosures were required.