LONG ISLAND UNIVERSITY
FINANCIAL STATEMENTS
August 31, 2013

(with Independent Auditors' Report Thereon)

KPMG LLP
Suite 200
1305 Walt Whitman Road
Melville, NY 11747-4302

Independent Auditors' Report

The Board of Trustees
Long Island University:

We have audited the accompanying financial statements of Long Island University (the University), which comprise the statements of financial position as of August 31, 2013 and 2012, and the related statements of unrestricted revenues, expenses, and other changes in unrestricted net assets, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditor's 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 Long Island University as of August 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

December 6, 2013

LONG ISLAND UNIVERSITY

STATEMENTS OF FINANCIAL POSITION

As of August 31,

	2013	2012
Assets:		
Cash and cash equivalents	$ 117,238,107	$ 89,497,080
Accounts receivable, net	15,910,879	16,947,952
Prepaid expenses and other assets	3,140,059	3,346,836
Contributions receivable, net	13,260,277	5,030,200
Investments	79,286,268	65,996,302
Notes receivable, net	15,196,437	14,997,820
Deposits with bond trustees	10,635,419	13,493,589
Land, buildings, and equipment, net	310,625,055	323,188,188
Total assets	565,292,501	532,497,967
Liabilities:		
Accounts payable and accrued expenses	16,170,822	17,410,034
Deferred revenue	90,194,761	85,383,924
Other liabilities	35,705,393	44,134,650
Long-term debt	126,625,423	128,903,671
Liability for postretirement benefits	40,906,387	44,246,493
U.S. government refundable grants	13,005,305	12,921,617
Total liabilities	322,608,091	333,000,389
Net assets:		
Unrestricted	173,984,366	145,094,911
Temporarily restricted	13,976,471	6,871,366
Permanently restricted	54,723,573	47,531,301
Total net assets	242,684,410	199,497,578
Total liabilities and net assets	$ 565,292,501	$ 532,497,967

See accompanying notes to financial statements.

LONG ISLAND UNIVERSITY

STATEMENTS OF UNRESTRICTED REVENUES, EXPENSES,
AND OTHER CHANGES IN UNRESTRICTED NET ASSETS
Years Ended August 31,

	2013	2012
Operating Revenues and Other Support:		
Tuition and fees	$ 431,423,581	$ 422,322,547
Scholarship allowances	(103,883,255)	(99,201,445)
Net tuition and fees	327,540,326	323,121,102
Sales and services of auxiliary enterprises	30,280,111	29,393,226
Government grants and contracts	16,759,728	11,476,976
Private gifts and grants	3,199,256	3,981,285
Investment return designated for operations	3,458,576	3,050,501
Other sources	11,220,563	11,122,219
Net assets released from restrictions for operations	818,550	1,665,454
Total operating revenues and other support	393,277,110	383,810,763
Operating Expenses:		
Salaries and benefits	256,028,873	261,166,059
Supplies, repairs, utilities, and other expenses	93,727,180	96,036,718
Depreciation and amortization	17,215,827	16,811,111
Interest expense	5,766,194	7,034,274
Total operating expenses	372,738,074	381,048,162
Increase in unrestricted net assets from operating activities	20,539,036	2,762,601
Nonoperating:		
Investment return net of amounts designated for operations	3,716,962	(957,519)
Other, net	4,633,457	(5,902,265)
Total nonoperating	8,350,419	(6,859,784)
Increase (decrease) in unrestricted net assets	$ 28,889,455	$ (4,097,183)

See accompanying notes to financial statements.

LONG ISLAND UNIVERSITY

STATEMENTS OF CHANGES IN NET ASSETS

Years Ended August 31,

	2013	2012
Increase (decrease) in unrestricted net assets (from previous statement)	$ 28,889,455	$ (4,097,183)
Changes in temporarily restricted net assets:		
Private gifts and grants	6,547,726	793,427
Investment return, net	1,255,930	12,337
Change in value of split-interest agreements	119,999	42,867
Provision for uncollectible contributions receivable	-	15,000
Net assets released from restrictions	(818,550)	(1,665,454)
Increase (decrease) in temporarily restricted net assets	7,105,105	(801,823)
Changes in permanently restricted net assets:		
Private gifts and grants	7,191,980	1,444,854
Investment return, net	32,753	49,820
Change in value of split-interest agreements	(32,461)	(130,069)
Provision for uncollectible contributions receivable	-	50,000
Other reclassifications	-	454,052
Increase in permanently restricted net assets	7,192,272	1,868,657
Increase (decrease) in net assets	43,186,832	(3,030,349)
Net assets at beginning of year	199,497,578	202,527,927
Net assets at end of year	$ 242,684,410	$ 199,497,578

See accompanying notes to financial statements.

LONG ISLAND UNIVERSITY
STATEMENTS OF CASH FLOWS
Years Ended August 31,

	2013	2012
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 43,186,832	$ (3,030,349)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Gain on sale of property	-	(974,644)
Depreciation and amortization	17,215,827	16,811,111
Amortization of bond (premium) discount	(354,274)	21,494
Loss on refunding of debt	4,395,998	-
Bad debt expense, net	8,097,984	6,751,120
Provision for uncollectible notes and contributions receivable	(11,049)	(51,271)
Net gains on investments	(7,309,434)	(1,513,464)
Contributions and government grants received for plant asset additions and long-term investment	(9,978,992)	(1,847,735)
Changes in assets and liabilities:		
Accounts receivable, net	(7,060,911)	803,265
Prepaid expenses and other assets	206,777	(1,065,132)
Contributions receivable, net	(8,230,077)	718,096
Accounts payable and accrued expenses	(1,196,150)	577,735
Deferred revenue	4,810,837	25,292,470
Other liabilities	(8,429,257)	8,323,337
Liability for postretirement benefits	(3,340,106)	25,701
Net cash provided by operating activities	32,004,005	50,841,734
Cash flows from investing activities:		
Capital expenditures	(7,662,082)	(11,692,554)
Decrease in construction-related accounts payable	(43,062)	(1,707,032)
Proceeds from sale of investments	7,943,171	46,277,498
Purchases of investments	(13,923,703)	(48,708,850)
Proceeds from sale of property	-	1,145,663
Loans to students, faculty, and staff	(2,456,290)	(2,520,686)
Payments received on student, faculty, and staff loans	2,268,722	2,185,926
Increase in U.S. government refundable grants	83,688	102,241
Net cash used in investing activities	(13,789,556)	(14,917,794)
Cash flows from financing activities:		
Decrease (increase) in deposits with bond trustees	2,858,170	(367,563)
Principal payments on long-term debt	(3,597,756)	(3,112,756)
Issuance of long-term debt	62,736,138	-
Defeasance and refunding of debt	(62,448,966)	-
Contributions and government grants received for plant asset additions and long-term investment	9,978,992	1,847,735
Net cash provided by (used in) financing activities	9,526,578	(1,632,584)
Net increase in cash and cash equivalents	27,741,027	34,291,356
Balance at beginning of year	89,497,080	55,205,724
Balance at end of year	$ 117,238,107	$ 89,497,080
Supplemental disclosure – interest paid	$ 6,294,163	$ 7,102,619

See accompanying notes to financial statements.

1. Organization

Long Island University (the University), founded in 1926, is a coeducational institution serving an enrollment of approximately 17,000 students plus an additional 7,600 noncredit bearing students. The University conducts undergraduate, graduate, and doctoral programs on campuses on or near Long Island, New York.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The University's net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be met either by actions of the University or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions requiring that the assets be maintained permanently.

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 and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as releases from restrictions from temporarily restricted net assets to unrestricted net assets. The University follows the policy of reporting donor-imposed restricted contributions and permanently-restricted endowment investment income whose restrictions are met in the same period as received as unrestricted revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the University to make a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the useful lives of fixed assets, the allowance for doubtful accounts, loans, and contributions receivable, the valuation of derivatives, fixed assets, investments, notes receivable, and contributions receivable, the allocation of expenses, and the reserves for postretirement benefits, early retirement, self-insurance liabilities, and other contingencies. Actual results could differ from those estimates.

Tax Exempt Status

The University has received a determination letter from the Internal Revenue Service and is considered exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for any unrelated business income activities. No provision for income taxes has been made as the University has not reported any taxable unrelated business income. The University evaluates, on an annual basis, the effects of any uncertain tax positions on its financial statements using a threshold of more likely than not. As of August 31, 2013 and 2012, the University has not identified or provided for any such positions.

Cash and Cash Equivalents

Cash and cash equivalents include cash and temporary investments with original maturities of three months or less, except for those that are purchased by the University as part of its long-term investment strategy. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of these financial instruments.

Accounts Receivable

Accounts receivable are stated at net realizable value and consist of the following:

	August 31,	
	2013	2012
Student receivables	$ 23,782,419	$ 23,639,501
Other receivables	2,866,487	3,676,694
	26,648,906	27,316,195
Allowance for doubtful accounts	(10,738,027)	(10,368,243)
	$ 15,910,879	$ 16,947,952

The carrying amounts of the University's accounts receivable approximated their fair values at August 31, 2013 and August 31, 2012 because of the terms and relatively short maturities of these financial instruments.

Contributions Receivable

Unconditional promises to give are recognized initially at fair value as contribution revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue.

Contributions receivable are recorded at their estimated net realizable values discounted to present value at risk-adjusted rates ranging from 5.8 % to 3.4% at August 31, 2013 and 2012, and consist of the following:

	August 31,	
	2013	2012
Contributions receivable	$ 14,384,941	$ 5,863,166
Discount to net present value	(989,664)	(697,966)
Allowance for uncollectible contributions	(135,000)	(135,000)
	$ 13,260,277	$ 5,030,200

Contributions receivable are scheduled to be collected as follows:

	August 31,	
	2013	2012
Within one year	$ 10,960,423	$ 1,845,720
One - five years	3,266,797	3,867,711
Thereafter	157,721	149,735
	$ 14,384,941	$ 5,863,166

At August 31, 2013 and 2012, contributions receivable from three donors represent approximately 72% and 41%, respectively, of total contributions receivable.

Investments

Investments in equity securities and investments in debt securities are reported at fair value based on quoted market prices. Alternative investments are valued by the University's management using net asset values provided by external investment managers as a practical expedient in determining fair value. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for the investments existed.

Notes Receivable

Notes receivable primarily consist of amounts due from students under the University's federally-sponsored student loan programs. A reasonable estimate of the fair value of loans receivable from students under government loan programs could not be made because the notes cannot be sold and can only be assigned to the U.S. government or its designees. The fair value of notes receivable from students under the University's federally sponsored student loan programs approximates carrying value. Notes receivable consist of the following:

	August 31,	
	2013	2012
Perkins student loans receivable	$ 13,127,938	$ 12,843,199
Health Professions student loans receivable	2,451,958	2,469,841
Other notes receivable	2,591,424	2,651,407
	18,171,320	17,964,447
Allowance for doubtful notes receivable	(2,974,883)	(2,966,627)
	$ 15,196,437	$ 14,997,820

Deposits with Bond Trustees

Deposits with bond trustees, principally U.S. government obligations at fair value, consist of the following:

	August 31,	
	2013	2012
Debt service funds	$ 10,635,419	$ 12,600,683
Building and equipment funds	-	892,906
	$ 10,635,419	$ 13,493,589

Land, Buildings, and Equipment

Land, buildings, and equipment are stated principally at cost. Library books are stated at $5 per volume ($12.8 million and $13.2 million at August 31, 2013 and 2012, respectively). All plant assets other than land, library books, and artwork, are depreciated over their estimated useful lives, utilizing the straight-line method. Depreciable lives are estimated as 45 years for buildings, 10-35 years for building and campus improvements, and 3-5 years for furniture and equipment. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the improvements.

Deferred Revenue

Deferred revenue includes advance tuition deposits and other amounts collected from students through August 31 of a given year related to student registration for the upcoming fall semester.

Other Liabilities

Other liabilities consist of the following:

	August 31,	
	2013	2012
Fair value of derivative financial instruments (Note 7)	13,398,730	24,084,103
Estimated self-insurance liabilities (Note 13)	6,494,567	6,509,597
Asset retirement obligations (Note 5)	6,476,000	6,386,000
Benefits payable under early retirement plans (Note 12)	7,937,133	5,699,755
Charitable gift annuities (Note 8)	1,284,175	1,422,903
Other	114,788	32,292
	$ 35,705,393	$ 44,134,650

U.S. Government Refundable Grants

U.S. government refundable grants consist of funds advanced by the federal government on the condition that the University administers various campus-based student loan programs subject to federal regulations. Advances from the federal government under these loan programs are required to be remitted to the federal government upon liquidation of the fund. Accordingly, they are reported as liabilities in the statements of financial position.

Derivative Financial Instruments

The derivative instruments held by the University consist of interest rate swaps (Note 7) and are recorded at fair value. Gains and losses from changes in derivative fair value are recognized as other non-operating in the statement of unrestricted revenues, expenses, and other changes in unrestricted net assets.

Nonoperating

Nonoperating activities are distinguished from unrestricted operating activities and include investment return net of amounts designated for operations in accordance with the University's spending policy, the unrealized gain (loss) on interest rate swap agreements, pension-related changes other than net periodic pension cost, and nonrecurring items. Nonoperating activities consist of the following:

	Year Ended August 31,	
	2013	2012
Investment return net of amounts designated for operations	$ 3,716,962	$ (957,519)
Other, net:		
Change in fair value of interest rate swap agreements	10,685,373	(6,086,057)
Postretirement changes other than net periodic benefit cost	4,016,167	638,408
Supplemental early retirement incentive program (Note 12)	(5,703,698)	-
Loss on defeasance and refunding of debt (Note 6)	(4,395,998)	-
Other	31,613	(454,616)
Total other, net	4,633,457	(5,902,265)
	$ 8,350,419	$ (6,859,784)

3. Investments

The investment objective of the University is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and to increase investment value after inflation. Major investment decisions are authorized by the Investment Committee of the University's Board of Trustees, which oversees the University's investments.

During the fiscal year ended August 31, 2012, the University began transitioning from using multiple fund managers to using a single multi-strategy limited partnership investment fund whose investment strategy focuses on varied traditional and nontraditional investment opportunities to provide a diversified portfolio for investors. The fund's portfolio is globally diversified and allocated across multiple asset classes including equities, real assets, commodities/resources and fixed income instruments. A majority of the fund's investments include limited partnership interests (sub-partnerships) whose investments principally consist of illiquid, non-publicly traded securities. Other fund investments include exchange traded funds and derivative contracts. Consistent with the University's objective for endowment returns, the fund's objectives are to outperform a traditional 70% equities/30% bonds portfolio. The fund's investments are subject to various risk factors, including market, credit, and industry risk. The fund attempts to mitigate risk inherent in higher returning asset classes through diversification, which is a key principle of the fund's asset allocation approach.

The University also currently holds shares or units in alternative investment funds involving hedged strategies and real estate investments. Hedge funds include funds whose managers have the authority to invest in various asset classes at their discretion and the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments. Real estate investments include funds with an investment strategy designed to enhance return and to diversify risk within the investment portfolio by pursuing opportunities in retail, office, and residential real estate sectors in the U.S. and Europe.

Investments consist of the following:

	Year Ended August 31,			
	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Fixed income investments:				
Corporate	$ 220,523	$ 241,994	$ 268,562	$ 309,149
U.S. Government	361,468	360,187	424,996	445,784
Equity investments:				
Domestic	785,820	1,112,993	915,240	1,065,428
International	260,801	301,652	269,494	295,248
Alternative investments:				
Multi-strategy	60,008,983	68,145,734	46,508,983	48,706,923
Real estate	7,214,586	3,363,691	7,147,710	3,661,812
Hedge funds	5,339,328	5,760,017	12,891,252	11,511,958
	$ 74,191,509	$ 79,286,268	$ 68,426,237	$ 65,996,302

Under the terms of certain limited partnership agreements, the University is obligated to periodically advance additional funding for real estate investments, subject to certain fixed expiration dates and other termination clauses. At August 31, 2013 and 2012, the University had commitments of approximately $363,000 and $430,000, respectively, for which capital calls had not been exercised. The University maintains sufficient liquidity in its investment portfolio to cover such calls.

The following schedule summarizes the University's investment return:

	August 31,	
	2013	2012
Dividends and interest, net of fees	$ 1,154,787	$ 641,675
Net realized (losses) gains	(215,260)	3,625,759
Unrealized gains (losses)	7,524,694	(2,112,295)
	$ 8,464,221	$ 2,155,139

4. Fair Value Measurements

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 University has adopted a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of input that may be used to measure fair value are as follows:

Level 1: Observable inputs such as quoted prices in active markets that the University has the ability to access at August 31.

Level 2: Observable inputs other than quoted prices in active markets, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. Included in this level are alternative investments that can be redeemed at net asset value per share (or its equivalent) at or near August 31.

Level 3: Unobservable inputs where there is little or no market data which requires the University to develop its own assumptions. Included in this level are alternative investments that cannot be redeemed at net asset value per share (or its equivalent) at or near August 31.

At August 31, 2013 and 2012, the carrying value of the University's accounts receivable, accounts payable, contributions receivable, and notes receivable approximates fair value. The estimated fair values involve unobservable inputs considered to be Level 3 in the fair value hierarchy. The applicable levels in the fair value hierarchy for the University's investments, deposits with bond trustees, and interest rate swaps are discussed below. The fair value of notes and bonds payable is disclosed in Note 6 and is based on rates currently available for instruments with similar maturities and credit quality and falls within Level 2 of the fair value hierarchy.

The fair values of fixed maturity securities are based on quoted prices provided by investment managers. The investment managers use pricing services to determine market valuations. The fair values of equity securities are based on observable active market quotation prices provided by investment managers or by other inputs that are observable or can be corroborated by observable market data.

Alternative investments, including multi-strategy, hedge funds and real estate investments, are valued using net asset values provided by external investment managers, as a practical expedient in determining fair value. Net asset values provided by external investment managers include estimates, appraisals, assumptions and methods that are reviewed by management. It is possible that the redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the net asset value of the funds and, consequently, the fair value of the University's interests in the funds.

The University's swap agreements are valued using observable market data, swap rates and basis rates. These inputs are placed into a proprietary model to calculate the fair value of the interest rate swaps. The integrity and propriety of the model is validated by management.

The following tables present the University's fair value hierarchy for investments, deposits with bond trustees, and interest rate swaps measured at fair value as of August 31, 2013 and 2012:

	Fair Value Measurements August 31, 2013					
	Level 1	Level 2	Level 3	Total	Redemption or Liquidation	Days' Notice
Financial Assets:						
Investments:						
Fixed maturity securities:						
Corporate	$ 241,994	$ -	$ -	$ 241,994	Daily	1
U.S. Government	360,187	-	-	360,187	Daily	1
Equity securities and funds:						
Domestic	1,112,993	-	-	1,112,993	Daily	1
International	301,652	-	-	301,652	Daily	1
Alternative investments:						
Multi-strategy	-	-	68,145,734	68,145,734	Annually	120
Real estate	-	-	3,363,691	3,363,691	Illiquid*	-
Hedge Funds	-	-	5,760,017	5,760,017	Quarterly-Annually	45-90
Total investments	2,016,826	-	77,269,442	79,286,268		
Deposits with bond trustees	10,635,419	-	-	10,635,419		
Total assets	$ 12,652,245	$ -	$ 77,269,442	$ 89,921,687		
Financial Liabilities:						
Interest rate swaps	$ -	$ 13,398,730	$ -	$ 13,398,730		

* The University's real estate investments have initial terms ranging from 7 to 8 years and have remaining lives ranging from 1 to 4 years (including extensions).

	Fair Value Measurements August 31, 2012					
	Level 1	Level 2	Level 3	Total	Redemption or Liquidation	Days' Notice
Financial Assets:						
Investments:						
Fixed maturity securities:						
Corporate	$ 309,149	$ -	$ -	$ 309,149	Daily	1
U.S. Government	445,784	-	-	445,784	Daily	1
Equity securities and funds:						
Domestic	1,065,428	-	-	1,065,428	Daily	1
International	295,248	-	-	295,248	Daily	1
Alternative investments:						
Multi-strategy	-	-	48,706,923	48,706,923	Annually	120
Real estate	-	-	3,661,812	3,661,812	Illiquid*	-
Hedge Funds	-	-	11,511,958	11,511,958	Quarterly-Annually	45-90
Total investments	2,115,609	-	63,880,693	65,996,302		
Deposits with bond trustees	13,493,589	-	-	13,493,589		
Total assets	$ 15,609,198	$ -	$ 63,880,693	79,489,891		
Financial Liabilities:						
Interest rate swaps	$ -	$ 24,084,103	$ -	$ 24,084,103		

* The University's real estate investments have initial terms ranging from 7 to 8 years and have remaining lives ranging from 1 to 5 years (including extensions).

The following tables present additional information for Level 3 alternative investments measured at fair value on a recurring basis for the fiscal years ended August 31, 2013 and 2012.

	Multi-Strategy	Real Estate	Hedge Funds	Total
Beginning balance, September 1, 2012	$ 48,706,923	$ 3,661,812	$ 11,511,958	$ 63,880,693
Net gain (loss) including realized and unrealized gains (losses)	5,938,811	(364,997)	1,637,117	7,210,931
Purchases	13,500,000	66,876	-	13,566,876
Dispositions	-	-	(7,389,058)	(7,389,058)
Ending balance, August 31, 2013	$ 68,145,734	$ 3,363,691	$ 5,760,017	$ 77,269,442

	Multi-Strategy	Real Estate	Hedge Funds	Total
Beginning balance, September 1, 2011	$ -	$ 4,047,604	$ 18,713,132	$ 22,760,736
Net gain (loss) including realized and unrealized gains (losses)	2,197,940	(525,386)	72,170	1,744,724
Purchases	46,508,983	139,594	-	46,648,577
Dispositions	-	-	(7,273,344)	(7,273,344)
Ending balance, August 31, 2012	$ 48,706,923	$ 3,661,812	$ 11,511,958	$ 63,880,693

5. Land, Building, and Equipment

Plant assets consist of the following:

	August 31,	
	2013	2012
Land and campus improvements	$ 16,084,041	$ 16,084,041
Buildings, building improvements, and leasehold improvements	458,029,539	451,686,163
Furniture and equipment, including software	48,452,249	49,950,086
Library books	12,760,290	13,157,260
Construction in progress	2,476,359	5,511,070
	537,802,478	536,388,620
Accumulated depreciation and amortization	(227,177,423)	(213,200,432)
	$ 310,625,055	$ 323,188,188

Depreciation expense approximated $17.2 million and $16.8 million for the years ended August 31, 2013 and 2012, respectively.

The University has identified the cost of asbestos removal as a conditional asset retirement obligation for certain of its buildings. For the years ended August 31, 2013 and 2012, the University recorded $0.3 million and $0.2 million, respectively, of interest expense related to the accretion of this obligation. As of August 31, 2013 and 2012, the University reported conditional retirement asset obligations of $6.5 million and $6.4 million, respectively.

6. Long-term debt

The components of long-term debt are as follows:

	August 31,	
	2013	2012
Dormitory Authority State of New York revenue bonds 2012, maturing through 2032 with interest ranging from 2.75% to 5.00% (plus premium of $1,614,118 at August 31, 2013)	$ 62,379,118	$ -
Dormitory Authority State of New York revenue bonds 2006A subseries 2006A-1, maturing through 2035 at a variable interest rate (0.9% at both August 31, 2013 and 2012)	29,315,000	29,665,000
Dormitory Authority State of New York revenue bonds 2006A subseries 2006A-2, maturing through 2036 at a variable interest rate (0.9% at both August 31, 2013 and 2012)	34,385,000	34,730,000
Dormitory Authority State of New York insured revenue bonds 2003A series, maturing through 2032 with interest ranging from 3.75% to 5.25%	-	13,950,000
Dormitory Authority State of New York insured revenue bonds 2003B series, maturing through 2028 with interest ranging from 4.125% to 5.5%	-	19,160,000
Dormitory Authority State of New York insured revenue bonds 1999 series, maturing through 2029 with interest ranging from 5.00% to 5.25% (net of discount of $365,390 at August 31, 2012)	-	30,424,610
Bonds payable, 1966 issue, maturing through 2016, with interest ranging from 3.00% to 3.625%	175,000	260,000
Noninterest bearing note payable, maturing through 2014	371,305	714,061
	$ 126,625,423	$ 128,903,671

In order to reduce interest expense, the University issued $60,765,000 of Dormitory Authority of the State of New York (DASNY) Revenue Bonds Series 2012 in October 2012 to defease and refund the outstanding principal amount of DASNY Series 1999, Series 2003A, and Series 2003B.The defeasance and refunding of the DASNY Series 1999, Series 2003A and Series 2003B resulted in a nonoperating loss of $4.4 million.

The obligations of the University related to the DASNY Series 2012 and Series 2006A bonds are secured by pledges of the University's unrestricted revenues and by deposits to mandated debt service reserve funds. The DASNY Subseries 2006A-1 bonds are subject to a Bank Qualified Direct Placement agreement which expires on September 23, 2015. The DASNY Subseries 2006A-2 bonds are secured by a Letter of Credit which expires on August 29, 2016. In addition, the University has granted DASNY a mortgage on the residence complex and on two parcels of land owned by the University in the villages of Old Westbury and Brookville, Nassau County, New York. DASNY placed certain limitations on the encumbrance of specified investments and on new indebtedness.

The bonds payable issued in 1966 represent general obligations of the University and are secured by first mortgages on buildings and sites and by liens on and pledges of project revenues and tuition and fees. The bond indentures require certain deposits to bond and interest sinking funds.

As further discussed in note 7, the University entered into interest rate swap agreements which have the effect of fixing the rate of interest at approximately 3.4% for $13.5 million combined principal balance of the DASNY Subseries 2006A-1 and 2006A-2 term bonds due September 1, 2026, at approximately 4.0% for $22.3 million combined principal balance of the DASNY Subseries 2006A-1 and 2006A-2 term bonds due September 1, 2036, and at approximately 3.6% for $27.9 million combined principal balance of the DASNY Subseries 2006A-1 and 2006A-2 term bonds due September 1, 2036. Per the interest rate swap agreements, the notional amounts will be reduced in the same amount and at the same time as the corresponding principal of the bonds.

The following is a summary of the minimum annual principal and interest payments for long-term debt:

Year	Principal	Interest	Total
2014	4,102,756	5,799,003	9,901,759
2015	3,888,549	5,666,267	9,554,816
2016	3,990,000	5,501,312	9,491,312
2017	4,130,000	5,323,340	9,453,340
2018	4,315,000	5,141,502	9,456,502
Thereafter	104,585,000	54,728,151	159,313,151
	$ 125,011,305	$ 82,159,575	$ 207,170,880

The University recorded interest expense of $5.8 million and $7.0 million for the years ended August 31, 2013 and 2012, respectively. As of August 31, 2013 and 2012, the estimated fair value of notes and bonds payable was $121.8 million and $133.4 million, respectively.

The University has a line of credit in the amount of $15.0 million with Capital One, N.A. at the bank's prime interest rate. As of August 31, 2013, the University had no outstanding borrowings under the line of credit.

7. Interest Rate Swap Transactions

The University has entered into various interest rate swap agreements to reduce exposure to floating interest rates on variable rate debt. These agreements have the effect of fixing the rate of interest on the combined DASNY Subseries 2006A-1 and 2006A-2 bond issues as follows:

Revenue Bonds	Notional Amount (in millions)	Effective Date	Weighted Average Interest Rate
Series 2006A-1 and 2006A-2	$ 13.5	9/1/2006	3.4%
Series 2006A-1 and 2006A-2	$ 22.3	9/1/2006	4.0
Series 2006A-1 and 2006A-2	$ 27.9	9/1/2009	3.6

The fair values of the swap agreements represented liabilities of $13.4 million and $24.1 million at August 31, 2013 and 2012, respectively. The fair values of the interest rate swap agreements represent the estimated amounts the University would pay to terminate the agreements. At August 31, 2012, there was a requirement to collateralize the obligations under the swap agreements in the amount of $8.4 million which is included in cash and cash equivalents. During the year ended August 31, 2013, the collateral was returned and there was no requirement to collateralize the obligations under the swap agreements as of August 31, 2013.

8. Charitable Gift Annuities

The University has certain split-interest agreements with donors, which consist of charitable gift annuities. Contribution revenue is recognized at the date the charitable gift agreement is signed, net of a liability for the present value of estimated future payments to be made to the donors and/or other beneficiaries. The carrying value of split-interest obligations approximates fair value because these instruments are recorded at the estimated net present value of future cash flows. At August 31, 2013 and 2012, the University reported split-interest agreement obligations of $1.3 million and $1.4 million, respectively, which are included in other liabilities on the statements of financial position.

9. Functional Expenses

The University's classification of expenses in the statements of unrestricted revenues, expenses, and other changes in unrestricted net assets are combined by functional category as follows:

	Year Ended August 31,	
	2013	2012
Instruction	$ 167,111,208	$ 172,886,227
Academic support	56,909,110	56,900,548
Institutional support	60,267,457	61,233,984
Student services	51,905,125	53,715,414
Auxiliary enterprises	31,709,126	31,384,698
Public Service	3,326,069	3,471,162
Research	1,509,979	1,456,129
	$ 372,738,074	$ 381,048,162

Institutional support expenses include fund-raising expenses of $3.1 million and $3.3 million for the years ended August 31, 2013 and 2012, respectively.

10. Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	August 31,	
	2013	2012
Academic programs	$ 6,300,115	$ 5,167,462
Capital acquisitions	7,433,115	1,406,729
Charitable gift annuities	243,241	297,175
	$ 13,976,471	$ 6,871,366

Permanently restricted net assets represent endowment corpus, which provides investment income principally for scholarships.

11. Endowment Funds

Interpretation of Relevant Law

In accordance with the New York Prudent Management of Institutional Funds Act (NYPMIFA), the University classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by NYPMIFA and in accordance with the disclosure provisions set forth by ASC 958, Section 205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*. This amount represents the accumulated net appreciation of donor-restricted endowment funds.

The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the University and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the University.
7. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect such alternatives may have on the University.
8. The investment policies of the University.

Endowment Spending Policy

The University's spending policy annually allocates the amount of the total returns which can be spent and reinvested for future earnings for its unitized pooled endowment fund. Under this policy, the University currently appropriates for distribution each year 4.5% of the average fair value of its pooled endowment fund for the 20 quarters ending the February 28th preceding the fiscal year in which the distribution is planned.

Endowment Investment Policy

The University has adopted investment and spending policies for endowment assets that are intended to preserve and enhance the real (inflation-adjusted) purchasing power of the pooled endowment while providing an increasing stream of funding for University operations in the future. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity, as well as, quasi-endowment funds. Under this policy, the University will attempt to achieve the highest long-term total investment return on investment assets that is compatible with risk tolerance and time horizons consistent with prudent investment practices. The objective of the University's external investment managers is to achieve annual returns which exceed 5% after inflation and which exceed the University's spending policy. These investment managers utilize a highly diversified mixture of equities, fixed income and alternative investments. The University's primary investment objective is to provide a strategic mix that produces the highest risk adjusted return through a responsible and disciplined investment approach.

Endowment Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that is required to be retained as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $1.6 million at August 31, 2013 and $3.7 million at August 31, 2012. These deficiencies resulted from unfavorable market fluctuations.

Endowment net assets, excluding split-interest obligations, as of August 31, 2013 consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,617,757)	$ 4,922,606	$ 54,423,642	$ 57,728,491
Quasi-endowment funds	36,537,108	-	-	36,537,108
Total endowment funds	$ 34,919,351	$ 4,922,606	$ 54,423,642	$ 94,265,599

Changes in endowment net assets, excluding split-interest obligations, for the fiscal year ended August 31, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 31,557,213	3,668,057	$ 47,217,456	$ 82,442,726
Investment return:				
Investment income	661,690	-	32,753	694,443
Net appreciation (realized and unrealized)	6,050,620	1,254,549	-	7,305,169
Total investment return	6,712,310	1,254,549	32,753	7,999,612
Contributions	-	-	7,173,433	7,173,433
Endowment used for spending policy	(3,005,545)	-	-	(3,005,545)
Transfers from quasi-endowment, net	(344,627)	-	-	(344,627)
	(3,350,172)	-	7,173,433	3,823,261
Endowment net assets, end of year	$ 34,919,351	$ 4,922,606	$ 54,423,642	$ 94,265,599

Endowment net assets, excluding split-interest obligations, as of August 31, 2012 consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (3,699,567)	$ 3,668,057	$ 47,217,456	$ 47,185,946
Quasi-endowment funds	35,256,780	-	-	35,256,780
Total endowment funds	$ 31,557,213	$ 3,668,057	$ 47,217,456	$ 82,442,726

Changes in endowment net assets, excluding split-interest obligations, for the fiscal year ended August 31, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 31,590,966	$ 4,305,046	$ 45,207,201	$ 81,103,213
Investment return:				
Investment income	275,573	-	49,820	325,393
Net appreciation (realized and unrealized)	1,505,401	-	-	1,505,401
Total investment return	1,780,974	-	49,820	1,830,794
Contributions	-	-	1,506,383	1,506,383
Endowment used for spending policy	(2,752,118)	(636,989)	-	(3,389,107)
Transfers to quasi-endowment, net	937,391	-	-	937,391
Other reclassifications	-	-	454,052	454,052
	(1,814,727)	(636,989)	1,960,435	(491,281)
Endowment net assets, end of year	$ 31,557,213	$ 3,668,057	$ 47,217,456	$ 82,442,726

12. Retirement and Employee Benefit Plans

Postretirement Benefits

The University provides eligible employees with certain health insurance benefits upon retirement. Eligibility is based upon both minimum age and minimum years of service at retirement. The lifetime benefit may not exceed $50,000 and ceases upon death of the employee. The cost of these benefits is recognized in the financial statements throughout the employee's active employment with the University.

The following table summarizes the University's liability and the net periodic postretirement benefit cost:

	Year Ended August 31,	
	2013	2012
Postretirement benefit obligation:		
Retirees	$ 15,305,179	$ 15,202,066
Fully eligible active plan participants	11,121,425	13,190,865
Other active plan participants	14,479,783	15,853,562
Accrued postretirement benefit cost	$ 40,906,387	$ 44,246,493
Change in postretirement benefit obligation:		
Postretirement obligation at beginning of year	$ 44,246,493	$ 44,220,792
Service cost	1,897,121	1,683,102
Interest cost	1,246,267	1,632,935
Change in assumptions	(2,303,920)	4,678,165
Actuarial gain	(2,194,905)	(5,951,287)
Benefits paid	(1,984,669)	(2,017,214)
Postretirement benefit obligation at end of year	$ 40,906,387	$ 44,246,493
Components of net periodic postretirement benefit cost:		
Service cost	$ 1,897,121	$ 1,683,102
Interest cost	1,246,267	1,632,935
Net amortization and deferral	(482,658)	(634,714)
Net periodic postretirement benefit cost	$ 2,660,730	$ 2,681,323

The following table summarizes the items not yet recognized as a component of net periodic postretirement benefit cost:

	Year Ended August 31,	
	2013	2012
Prior service cost	$ (1,514,312)	$ (2,371,982)
Net actuarial losses	4,311,246	9,185,083
Total unamortized items	$ 2,796,934	$ 6,813,101

The unrecognized prior service cost and net actuarial losses that will be amortized into net periodic postretirement benefit cost over the next fiscal year are as follows:

Prior service cost	$ (857,670)
Net actuarial losses	27,949
	$ (829,721)

The following assumptions were used in calculating the postretirement benefit obligation:

	2013	2012
Discount rate - benefit obligation	4.00%	3.00%
Discount rate - benefit cost	3.00	4.25
Healthcare trend rates:		
Current year	11.00	12.00
Thereafter	decreasing by 1.00% per year to an ultimate rate of 4.25%	decreasing by 1.00% per year to an ultimate rate of 4.25%

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the health-care benefit retirement plan. A one-percentage point change in assumed healthcare costs trend rates would have the following effects:

	2013	2012
Effect on total service and interest cost components:		
1% point decrease	$(300,548)	$(282,720)
1% point increase	$340,990	$317,675
Effect on the postretirement liability:		
1% point decrease	$(2,879,008)	$(2,459,895)
1% point increase	$3,165,965	$2,687,582

Projected premium payments in future fiscal years are as follows:

August 31,	Amount
2014	2,655,000
2015	2,963,000
2016	3,268,000
2017	3,571,000
2018	3,841,000
2019-2023	19,546,000

Defined Contribution Plan

The University has a defined contribution retirement plan with Teachers Insurance and Annuity Association and College Retirement Equities Fund, which covers substantially all full-time academic and certain other salaried employees. Total pension expense under this plan for both of the years ended August 31, 2013 and 2012 amounted to $12.8 million.

Multiemployer Defined Benefit Pension Plans

The University contributes to seven multiemployer defined benefit pension plans under terms of collective bargaining agreements that cover a number of its employees. Contributions to these plans for the years ended August 31, 2013 and 2012 totaled $789,418 and $748,814, respectively. The following table outlines the University's participation in the three most significant plans, defined as having annual contributions to the plan greater than $100,000:

Pension Plan/ EIN	PPA Zone Status	FIP/RP Status Pending/ Implemented	2012 Contributions	2013 Contributions	Surcharge Imposed	Collective-Bargaining Agreement Expiration Date
Local 153 Office & Professional Employees International Union 13-2864289 001	Red	Implemented	$135,156	$152,331	No	2/29/2012
Local 30 Operating Engineers 51-6045848 001	Green	N/A	$176,249	$183,844	No	8/31/2015
Local 32BJ General Building Laborers 13-1879376 001	Red	Implemented	$228,622	$245,617	No	1/31/2016

The zone status is based on information that the University received from each plan and is certified by each plan's actuary. As currently defined by the Pension Protection Act of 2006, a green funding status represents a funding status of 80% or greater, a yellow funding status represents a funding status between 65% and 80% which is considered to be in endangered status, and therefore, must adopt a funding improvement plan, and a red funding status represents a funding status of less than 65% which is considered to be in critical status, and therefore, must adopt a rehabilitation plan. The "FIP/RP Status Pending/Implemented" column indicates plans for which a Financial Improvement Plan (FIP) or a Rehabilitation Plan (RP) is either pending or has been implemented. Under the terms of the Rehabilitation Plans implemented by Local 153 and Local 32BJ, contributions to the plans increased as a result of the adoption of revised rate schedules during 2012.

Early Retirement Plan for Tenured Faculty

The University provides an early retirement program for tenured faculty who have completed ten years of service, which generally provides for the payment of the benefit over a three to five year period. In addition, during fiscal 2013, the University offered a one-time retirement program to eligible faculty who had at least thirty (30) years of full-time service and who elected to retire on December 31, 2012. This benefit is payable over a two-year period. At August 31, 2013 and 2012, the University's liability for the benefits payable under these programs was $7,230,069 and $5,699,755, respectively, net of imputed interest of $98,532 and $38,725, respectively, using a discount rate of 0.79 % and 0.30%, respectively. Such payments are expected to be made as follows:

Year Ending August 31,	Amount
2014	3,819,373
2015	2,113,181
2016	973,060
2017	422,987
	$ 7,328,601

Early Retirement Incentive Program for Clerical Staff

During fiscal 2013, the University offered a one-time early retirement program to non-exempt clerical staff who had at least fifteen (15) consecutive years of service and who elected to retire on April 30, 2013. This benefit is payable over an eighteen-month period. At August 31, 2013, the University's liability for benefits under this program totaled $707,064.

13. Self-Insurance

The University has insurance coverage for workers' compensation, general liability, property, and employee medical benefits, which is subject to certain deductibles and self-insurance retention limits. The estimated self-insurance liability for these programs was $6.5 million at both August 31, 2013 and 2012. In connection with the University's workers' compensation program, the University is required to maintain a collateral letter of credit of approximately $2.2 million.

14. Leases

The University conducts certain of its operations in leased facilities. Total lease expense was $7.5 million and $7.7 million for the years ended August 31, 2013 and 2012, respectively. Future minimum lease payments under non-cancelable operating leases with initial or remaining lease terms in excess of one year are as follows:

Year Ending August 31,	Amount
2014	7,118,000
2015	7,301,000
2016	7,024,000
2017	7,202,000
2018	7,354,000
Thereafter	52,956,000
	$ 88,955,000

15. Contingencies

The University is presently a defendant in several lawsuits arising from the normal conduct of its affairs. Management of the University, pursuant to the advice of counsel, is of the opinion that settlement, if any, of the aforementioned litigation will not have a material adverse impact on the financial position of the University.

Under the terms of federal and state grants, the University is subject to periodic audits. In the opinion of management, such audits will not have a material adverse impact on the financial position of the University.

16. Subsequent Event

The University evaluated subsequent events after the statement of financial position date of August 31, 2013 through December 6, 2013 which was the date the financial statements were issued, and concluded no further disclosures were required.