



MARYMOUNT MANHATTAN COLLEGE

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Board of Trustees
Marymount Manhattan College:

We have audited the accompanying financial statements of Marymount Manhattan College (the College), which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of activities 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 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 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 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 organization'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 organization'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 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 Marymount Manhattan College as of June 30, 2021 and 2020, 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 10, 2021

MARYMOUNT MANHATTAN COLLEGE

Balance Sheets

June 30, 2021 and 2020

Assets	2021	2020
Cash and cash equivalents	\$ 30,053,831	17,858,445
Student receivables, net (note 5)	2,812,997	771,305
Contributions receivable, net (note 6)	20,587,615	14,965,172
Investments, at fair value (notes 3 and 4)	38,781,497	28,668,840
Other assets	6,727,591	910,927
Funds held by trustees (notes 3, 4 and 7)	514,898	8,385,255
Plant assets, net (note 8)	61,222,782	62,179,590
Total assets	\$ 160,701,211	133,739,534
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,678,413	6,708,794
Interest payable	—	784,906
Deferred revenue	1,795,805	1,496,787
Asset retirement obligation	630,662	614,289
Paycheck Protection Program refundable advance (note 18)	6,555,593	6,555,593
55th Street Residence Hall refinance liabilities, net (note 12)	42,488,438	—
Long-term debt (net of bond issuance costs of \$0 in 2021 and \$862,376 in 2020) (note 7)	—	29,727,624
Total liabilities	58,148,911	45,887,993
Commitments and contingencies (note 12)		
Net assets (notes 9 and 13):		
Without donor restrictions	48,350,926	46,506,527
With donor restrictions	54,201,374	41,345,014
Total net assets	102,552,300	87,851,541
Total liabilities and net assets	\$ 160,701,211	133,739,534

See accompanying notes to financial statements.

MARYMOUNT MANHATTAN COLLEGE

Statements of Activities

Years ended June 30, 2021 and 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating revenues:						
Tuition and fees (net of student aid of \$25,316,687 in 2021 and \$22,092,001 in 2020)	\$ 33,549,043	—	33,549,043	41,066,941	—	41,066,941
State grants/appropriations	410,888	—	410,888	456,774	—	456,774
Federal grants	8,491,542	—	8,491,542	212,106	—	212,106
Investment return, net (notes 3 and 13)	2,401,472	6,209,426	8,610,898	250,589	(223,399)	27,190
Contributions	857,206	11,734,838	12,592,044	588,743	2,064,176	2,652,919
Auxiliary enterprises	6,449,725	—	6,449,725	9,831,988	—	9,831,988
Other	146,723	—	146,723	211,951	—	211,951
Net assets released from restrictions (note 9)	5,406,917	(5,406,917)	—	1,311,356	(1,311,356)	—
Total operating revenues	57,713,516	12,537,347	70,250,863	53,930,448	529,421	54,459,869
Operating expenses (note 10):						
Instruction	21,420,619	—	21,420,619	22,996,179	—	22,996,179
Academic support	3,041,080	—	3,041,080	4,270,093	—	4,270,093
Student services	10,299,271	—	10,299,271	11,632,783	—	11,632,783
Institutional support	9,592,360	—	9,592,360	10,235,379	—	10,235,379
Auxiliary enterprises	11,515,787	—	11,515,787	12,798,702	—	12,798,702
Total operating expenses	55,869,117	—	55,869,117	61,933,136	—	61,933,136
Change in net assets from operating activities	1,844,399	12,537,347	14,381,746	(8,002,688)	529,421	(7,473,267)
Nonoperating activities:						
Contributions	—	367,330	367,330	—	15,004,452	15,004,452
Gain on the sale of real property (note 15)	—	—	—	9,570,000	—	9,570,000
Investment return, net (notes 3 and 13)	—	404,964	404,964	—	(26,194)	(26,194)
Other nonoperating activities, net (note 10)	(453,281)	—	(453,281)	(606,178)	—	(606,178)
Net assets released from restrictions (note 9)	453,281	(453,281)	—	606,178	(606,178)	—
Change in net assets from nonoperating activities	—	319,013	319,013	9,570,000	14,372,080	23,942,080
Change in net assets	1,844,399	12,856,360	14,700,759	1,567,312	14,901,501	16,468,813
Net assets at beginning of year	46,506,527	41,345,014	87,851,541	44,939,215	26,443,513	71,382,728
Net assets at end of year	\$ 48,350,926	54,201,374	102,552,300	46,506,527	41,345,014	87,851,541

See accompanying notes to financial statements.

MARYMOUNT MANHATTAN COLLEGE

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 14,700,759	16,468,813
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Contributions restricted for long-term investment and capital	(4,141,334)	(955,720)
Net realized and unrealized investment (gains) / losses	(8,655,043)	770,067
Depreciation in fair value of funds held by trustees	73,582	26,601
Depreciation and amortization of plant assets	4,006,392	3,902,441
Loss on refinancing and amortization of bond issuance costs	897,903	111,527
Changes in assets and liabilities:		
Student receivables, net	(2,041,691)	1,198,834
Contributions receivable	(5,750,107)	(14,642,025)
Other assets	(7,781,865)	(77,272)
Accounts payable and accrued expenses	(277,919)	1,719,736
Interest payable	(784,906)	(58,387)
Deferred revenue	299,018	(974,403)
Asset retirement obligation	16,373	4,672
Net cash (used in) provided by operating activities	(9,438,838)	7,494,884
Cash flows from investing activities:		
Purchase of plant assets	(3,947,491)	(3,231,514)
Change in accounts payable related to capital improvements	247,539	(248,923)
Proceeds from sale of investments	6,100,320	18,846,310
Purchase of investments	(6,774,836)	(19,398,974)
Decrease (increase) in funds held by trustees	4,217,268	(3,365)
Net cash used in investing activities	(157,200)	(4,036,466)
Cash flows from financing activities:		
Contributions restricted for long-term investment and capital	4,141,334	955,720
Decrease in permanently restricted contributions receivable	127,664	106,966
Paycheck Protection Program – refundable advance	—	6,555,593
Proceeds from 55th Street Residence Hall refinancing	45,000,000	—
Principal payments on 55th Street Residence Hall refinancing	(546,360)	—
Payments on long-term debt	(29,727,624)	(2,595,000)
Net cash provided by financing activities	18,995,014	5,023,279
Net increase in cash and cash equivalents	9,398,976	8,481,697
Cash, cash equivalents, and restricted cash at beginning of year	22,955,663	14,473,966
Cash, cash equivalents, and restricted cash at end of year	\$ 32,354,639	22,955,663
Reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the same such accounts shown above:		
Cash and cash equivalents	\$ 30,053,831	17,858,445
Restricted cash included in investments	2,253,721	1,470,623
Restricted cash included in funds held by trustee	47,087	3,626,595
Cash, cash equivalents and restricted cash	\$ 32,354,639	22,955,663
Supplemental disclosure:		
Interest paid	\$ 2,326,289	1,628,200

See accompanying notes to financial statements.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

(1) Nature of Operations

Marymount Manhattan College (the College) is an urban, independent, undergraduate liberal arts college. The mission of the College is to educate a socially and economically diverse population by fostering intellectual achievement and personal growth and by providing opportunities for career development. The College is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

(2) Summary of Significant Accounting Policies

The significant accounting policies followed by the College are described below:

(a) Financial Statement Presentation

(i) Basis of Presentation

In accordance with U.S. generally accepted accounting principles (GAAP), the College has prepared its financial position and activities according to two classes of net assets: Net assets without donor restrictions and net assets with donor restrictions.

(ii) Net Assets

Net Assets without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the Board) and/or management for general operating purpose. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. At this time there are no Board designated net assets.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the College to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

The College reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

See notes 9 and 13 for more information on the composition of net assets with donor restrictions and the release of restrictions, respectively.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

(iii) *Measure of Operations*

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the College's ongoing activities. Nonoperating activities are limited to resources that generate return from investment funds and contributions not related to the College's ongoing operating activities, and other activities considered to be of a more unusual or nonrecurring nature.

(iv) *Nature of Goods and Services*

The College accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable the College will collect substantially all of the consideration to which it is entitled.

<u>Products and services</u>	<u>Nature, timing of satisfaction of performance obligations, and significant payment terms</u>
Tuition and fees	<p>Consists of the following:</p> <p>Tuition – provides a variety of educational services to the customers of the College (students). Revenue is recognized based upon when the performance obligations are met by both the College and the customers, which is within the College's fiscal year.</p> <p>Fees – ancillary charges to students for the educational services provided that is not considered to be tuition. Revenue is recognized based upon when the performance obligations are met by both the College and the customers, which is within the College's fiscal year.</p>
Auxiliary enterprises	<p>Consists of the following:</p> <p>Housing services – provides a variety of housing accommodations in support of the educational needs of the College. Student housing contracts are for a one year term. Revenue is recognized based upon when the performance obligations are met by both the College and the customers, which is within the College's fiscal year.</p> <p>Food Services – Provides food services to the College community through a cafeteria and café. Food service revenue is recognized at a point in time sale.</p>

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

(b) Contributions

Contributions, which include promises to give, are recognized as revenues in the period received at their net present value discounted using a risk-adjusted rate as long as they are unconditional in which there is no right of return of the assets contributed and an indication of any donor-imposed barriers or performance obligations as a condition of the contribution based upon the donor agreement. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contribution. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are met.

(c) Depreciation and Amortization of Plant Assets

Depreciation is recorded using the straight-line method over the estimated useful lives ranging from 40 to 50 years for buildings, 20 years for building renovations/improvements, 7 years for furniture, 3 years for equipment, and 3 years for library books. Maintenance and repair expenditures are charged to expense as incurred.

(d) Cash Equivalents

The College considers all highly liquid debt instruments purchased with initial maturities of three months or less to be cash equivalents, with the exception of those, which are held as part of the College's long-term investment portfolio or included in funds held by trustees. Cash equivalents primarily consist of money market funds at June 30, 2021 and 2020.

(e) Investments

Investments are reported at fair value based upon quoted or published market prices. Investment transactions are recorded on a trade-date basis.

(f) Deferred Revenues

Deferred revenues consist primarily of student tuition and fee payments that are received for academic periods subsequent to the fiscal year-end.

(g) Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates made in the preparation of the financial statements include the estimated net realizable value of receivables, functional allocation of expenses, and the asset retirement obligation. Actual results could differ from those estimates.

(h) Income Taxes

The College accounts for uncertainties in income taxes recognized in its financial statements using a threshold of more likely than not of being sustained. Income generated from activities unrelated to the College's exempt purpose is subject to tax. The College did not have any material unrelated business income tax liability or uncertain tax positions at June 30, 2021 and 2020.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

(3) Investments and Funds Held by Trustees

The College's investments consist of the following at June 30:

	2021		2020	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 2,253,717	2,253,717	1,470,623	1,470,623
Common stocks:				
U.S. mid- and large-cap	11,370,408	16,343,528	10,956,978	11,842,792
U.S. small-cap	1,427,593	2,337,440	1,626,643	1,613,701
International equity	5,158,164	6,875,447	5,395,624	5,234,964
Fixed income:				
U.S. fixed income	5,335,048	5,390,076	3,264,600	3,400,910
International fixed income	621,758	665,086	1,117,851	971,506
High-yield fixed income	750,141	706,764	575,025	483,205
Other equity:				
Real estate	1,652,558	1,954,038	1,509,918	1,379,880
Absolute return	1,421,739	1,441,157	1,991,752	1,708,030
Commodities	623,382	814,244	588,895	563,229
Total	\$ 30,614,508	38,781,497	28,497,909	28,668,840

Funds held by trustees at June 30 consist of the following:

	2021		2020	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 47,087	47,087	3,626,595	3,626,595
Common stocks:				
U.S. equity	97,142	212,469	97,276	153,755
International equity	53,767	72,937	71,988	71,207
Fixed income:				
U.S. fixed income	145,351	147,155	4,514,592	4,516,787
International fixed income	39,147	35,250	21,360	16,911
Total	\$ 382,494	514,898	8,331,811	8,385,255

At June 30, 2021 and 2020, the majority of funds held by trustees were in the debt service reserve fund.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

Return on investments, cash and cash equivalents, and funds held by trustees for the years ended June 30 consist of the following:

	2021	2020
Dividends and interest (net of investment management fees of \$168,829 and \$148,884 for 2021 and 2020, respectively)	\$ 287,238	797,664
(Appreciation) depreciation in fair value of investments	8,655,043	(770,067)
(Appreciation) depreciation in fair value of funds held by trustees	73,581	(26,601)
Total investment return, net	\$ 9,015,862	996

The College invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the balance sheets.

(4) Fair Value Measurement

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 fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The College uses three levels of inputs to measure fair value:

Level 1: Quoted or published prices in active markets for identical assets or liabilities that the College has the ability to access at the measurement date.

Level 2: Inputs other than quoted or published prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of a financial instrument within the hierarchy does not necessarily correspond to the College's perceived risk of that instrument.

All investments and funds held by trustees are classified as Level 1 in the fair value hierarchy as of June 30, 2021 and 2020.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

(5) Student Receivables, Net

Student receivables, net comprise the following at June 30:

	2021	2020
Student accounts receivable	\$ 4,362,016	1,272,705
Allowance	(1,549,019)	(501,400)
Total student receivables, net	\$ 2,812,997	771,305

(6) Contributions Receivable, Net

Contributions receivable, net at June 30 are expected to be collected as follows:

	2021	2020
Less than one year	\$ 13,588,017	353,280
One year to five years	7,493,500	15,023,500
	21,081,517	15,376,780
Less discount to present value (at rates ranging from 0.77% to 4.71%)	(483,528)	(402,251)
Allowance	(10,374)	(9,357)
Contributions receivable, net	\$ 20,587,615	14,965,172

Gross contributions receivable as of June 30, 2021 and 2020 consist of approximately 96% and 95% of the total amount which is primarily from 1 donor, respectively.

(7) Long-Term Debt

In 2009, tax-exempt Insured Revenue Bonds for \$49,275,000 (the Series 2009 Bonds) were issued by the Dormitory Authority of the State of New York (DASNY). The bond proceeds were used to refund previously issued DASNY Series 1999 Bonds (1999 Bonds), make a deposit to the Debt Service Reserve Fund, and pay the costs of issuance of the Series 2009 Bonds. The Series 1999 Bonds were used to acquire and construct a condominium unit consisting of a mezzanine and the first 33 floors of a 46-story residential condominium located in midtown Manhattan for use as a student dormitory. The Series 2009 Bonds have interest rates ranging from 4.25% to 5.25%, payable semiannually through 2029. The Series 2009 Bonds are secured by a pledge of tuition and fee revenue of the College as defined in the Loan Agreement dated as of August 11, 1999, as amended and restated on December 22, 2009.

In September 2020, the College closed on a refinancing transaction for its 55th Street Residence Hall condominium unit (the Unit) in order to (i) raise the capital necessary to retire the existing Series 2009 bonds issued by the Dormitory Authority of the State of New York (the "DASNY"), (ii) improve liquidity, and (iii) fund capital investments. See note 12(b) for further details. The College recorded a loss on the refunding of the Series 2009 Bonds of \$837,283 for the year ended June 30, 2021.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

Interest expense on the Series 2009 Bonds was \$474,451 and \$1,628,200 for the years ended June 30, 2021 and 2020, respectively.

(8) Plant Assets, Net

Plant assets, net at June 30 are stated at cost or, if acquired through gift, at fair value at date of gift and consist of the following:

	<u>2021</u>	<u>2020</u>
Buildings and building improvements	\$ 92,169,116	91,396,904
Furniture and equipment	19,542,488	19,421,492
Leasehold improvements	750,847	92,884
Library books	<u>2,477,801</u>	<u>2,462,124</u>
	114,940,252	113,373,404
Less accumulated depreciation	<u>74,464,962</u>	<u>70,483,668</u>
	40,475,290	42,889,736
Construction in progress	2,652,904	1,195,266
Land	<u>18,094,588</u>	<u>18,094,588</u>
Plant assets, net	<u>\$ 61,222,782</u>	<u>62,179,590</u>

(9) Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
With donor restrictions:		
Donor-restricted endowments:		
Scholarships	\$ 20,415,112	16,028,593
Programs	10,512,780	5,114,526
Time and purpose restriction:		
Scholarships	6,323,028	3,078,595
Programs	2,122,680	1,919,412
Other	<u>14,827,774</u>	<u>15,203,888</u>
Total net assets with donor restrictions	<u>\$ 54,201,374</u>	<u>41,345,014</u>

Net assets with donor restrictions that are restricted to investment in perpetuity (corpus) at June 30, 2021 and 2020 were \$19,686,336 and \$15,545,002 respectively, with investment return available primarily to support scholarships and programs.

MARYMOUNT MANHATTAN COLLEGE

Notes to Financial Statements

June 30, 2021 and 2020

Net assets were released from restrictions during 2021 and 2020 by incurring expenses satisfying the restricted purposes as follows:

	<u>2021</u>	<u>2020</u>
Academic program support	\$ 615,094	694,633
Scholarships	5,245,104	1,147,238
Acquisition of plant assets	—	75,663
	<u>\$ 5,860,198</u>	<u>1,917,534</u>

(10) Expenses

Operating expenses for the years ended June 30, 2021 and 2020 are as follows:

	<u>Compensation and benefits</u>	<u>Materials and supplies</u>	<u>Services and other</u>	<u>Interest, depreciation, and amortization</u>	<u>Total</u>
2021:					
Instruction	\$ 16,628,089	200,618	1,375,534	3,216,378	21,420,619
Academic support	2,370,555	228,713	335,619	106,193	3,041,080
Student services	5,248,647	1,111,409	2,905,584	1,033,631	10,299,271
Institutional support	6,313,216	869,161	2,185,902	224,081	9,592,360
Auxiliary enterprises	829,934	115,518	7,718,923	2,851,412	11,515,787
	<u>\$ 31,390,441</u>	<u>2,525,419</u>	<u>14,521,562</u>	<u>7,431,695</u>	<u>55,869,117</u>
2020:					
Instruction	\$ 19,171,228	202,975	1,574,071	2,047,905	22,996,179
Academic support	2,953,034	289,206	960,238	67,615	4,270,093
Student services	6,640,339	1,493,922	2,840,397	658,125	11,632,783
Institutional support	6,695,902	602,884	2,793,922	142,671	10,235,379
Auxiliary enterprises	1,101,396	327,044	8,702,798	2,667,464	12,798,702
	<u>\$ 36,561,899</u>	<u>2,916,031</u>	<u>16,871,426</u>	<u>5,583,780</u>	<u>61,933,136</u>

The College allocates maintenance of plant, interest, and depreciation to the Instruction, Academic Support and Libraries, Student Services, Institutional Support and Auxiliary Enterprises on a square footage basis. Institutional support includes \$1,828,235 and \$1,598,383 of fundraising expenses in fiscal years 2021 and 2020, respectively. Non-operating activities, net was (\$453,281) in 2021 and (\$606,178) in 2020.

(11) Retirement Plan

Employees of the College are covered under a defined contribution money-purchase retirement plan whereby the contributions are made directly to each individual participant's annuity accounts maintained by Teachers Insurance and Annuity Association – College Retirement Equities Fund. The cost of the plan is funded as accrued. Effective July 1, 2000, the College makes contributions equal to 10% of eligible employees' gross earnings. Employees become eligible after one year of service.

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Notes to Financial Statements

June 30, 2021 and 2020

In August 2020, the College temporarily suspended the College-paid 10% retirement employer contribution to the Tax-Deferred Annuity (TDA) Retirement Program to address the financial impact of the COVID-19 pandemic. This suspension affected all employees who were currently active in the program. The College reinstated the College-paid contributions in the first pay cycle after May 31, 2021.

The College's contributions to the plan for the years ended June 30, 2021 and 2020 amounted to \$368,004 and \$2,059,001, respectively.

(12) Commitments and Contingencies

(a) Operating Lease – Cooper Square

The College entered into operating leases in connection with student housing, which it sublets to students with no commitments beyond one year. The rental revenues and expenses relating to these operating leases amounted to \$1,656,204 and \$3,526,362, respectively, in 2021, and \$2,364,251 and \$3,848,998, respectively, in 2020, and are included in auxiliary enterprises in the accompanying statements of activities.

On December 13, 2012, the College entered into a ten-year student housing lease agreement with Cooper and 6th Property LLC for a new building at 35–39 Cooper Square in New York City (Cooper Square). In connection with the Cooper Square lease, the College provided on June 22, 2016 a \$623,203 letter of credit (LOC) for a two-month rent deposit as required in the lease. The building contains 253 student beds and the College occupies the building for nine months each lease year (August through May, academic term).

The future minimum lease payments are as follows:

Year ending June 30:	
2022	\$ 3,997,971
2023	4,078,280
2024	4,181,082
2025	4,021,851
2026	—
	<hr/>
	\$ <u>16,279,184</u>

(b) 55th Street Residence Hall Refinancing Transaction

In September 2020, the College closed on a refinancing transaction for its 55th Street Residence Hall condominium unit (the Unit) in order to (i) raise the capital necessary to retire the existing bonds issued by the Dormitory Authority of the State of New York (the DASNY), (ii) improve liquidity, and (iii) fund capital investment.

The College granted an interest in the Unit to a not-for-profit limited liability corporation (the "LLC"), of which a not-for-profit intermediary is the sole corporate member (the "NFP Intermediary") and entered into a triple net, 25-year ground lease of the Unit (the "Ground Lease"). The Ground Lease term is 25 years, with a 23-year extension option.

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In lieu of the LLC making monthly rent payments, the College received a lump-sum prepayment of all rent due for the initial term of the Ground Lease upon execution of the Ground Lease of \$45 million. The funds for this lump-sum payment came from an equity loan with recourse that was made by a lender to the LLC, which loan was secured by the College's credit and a mortgage upon the Unit. The College and the LLC are co-signors on the mortgage.

The NFP Intermediary subleased the Unit to the College for an initial term of 12.75 years (the "Operating Lease"), which Operating Lease contains options to extend the term for up to the duration of the term of the Ground Lease. The Operating Lease, like the Ground Lease, is a triple net lease, so that the College will continue to operate and control the Unit as if the NFP Intermediary were not a part of the structure. At the end of the initial 12.75-year term of the Operating Lease, the College will either (a) extend the term of the sublease, (b) pay off the loan encumbering the Unit, or (c) permit the NFP Intermediary to sublet the Unit to a third party with the College backstopping any rent shortfall.

Since the Ground Lease and the Operating Lease are part of the same transaction and commenced on the same date, they are treated as the same contract, and therefore, a lease and leaseback are not recognized for accounting purposes. The College recorded liabilities of \$44,453,640, net of unamortized prepaid closing costs of \$1,965,202 as of June 30, 2021

The minimum annual payments are as follows:

Year ending June 30:		
2022	\$	3,221,580
2023		3,253,796
2024		3,286,334
2025		3,319,197
2026		3,352,389
Thereafter		<u>28,020,344</u>
Total payments		44,453,640
Less unamortized prepaid closing costs		<u>(1,965,202)</u>
Total 55th Street Residence Hall refinance liabilities, net	\$	<u><u>42,488,438</u></u>

Interest expense totaled approximately \$1.9 million for the year ended June 30, 2021.

(13) Endowment Funds

The College is subject to the provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA) and has interpreted NYPMIFA as allowing the College to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as the College deems prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument absent explicit donor stipulations to the contrary.

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The College classifies as endowment net assets (a) the original value of gifts restricted in perpetuity; (b) the original value of subsequent gifts to the endowment; and (c) accumulations of investment returns to the endowment made in accordance with the direction of the applicable donor gift instrument, where applicable. The remaining portion of the donor-restricted endowment fund is classified in net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by NYPMIFA. Such amounts recorded as net assets with donor restrictions are released from restriction when the College appropriates the amount for expenditure, the donor-stipulated purpose has been fulfilled, and/or the required time period has elapsed.

The College has no board-designated endowments. The following table represents changes in endowment funds for the years ended June 30:

		<u>With donor restrictions</u>
Endowment net assets at June 30, 2019	\$	21,266,020
Investment income, net		363,376
Net depreciation (realized and unrealized)		(612,969)
Contributions		955,720
Appropriation of endowment assets for expenditure/net assets released from restriction		<u>(829,028)</u>
Endowment net assets at June 30, 2020		21,143,119
Investment income, net		299,376
Net depreciation (realized and unrealized)		6,140,617
Contributions		4,141,334
Appropriation of endowment assets for expenditure/net assets released from restriction		<u>(796,712)</u>
Endowment net assets at June 30, 2021	\$	<u><u>30,927,734</u></u>

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowments funds may fall below the level that the donor or NYPMIFA requires the College to retain as a fund for perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no underwater endowments at June 30, 2021. There were 6 funds that were underwater at June 30, 2020 with an original gift value of approximately \$1.1 million and a total deficiency of \$66,163. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions.

(b) Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to

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protect the original value of the gift. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to produce results that match the price and yield results of a blended benchmark based on policy allocation; large cap equity compared to S&P 500 Index, small cap equity compared to Russell 2000 index, international equity compared to MSCI AC World ex US index, fixed income taxable compared to Barclays Aggregate Index, commodities compared to Bloomberg Commodity Index, absolute return compared to HFRI Fund of Funds Index, and real estate compared to FTSE NAREIT Index.

(c) Spending Policy

The College has a spending policy that permits the use of total return at a rate (spending rate) of 5% of the prior 60-month average fair value investment balance of endowment funds unless otherwise explicitly stipulated by the donor.

(14) Liquidity and Availability of Resources

The following schedule reflects the financial assets as of June 30, 2021 and 2020, reduced by the amounts not available for general use within one year of the balance sheet date because of contractual or donor imposed restrictions.

	2021	2020
Cash and cash equivalents	\$ 30,053,831	17,858,445
Student receivables, due within one year	2,812,997	771,305
Contributions receivable, due in one year	13,588,017	353,280
Investments	38,781,497	28,668,840
	85,236,342	47,651,870
 Less:		
Amounts unavailable for general expenditures within one year, due to:		
Endowment return restricted for scholarships and program	(11,241,398)	(5,597,974)
Restricted by donors in perpetuity (corpus)	(19,686,336)	(15,545,002)
Restricted by contractual obligations	(859,650)	(655,852)
Total amounts unavailable for general expenditures within one year	(31,787,384)	(21,798,828)
Add endowment spending	1,004,095	910,508
Total financial asset resources	54,453,053	26,763,550

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	2021	2020
Liquidity resources:		
Revolving line of credit facility	\$ 5,000,000	5,000,000
Total financial asset and liquidity resources available to management for general expenditures within one year	\$ 59,453,053	31,763,550

The College considers all expenditures related to its ongoing mission-related activities except for plant assets funded by donor contributions as well as the conduct of services undertaken to support those activities to be general expenditures.

The College maintains a revolving line of credit of \$5,000,000 which it could draw upon to manage cash needs. The College does not intend to utilize this line of credit in fiscal year 2022.

(15) Air Rights

In December 1986, the air rights associated with the College's facilities were sold to a purchaser under an agreement that provided for receipt of \$2.1 million at the time of the sale and contingent payment(s) of amounts based upon subsequent sale of the building as condominium units or a sale of the entire apartment building by the purchaser. The College was entitled to either 10% of the condominium unit sales or to 6% of the proceeds from sale of entire apartment building. In July 2019 the entire apartment building was sold and a payment was made to the College for 6% of the sale price, which amounted to approximately \$9.57 million for the year ended June 30, 2020.

(16) Subsequent Events

The College evaluated additional subsequent events after the balance sheet date of June 30, 2021 through December 10, 2021, which was the date the financial statements were issued, and has concluded that there are no other subsequent events required to be disclosed, except as disclosed in note 17.

(17) COVID-19

The spread of the coronavirus (COVID-19) around the world has caused significant volatility in the U.S. and international economies and markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the College is unable to determine if it will have a material impact on its operations in fiscal year 2022 and beyond.

During the year ended June 30, 2021, the College was awarded certain funding under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The College was awarded \$7,128,296 in Higher Education Emergency Relief Fund (HEERF) II & III grants to provide student emergency financial aid grants, and college aid to cover lost revenue for refunds to students for room, board and certain fees, as well as eligible expenses attributable to the effects of COVID-19. The College recognized both revenue and related expenses of \$5,637,073 in HEERF grants for the student and institutional shares during the year ended June 30, 2021. The remaining awarded amount will be recognized in fiscal year 2022.

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Paycheck Protection Program

On May 8, 2020, the College received a refundable advance in the amount of \$6,555,593 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the CARES Act, provides a cash advance to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business, subject to certain adjustments.

The PPP advance is payable over five years at an interest rate of 0.98% per annum, with a deferral of payments of interest and principal for the first ten months of the loan. Thereafter, principal and interest are payable in equal monthly installments through May 2025.

The advance and accrued interest are forgivable to the extent the proceeds are used for eligible purposes, which include payroll, benefits, rent and utilities incurred during either an eight week or 24-week period, at the borrower's election. The amount of forgiveness can be reduced if the borrower terminates employees or reduces compensation during the relevant measurement period.

Through June 30, 2021, the College has used substantially all of the proceeds for purposes consistent with the PPP.

The College received notice on September 8, 2021 from the Small Business Administration (SBA) that the application for forgiveness was approved in the amount of \$6,118,580. The College has elected to pay back the unforgiven portion of the loan of \$437,013. The payback will be amortized over a five-year period and will be retroactive to when the original advance was disbursed to the College in May 2020.