

# Yeshiva University and Related Entities

Consolidated Financial Statements  
June 30, 2014 and 2013

Yeshiva University and Related Entities  
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June 30, 2014 and 2013

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Independent Auditor's Report

To the Board of Trustees of  
Yeshiva University and Related Entities

#### Emphasis of Matter

The University has incurred significant operating losses over the past several years which has reduced cash available to fund its operations. The financial condition of the University and management's plans to

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

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

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

**Yeshiva**

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

(in thousands of dollars)	2014	2013
Cash flows from operating activities		
Change in net assets	\$ (99,165)	\$ (47,777)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Realized and unrealized gains on investments	(113,738)	(103,595)
Unrealized gain in irrevocable charitable remainder trusts	(1,831)	-
Noncash contributions received	(1,462)	(3,968)
Proceeds from sale of donated securities	1,321	-
Depreciation, accretion, and amortization expense	51,529	51,994
Write off of land, building, and equipment	-	4,551
Gain on sale of property	(36,409)	(18,042)
Change in trusts and split-interest agreements held by others	(1,623)	(253)
Present value adjustments to contributions receivable	2,244	-
Provision for uncollectible loans and receivables	25,626	11,714
Contributions restricted for long-term investment	(3,404)	(1,723)
Contributions restricted for investment in plant assets	(2,639)	(1,150)
Changes in operating assets and liabilities		
Receivables	7,071	169,488
Grants and contracts and other assets	(15,171)	(20,639)
Asset retirement obligations	(886)	(509)
Accounts payable and accrued expenses, deferred revenue, trusts held for others and other liabilities	(7,106)	(3,684)
Net cash (used in) provided by operating activities	(195,643)	36,407
Cash flows from investing activities		
Change in student and faculty loans receivables, net	(211)	2,828
Proceeds from sale of contributed securities	-	3,968
Additions to land, buildings and equipment	(23,925)	(38,743)
Proceeds from sale of property	72,500	22,675
Change in funds held by bond trustees	510	9,870
Purchases of investments	(377,414)	(339,856)
Proceeds from sales of investments	545,786	258,844
Change in investment payable for unsettled trades	(44,213)	44,213
Net cash provided by (used in) investing activities	173,033	(36,201)
Cash flows from financing activities		

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

# Yeshiva University and Related Entities

## Notes to Consolidated Financial Statements

### June 30, 2014 and 2013

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(in thousands of dollars)

#### 1. The University and its Operations

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

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

The University is accredited by the Middle States Association of Colleges and Schools, Einstein is accredited by the Liaison Committee /F2 9.nsein is



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(in thousands of dollars)

The Albert Einstein College of Medicine Staff Housing Co., Inc. (the "Housing Company") owns and operates a 635 unit, limited profit housing project under the supervision of the Housing

# Yeshiva University and Related Entities

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(in thousands of dollars)

#### Tax Matters

The University is a not-for-profit corporation described in Internal Revenue Code Section 501(c)(3) and is generally exempt from federal income taxes on related income under Internal Revenue Code Section 501(a). Accordingly, no provision for federal income tax has been recorded in the consolidated financial statements. The University is also exempt from New York income taxes under the related state provisions. The University is subject to the unrelated business income tax on revenue generated by activities unrelated to its tax-exempt mission, primarily from income generated by certain alternative investments. For the years ended June 30, 2014 and 2013, the University generated net unrelated trade or business losses of \$(2,280) and \$(1,423), respectively. As of June 30, 2014, the University has approximately \$10,452 of ordinary loss carry-forwards to offset unrelated business income and capital gains generated in future years. Management has taken the position not to record a deferred tax asset with respect to these losses, as it is uncertain whether such losses will be utilized in the future.

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

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

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

#### Financial Position and Liquidity

In recent years, Yeshiva University has incurred significant operating losses, including \$83,068 in fiscal 2014 and \$63,579 in fiscal 2013. These losses have constrained the University's resources to finance recurring operations. The University's recurring operating deficits have been funded in part by proceeds from the sale of noncore properties, short-term financing

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Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions include allowances for uncollectible receivables, the present value of multi-year pledges, the valuation of investments, and the allocation of expenses to functional classifications.

Fair Value

The University values certain financial and nonfinancial assets and liabilities by applying the FASB pronouncement on Fair Value Measurements

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(in thousands of dollars)

As a practical expedient, the University is permitted, under the pronouncement, to estimate the fair value of an investment in an investment company at the measurement date using the reported net asset value (NAV). Adjustment is required if the University expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with GAAP. Investments in an

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

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

Student Accounts Receivable and Allowance for Doubtful Accounts



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Operating activities principally include all revenue and expenses that relate to the University's educational programs, research, training, and supporting activities. Investment return utilized included in operating revenues consists of investment income on pooled endowed and nonendowed funds, as well as nonpooled endowed funds, that were used to support operating activities in accordance with the University's endowment spending rate (Note 4). Operating revenues also include the release of temporarily restricted net assets which could include prior year gifts for which the donor-specified conditions have been met.

The University has defined nonoperating activities to principally include net investment return less investment return utilized to support current year operating activities in accordance with the University's endowment spending rate policy (Note 4), temporarily and permanently restricted contributions, temporarily restricted net assets released from restriction, changes in value of split-interest agreements, provision for uncollectible contributions receivable, and bad debt expense on receivables from affiliated organizations or operating subsidiaries provided to affiliated organizations. Certain other gains, losses or transactions considered to be of a more unusual or nonrecurring nature are also in nonoperating activities.

#### Institutional Student Loans

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

#### New Accounting Pronouncements

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

#### Reclassifications and Other Adjustments

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Fiscal 2014 Net assets before adjustments	\$ 172,326	\$ 524,191	\$ 695,415	\$ 1,391,932
Adjustments to net assets	10,468	(7,888)	(7,016)	(4,436)
Fiscal 2014 Net assets, as reported	)			

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Included in the OIFunds are \$7,875 and \$20,000 as of June 30, 2014 and June 30, 2013, respectively, of assets which are pledged as collateral to a letter of credit provided to an estate for which the University is the residuary beneficiary, in the event additional expenses are incurred by the estate.

The following tables present the fair value hierarchy for those assets reported at fair value per the Consolidated Statements of Financial Position as of June 30, 2014 and 2013:

	Level 1	Level 2	Level 3	Unconsolidated Affiliates	Total
Investment strategy					
Cash and cash equivalents	\$ 81,771	\$ -	\$ -	\$ -	\$ 81,771
Fixed income					
U.S. Government obligations	100,003	-	-	-	100,003
Mutual funds (fixed income)	13,706	-	-	-	13,706
Corporate debt	-	24,910	-	-	24,910
State of Israel bonds	-	-	8,571	-	8,571
Equities					
Corporate stocks	61,151	-	-	-	61,151
Mutual funds (equities)	129,305	-	-	-	129,305
Long-only equities	-	116,674	47,792	-	164,466
Long-short equities	-	49,490	94,917	-	144,407
Private equity	-	-	68,584	-	68,584
Venture capital	-	-	11,945	-	11,945
Marketable alternatives					
Multi-strategy/event-driven	-	79,424	229,917	-	309,341
Macro	-	-	20,592	-	20,592
Real assets	-	-	3,742	-	3,742
Real estate	-	-	28,068	-	28,068
Investment receivables	394	60,889	-	-	61,283
Other investments	127	343	4,097	-	4,567
	386,457	331,730	518,225	-	1,236,412
Less: Unconsolidated affiliates' (RIETS and High Schools) interests in the investments					
Total investments	386,457	331,730	518,225	(5,500)	(5,500)
Other assets					
Trusts and split-interest agreements held by others	-	-	22,412	-	22,412
Funds held by bond trustees	7,225	-	-	-	7,225
Total Investments and other assets	\$ 393,682	\$ 331,730	\$ 545,637	\$ (5,500)	\$ 1,265,949



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

	June 30, 2013	Purchases	Sales	Net Realized and Unrealized Gain (Loss)	Transfers In	Transfers Out	June 30, 2014
State of Israel bonds	\$ 14,935	\$ -	\$ (6,366)	\$ 2	\$ -	\$ -	\$ 8,571
Equities							
Long-only equities	41,515	389	(860)	6,748	-	-	47,792
Long-short equities	94,079	12,500	(27,665)	16,003	-	-	94,917
Private equity	76,119	1,107	(20,563)	13,196	-	(1,275)	68,584
Venture capital	11,733	629	(2,722)	2,305	-	-	11,945
Marketable alternatives							
Multi-strategy/event-driven	214,962	25,000	(33,653)	22,950	658	-	229,917
Macro	20,885	-	-	232	10,592	-	

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The University has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups and other restrictions. The University has also made commitments to provide capital to various limited partnerships, and under the terms of those agreements, the University is obligated to periodically advance additional funding. The University had commitments of approximately \$46,755 and \$19,023 at June 30, 2014 and 2013, respectively, to investment funds and limited partnerships for which capital calls had not been exercised. These amounts have not been recorded as liabilities on the Consolidated Statements of Financial Position. Such commitments generally have fixed expiration dates or other termination clauses. The University maintains sufficient liquidity in its investment portfolio to cover such calls. Details on liquidity, restrictions by strategy and type of investment are provided below as of June 30, 2014 and 2013:

	Monthly and More Frequent	Quarterly	Semi- annually and Annually	Greater Than One Year	Redemptions Placed	Total	Notice Periods in Days
Investment strategy							
Cash and cash equivalents	\$ 81,771	\$ -	\$ -	\$ -	\$ -	\$ 81,771	N/A
Fixed income							
U.S. Government obligations	100,003	-	-	-	-	100,003	N/A



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	Monthly and More Frequent	Quarterly	Semi- annually and Annually	Greater Than One Year	Redemptions Placed	Total	Notice Periods in Days
Investment strategy							

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

The net movement of cash and cash equivalents within the investments balance is included in proceeds from sales of investments on the Consolidated Statements of Cash Flows as of June 30, 2014 and in purchases of investments as of June 30, 2013.

Investment Return

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

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

4. Endowment

The University's endowment consists of approximately 2,000 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University classifies as permanently restricted net assets: (a) the original values of gifts

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(in thousands of dollars)

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

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

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

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

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

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(in thousands of dollars)

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

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

In September 2010, New York Prudent Management of Institutional Funds Act (“NYPMIFA”) became effective in New York State. NYPMIFA contains provisions that govern appropriation and use, among other things, of donor-restricted endowment funds. NYPMIFA updated certain provisions of prior endowment management law that had become outdated.

Under NYPMIFA, a detailed prudence standard governs appropriation from endowment funds, and there is no longer a requirement to always maintain historic dollar value. Prudent appropriation from a fund whose value is less than its historic dollar value is permitted under certain circumstances. In particular, NYPMIFA provides that, unless a donor expresses a contrary intention in a gift instrument, a charitable institution may appropriate as much of an endowment fund as it “determines is prudent for the uses, benefits, purposes and duration for which the fund is established,” without regard for historic dollar value. NYPMIFA retains the requirement that in making any decision to appropriate, “the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.” It further provides a requirement that the institution “shall consider, if relevant” the following eight factors in

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(in thousands of dollars)

- The investment policy of the Institution

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(in thousands of dollars)

5. Receivables and Other Assets

Contributions Receivable, net

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

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

As of June 30, 2014 and 2013, approximately 58% and 56%, respectively, of gross contributions receivable were from five donors. The allowance in 2014 includes approximately \$20,000 related to a long-term donor due to changes in circumstances.

Student Receivables, net

The tables below provide disclosures about the student loan receivables as well as student tuition receivables at June 30, 2014 and June 30, 2013.

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

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







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The University has a 457(b) deferred compensation plan, which is offered to select management employees. The employee contributions are capped at the annual Federal limit for deferred compensation. The assets related to this plan are included in Other assets in the Consolidated Statements of Financial Position and amounted to \$25,512 and \$21,285 as of June 30, 2014 and 2013, respectively. The assets primarily consist of mutual funds and guaranteed interest accounts that have been reported in the tables below with the appropriate investment leveling based on the fair value hierarchy described in Note 3.

	Level 1	Level 2	Level 3	Total
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(in thousands of dollars)

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(in thousands of dollars)

- f. The Housing Company has outstanding a first mortgage note and a subordinated mortgage note. The Housing Company's first mortgage note was obtained in December 2004 in a principal amount of \$8,918. The note bears interest at the rate of 6.5% per annum. Installments of principal and interest are payable in 360 fixed monthly amounts of \$56. Prepayment of the loan is not permitted until December 1, 2019. The mortgage requires the Housing Company to make a monthly escrow payment to the New York City Housing Development Corporation

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(in thousands of dollars)

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

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

In August 2014, the University refinanced its outstanding line of credit and the note purchase

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9. Leases

Capital Lease – Kennedy



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(in thousands of dollars)

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

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

11. Allocation of Certain Expenses

The accompanying Consolidated Statements of Activities report expenses by functional



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14. Temporarily Restricted Net Assets

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

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

15. Permanently Restricted Net Assets

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

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

# Yeshiva University and Related Entities

## Notes to Consolidated Financial Statements

### June 30, 2014 and 2013

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#### 16. Contingencies

The University is a party to various litigation and other claims arising in the ordinary course of business. In the opinion of management, appropriate provision has been made for possible losses and the ultimate resolution of these matters will not have a significant effect on the University's consolidated financial position.

Amounts received and expended by the University under various federal and state grants and contracts are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the University's consolidated financial position.

The actions of Bernard Madoff and J. Ezra Merkin and Ascot Partners, discussed in the 2013 consolidated financial statements' Note 8 (Contingencies), led to the appointment of a trustee and receiver, respectively, for Bernard Madoff's, J.Ezra Merkin's and Ascot Partners' assets. In August 2014, the University received a payment under the settlement negotiated by the New York State Attorney General with J. Ezra Merkin and Ascot Partners. The University has also filed a claim under the Madoff Victims Fund of the U.S. Attorney General, but there can be no assurance that the University will receive any recoveries from that fund. The Madoff Trustee sued the University, seeking to recover approximately \$1,000 contributed by Bernard Madoff to the University across a six-year period, prior to 2008. During fiscal 2014, the University and the Madoff Trustee resolved the suit by settlement without trial, under confidential terms. The negotiated settlement amount was substantially less than the initial claim, and is not deemed material by the University.

In January 2014, the University's motion to dismiss the case brought against it (and others) in July 2013 by former students of Yeshiva University High School for Boys (an affiliate of the University) was granted, based upon the statute of limitations (and other defenses), and the case was dismissed with prejudice. The litigation alleges abuse during the 1970s and 1980s by former High School employees and sought damages of over \$680,000. The plaintiffs appealed such dismissal and subsequently lost the appeal. The University intends to continue to vigorously defend itself and believes the dismissal will continue to be upheld. The University has utilized legal counsel approved by its insurance carriers and believes there should be sufficient coverage such that a negative outcome will not have material financial impact on the University. The University believes that the litigation and other related costs will not have a material adverse effect on the University.

#### 17. Subsequent Events

Subsequent event guidance requires the University to evaluate subsequent events to determine whether they provide additional evidence about conditions that existed at the date of the

## Yeshiva University and Related Entities