

Consolidated Financial Statements and
Report of Independent Certified Public Accountants

MARIST COLLEGE AND AFFILIATES

For the year ended June 30, 2011

MARIST COLLEGE AND AFFILIATES

TABLE OF CONTENTS

	Page
Report of Independent Certified Public Accountants	1
Consolidated Financial Statements:	
Consolidated Statement of Financial Position as of June 30, 2011	2
Consolidated Statement of Activities for the year ended June 30, 2011	3
Consolidated Statement of Cash Flows for the year ended June 30, 2011	4
Notes to Consolidated Financial Statements	5 - 26

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Marist College and Affiliates:

We have audited the accompanying consolidated statement of financial position of Marist College and affiliates as of June 30, 2011, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marist College and affiliates as of June 30, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 18 to the consolidated financial statements, the College adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification 958-205 during fiscal 2011.


New York, New York
November 30, 2011

MARIST COLLEGE AND AFFILIATES
Consolidated Statement of Financial Position
As of June 30, 2011

ASSETS

Cash and cash equivalents	\$ 35,702,253
Short-term investments	12,636,821
Accounts receivable, net	6,057,785
Contributions receivable, net	5,710,303
Deposits with trustees	7,434,658
Other assets	1,337,076
Student loans receivable	6,118,119
Assets held in charitable remainder trust	962,210
Investments	148,903,355
Construction in progress	8,812,274
Land, buildings and equipment, net of accumulated depreciation	230,183,036
Bond issuance costs, net of accumulated amortization	<u>1,963,065</u>
 Total assets	 <u><u>\$ 465,820,955</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	\$ 18,924,732
Deferred revenue	6,761,416
Annuities payable	579,933
Obligations under capital leases	963,026
Long-term debt	92,354,573
Accrued post-retirement benefits	26,069,462
U.S. government advances refundable	5,495,200
Interest rate swap obligations	<u>5,355,956</u>
 Total liabilities	 <u>156,504,298</u>

NET ASSETS

Unrestricted	247,369,717
Temporarily restricted	37,153,116
Permanently restricted	<u>24,793,824</u>
 Total net assets	 <u>309,316,657</u>
 Total liabilities and net assets	 <u><u>\$ 465,820,955</u></u>

The accompanying notes are an integral part of this consolidated financial statement.

MARIST COLLEGE AND AFFILIATES
Consolidated Statement of Activities
For the year ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUE				
Tuition and fees	\$ 142,257,800	\$ -	\$ -	\$ 142,257,800
Less: scholarships and grants	<u>(38,168,159)</u>	<u>-</u>	<u>-</u>	<u>(38,168,159)</u>
Net tuition and fees	104,089,641	-	-	104,089,641
Government grants	3,316,890	-	-	3,316,890
Private grants and contracts	1,326,570	-	-	1,326,570
Contributions	2,074,882	1,707,706	752,818	4,535,406
Interest and dividends	2,156,410	270,697	255	2,427,362
Investment return designated for operations	242,507	945,874	-	1,188,381
Other income	2,877,267	-	-	2,877,267
Auxiliary enterprises	35,375,408	-	-	35,375,408
Net assets released from restrictions	<u>1,023,490</u>	<u>(1,023,490)</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>152,483,065</u>	<u>1,900,787</u>	<u>753,073</u>	<u>155,136,925</u>
OPERATING EXPENSES				
Instructional	53,789,826	-	-	53,789,826
Research	265,502	-	-	265,502
Public service	803,985	-	-	803,985
Academic support	14,765,627	-	-	14,765,627
Student services	25,452,949	-	-	25,452,949
Institutional support	14,899,962	-	-	14,899,962
Scholarships and fellowships	86,981	-	-	86,981
Auxiliary enterprises	<u>27,988,432</u>	<u>-</u>	<u>-</u>	<u>27,988,432</u>
Total operating expenses	<u>138,053,264</u>	<u>-</u>	<u>-</u>	<u>138,053,264</u>
Change in net assets from operating activities	<u>14,429,801</u>	<u>1,900,787</u>	<u>753,073</u>	<u>17,083,661</u>
NONOPERATING ACTIVITIES				
Net loss on disposal of fixed assets	(441,120)	-	-	(441,120)
Net realized and unrealized gain	20,664,675	2,713,071	-	23,377,746
Change in value of interest rate swap obligations	1,224,261	-	-	1,224,261
Pension and post retirement related charges other than net periodic pension and benefit costs	<u>(1,417,772)</u>	<u>-</u>	<u>-</u>	<u>(1,417,772)</u>
Change in net assets from nonoperating activities	<u>20,030,044</u>	<u>2,713,071</u>	<u>-</u>	<u>22,743,115</u>
Increase in net assets	<u>34,459,845</u>	<u>4,613,858</u>	<u>753,073</u>	<u>39,826,776</u>
Net assets, beginning of year, as previously reported	224,288,282	25,897,338	23,937,701	274,123,321
Restatement of net assets - see Note 24	<u>(11,378,410)</u>	<u>6,641,920</u>	<u>103,050</u>	<u>(4,633,440)</u>
Net assets, beginning of year, as restated	<u>212,909,872</u>	<u>32,539,258</u>	<u>24,040,751</u>	<u>269,489,881</u>
Net assets, end of year	<u>\$ 247,369,717</u>	<u>\$ 37,153,116</u>	<u>\$ 24,793,824</u>	<u>\$ 309,316,657</u>

The accompanying notes are an integral part of this consolidated financial statement.

MARIST COLLEGE AND AFFILIATES
Consolidated Statement of Cash Flows
For the year ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 39,826,776
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Nonoperating items:	
Contributions restricted for long-term investments	(1,876,991)
Contributions restricted for investment in endowment	(3,067,423)
Gifts of stock	(269,909)
Interest and dividends restricted for endowment	(270,697)
Net realized gains on investments	(4,297,769)
Net realized gains on short-term investments	(104,401)
Net investment income on assets held in charitable remainder trust	(1,304)
Noncash items:	
Depreciation	10,124,347
Amortization	90,302
Bad debt expense	55,155
Net unrealized gains on investments	(20,307,695)
Net unrealized loss on short-term investments	143,738
Net gain on interest rate swap obligations	(1,224,261)
Non-cash contributions	(83,658)
Loss on disposal of assets	388,164
(Increase)/decrease in:	
Accounts receivable	(764,073)
Contributions receivable	3,273,770
Other assets	(379,148)
Increase/(decrease) in:	
Accounts payable and accrued liabilities	3,097,842
Deferred income	(493,222)
Annuities payable	(68,336)
Accrued post-retirement benefits	5,105,896
Net cash provided by operating activities	<u>28,897,103</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	48,544,184
Purchases of investments	(53,827,550)
Purchase of short-term investments	(471,138)
Proceeds from sale of fixed assets	14,844
Purchase of property and equipment	(25,096,115)
Disbursements of loans to students	(415,884)
Repayments on student loans	819,373
Net cash used in investing activities	<u>(30,432,286)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments to bond trustees	(3,364,846)
Repayments of principal on capital lease obligations	(174,982)
Change in deposits with trustees related to construction financing	(448)
Interest and dividends restricted for endowment	270,697
Contributions restricted for long-term investment	1,876,991
Contributions restricted for investment in endowment	3,067,423
Net cash provided by financing activities	<u>1,674,835</u>
Net increase in cash and cash equivalents	139,652
Cash and cash equivalents, beginning of year	<u>35,562,601</u>
Cash and cash equivalents, end of year	<u>\$ 35,702,253</u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash paid during the year for interest	<u>\$ 3,707,162</u>
Equipment acquired under capital leases	<u>\$ 1,138,008</u>
Non-cash contributions	<u>\$ 83,658</u>

The accompanying notes are an integral part of this consolidated financial statement.

MARIST COLLEGE AND AFFILIATES

Notes to Consolidated Financial Statements

For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Marist College (the “College”) is an independent, comprehensive institution located on a 180 acre main campus in the Hudson River Valley of New York, a branch campus in Florence, Italy, extension centers throughout New York, and educational offerings around the world through its online and study abroad programs. Marist is dedicated to helping students develop the intellect, character and skills required for enlightened, ethical, and productive lives in the global community of the 21st century.

The consolidated financial statements of the College have been prepared on the accrual basis of accounting, and include the accounts of the College’s wholly owned subsidiaries, Marist Real Property Service, Inc., Marist Real Property Service II, Inc., and VAYU, LLC. All significant intercompany transactions have been eliminated. Marist Real Property Services, Inc. and Marist Real Property Services II, Inc. are corporations that were formed by the College to purchase and hold real estate for the benefit and use of the College. The College is the single member of VAYU, LLC which was received from a donor during the fiscal year ended June 30, 2010 and holds real and personal property. The real and personal property has not been put into use as of June 30, 2011.

Basis of Presentation

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into the following categories:

Unrestricted Net Assets

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties (see also Note 17).

Temporarily Restricted Net Assets

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that will be met either by actions of the College and/or the passage of time. The College reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends and/or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Temporarily restricted net assets also include earnings on permanently restricted endowment funds that have not yet been appropriated by the College’s Board of Trustees.

Permanently Restricted Net Assets

Permanently restricted net assets result from donors who stipulate that their donated resources be maintained in perpetuity by the College. Generally, the College is permitted to expend part or all of the income and gains derived from these donated assets, restricted only by donors’ stipulations as to their use.

MARIST COLLEGE AND AFFILIATES

Notes to Consolidated Financial Statements

For the year ended June 30, 2011

Fair Value Measurements

The College follows guidance that provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction.

The guidance also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of the respective asset or liability as of the measurement date.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments in Level 1 include listed equities held in the name of the College, and exclude listed equities and other securities held indirectly through commingled funds.
- Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which the College has generally considered to be within 90 days.
- Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs used in the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments, partnerships and similar interests. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

As of June 30, 2011, the carrying value of the College’s cash and cash equivalents, receivables, accounts payable and accrued liabilities, deferred income, annuities payable and long-term debt approximate their fair values. A reasonable estimate of the fair value of loans to students under government loan programs cannot be made because the loans are not saleable and can only be assigned to the U.S. Government or its designees.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments consisting of demand deposits accounts, money market funds, and debt instruments with original maturities of three months or less at the time of purchase. Cash and cash equivalents held in the investment portfolio are excluded as a result of the College’s intent to segregate these designated funds from cash available for current operations.

Included within its cash and cash equivalents, is \$1 million that the College is required to maintain on deposit to have an ATM machine on campus.

MARIST COLLEGE AND AFFILIATES

Notes to Consolidated Financial Statements

For the year ended June 30, 2011

Accounts Receivable

Accounts receivable include student accounts receivable, grants receivable and other receivables and are reported net of allowance for doubtful accounts. The College provides for potentially uncollectible amounts through a provision for bad debts and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts.

Contributions

Contributions or gifts, including unconditional promises to give, are recognized as revenue when received. Non-cash gifts are recorded at fair value at the date of donation.

Contributions and investment return with donor-imposed restrictions are reported as temporarily restricted revenues and are released to unrestricted net assets when donor-imposed restrictions are satisfied.

Contributions restricted for the acquisition of land, buildings and equipment are reported as temporarily restricted revenues. These contributions are released to unrestricted net assets upon acquisition of the assets.

The College has capitalized its collections since its inception. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their fair value on the accession date. Gains or losses on the deaccession of collection items are classified on the statement of activities as unrestricted or temporarily restricted support depending on donor restrictions, if any, placed on the item at the time of accession.

Student Loans Receivable and U.S. Government Advances Refundable

Student loans receivable are carried at unpaid principal balances, which represent net realizable value. These loans have mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition. Amounts received from the federal government to fund a portion of the student loans are ultimately refundable to the federal government and are classified as U.S. government advances refundable in the consolidated statement of financial position.

Investments

The estimated fair value of investments is based on quoted market prices, except for certain investments, principally limited partnerships and similar interests, for which quoted market prices are not available. The estimated fair value of these investments is based on valuations provided by external investment managers as of the measurement date. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in their values could occur in the near term and such changes could materially affect the reported amounts in the accompanying consolidated financial statements.

Deposits with Trustees

Deposits with trustees represent funds held by designated bond trustees for debt service payments.

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

Land, Buildings and Equipment

Land, buildings and equipment purchased in excess of \$5,000 are recorded at cost or, if donated, at fair value at the date of the donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets as follows:

	<u>Years</u>
Buildings and building improvements	20 - 45
Ground improvements	15 - 20
Equipment, furniture and fixtures	5 - 7
Library books	5
Vehicles	5

Works of art, historical treasures and similar assets have been recognized at their estimated fair value based upon appraisals or similar valuations at the date of acquisition or donation. Works of art, historical treasures and similar assets are not depreciated.

Bond Issuance Costs

Bond issuance costs are amortized over the lives of the bonds and are reported net of amortization expense.

Deferred Income

Deferred income primarily consists of tuition and matriculation deposits and other payments for upcoming semesters that were received prior to fiscal year-end.

Interest Rate Swap Obligations

The College makes limited use of derivative financial instruments, specifically an interest rate swap, for the purpose of managing interest rate risks associated with variable rate debt obligations. An interest rate swap agreement is used to mitigate the variability of future changes in net assets and cash flows caused by movement in interest rates. The differentials paid or received on the interest rate swap agreement are recognized as adjustments to interest expense.

Revenue Recognition

Tuition revenues for the fall and spring terms are recognized in the academic semester to which they relate. Revenues and expenses relating to summer session activities are recognized as earned. The carrying value of student receivables has been reduced by an appropriate allowance for uncollectible accounts, based on historical collection experience and therefore approximates net realizable value. Receivables are written-off in the period in which they are deemed uncollectible.

Other income consists of revenue from student club activities and athletic events among others, and is recorded when earned on the consolidated statement of activities.

Functional Expenses

Operation and maintenance expenses, depreciation of plant assets and interest on long-term debt are allocated to program and supporting activities based on the primary use of the facilities.

MARIST COLLEGE AND AFFILIATES

Notes to Consolidated Financial Statements

For the year ended June 30, 2011

Conditional Asset Retirement Obligation

Under U.S. GAAP, the College is required to recognize the costs associated with the eventual remediation and abatement of asbestos located within the construction of certain of its buildings. However, based on the results of surveys performed by independent environmental consultants, the College concludes that the cost of remediation is immaterial to the accompanying consolidated financial statements, and accordingly, has not recognized a liability for this obligation as of June 30, 2011.

Income Taxes

Tax effects from an uncertain tax position are recognized in the consolidated financial statements only if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The College is exempt from income tax under IRC Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the Code. The tax years ending June 30, 2008, 2009 and 2010 are still open to audit for both federal and state purposes.

Advertising

Advertising costs are expensed as incurred. Advertising expense amounted to \$652,484 for the year ended June 30, 2011.

Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. In addition, estimates and assumptions are used to determine disclosures of contingent assets and liabilities 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. Estimates are used in the determination of depreciation, post-retirement benefits, allowance for doubtful accounts, contributions receivable, certain accrued liabilities and certain overhead allocations, among others.

Concentrations of Credit Risk

The College maintains its cash and money market funds with high credit quality financial institutions, which at times may exceed federally insured limits. At June 30, 2011, amounts were in excess of the insurable limits established by the Federal Deposit Insurance Corporation (“FDIC”) by \$22,599,720. The College has not experienced any such losses in accounts and does not believe it is exposed to any significant credit risk.

Measure of Operations

The accompanying consolidated statement of activities presents the changes in net assets distinguishing between operating and nonoperating activities. Operating activities principally include all revenues and expenses that relate to the College’s educational programs, research, training, and supporting activities. Operating revenues include investment return pursuant to the College’s spending rate policy earned on long-term investments held for endowment and similar purposes.

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

The College has defined nonoperating activities principally to include investment income earned, and gains and losses on investments held for long-term purposes and gift revenue restricted or designated for long-term investment or capital expenditures, net of amounts distributed to support operations in accordance with the endowment spending policy; gains or losses on interest rate swap obligations; and activity related to pension and post-retirement related charges. Certain other gains and losses considered to be of a more unusual or non-recurring nature are also included as part of nonoperating activities.

Subsequent Events

The College evaluated its June 30, 2011 consolidated financial statements for subsequent events through November 30, 2011, the date the consolidated financial statements were issued. The College is not aware of any material subsequent events which would require recognition or disclosure in the consolidated financial statements, other than the matters already disclosed in these notes to the consolidated financial statements.

2. SHORT-TERM INVESTMENTS

Short-term investments consist of a short duration bond fund comprised mainly of U.S. Government obligations and obligations of government-sponsored entities. The fair value as of June 30, 2011 is \$12,636,821, including \$108,354 in unrealized depreciation.

3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, consisted of the following as of June 30, 2011:

Student accounts receivable	\$ 2,628,901
Less: allowance for doubtful accounts	<u>(250,749)</u>
	2,378,152
Grants and contracts receivable	1,619,089
Other receivables	<u>2,060,544</u>
Accounts receivable, net	<u>\$ 6,057,785</u>

4. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, consist of unconditional promises to give and are summarized as follows at June 30, 2011:

Unconditional promises to give expected to be collected in:	
Less than one year	\$ 4,490,828
One to five years	1,435,634
More than five years	<u>794,444</u>
	6,720,906
Less:	
Allowance for uncollectible amounts	(363,546)
Discount to present value (with rates ranging from .19% to 1.29%)	<u>(647,057)</u>
Contributions receivable, net	<u>\$ 5,710,303</u>

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

The College had outstanding conditional pledges and bequests of approximately \$1,399,000 at June 30, 2011 which have not been recorded in the accompanying consolidated financial statements.

5. STUDENT LOANS RECEIVABLE

The College makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. At June 30, 2011, student loans represented 1.31% of total assets and totaled \$6,118,119.

The College participates in the Perkins federal revolving loan program. The availability of funds for loans under this program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of \$5,495,200 at June 30, 2011, are ultimately refundable to the government and are classified as liabilities in the statement of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

Amount due under Perkins loan program are guaranteed by the government and, therefore, no reserves are placed on any past due balances under the program.

6. INVESTMENTS

The fair value of investments at June 30, 2011, is as follows:

Endowments and other investible funds:

Cash and cash equivalents	\$ 3,871,255
Fixed income securities	28,525,943
Domestic equity securities	60,848,389
International equity securities	36,530,202
Global real estate funds	6,398,505
Hedge funds	<u>10,877,734</u>
Total pooled investments	147,052,028

Operating and other investments:

Cash and cash equivalents	10,560
Domestic equity securities	98,083
Investment in TIAA-CREF annuities and mutual funds	<u>1,742,684</u>
Total operating and other investments	<u>1,851,327</u>
Total investments	<u>\$ 148,903,355</u>

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

Investment returns on short-term and long-term investments and the classification in the consolidated statement of activities for the year ended June 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowments and other investible funds:				
Dividends and interest	\$ 1,585,451	\$ 270,697	\$ 255	\$ 1,856,403
Realized gains	4,292,000	-	-	4,292,000
Unrealized appreciation	<u>16,501,986</u>	<u>3,658,945</u>	<u>-</u>	<u>20,160,931</u>
Total return on pooled investments	22,379,437	3,929,642	255	26,309,334
Operating and other investments:				
Dividends and interest	570,959	-	-	570,959
Realized gains	110,170	-	-	110,170
Increase in unrealized appreciation	<u>3,026</u>	<u>-</u>	<u>-</u>	<u>3,026</u>
Net investment income	<u>\$ 23,063,592</u>	<u>\$ 3,929,642</u>	<u>\$ 255</u>	<u>\$ 26,993,489</u>

7. CONSTRUCTION IN PROGRESS

Construction in progress consists of the following at June 30, 2011:

McCann Addition	\$ 5,594,311
Pedestrian Walkway	1,831,839
Kem Cards Demolition/Landscape Project	309,513
Campus Landscape Initiatives	268,406
NSF ARRA research lab	379,529
Other projects	<u>428,676</u>
Total	<u>\$ 8,812,274</u>

The College is constructing a 12,000 square foot addition to the McCann Center Athletic Complex and renovating the existing lobby and gymnasium. The estimated costs to complete the McCann Center project total approximately \$4.6 million and are expected to be completed by December 2011. The estimated costs to be incurred in fiscal 2012 to complete the construction of other facilities at the College total approximately \$3.1 million.

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

8. LAND, BUILDINGS AND EQUIPMENT

Land, buildings, and equipment consisted of the following at June 30, 2011:

Buildings and building improvements	\$ 290,892,434
Equipment, furniture and fixtures	49,219,651
Equipment acquired under capital leases	<u>1,138,008</u>
	341,250,093
Less: Accumulated depreciation	<u>(129,152,917)</u>
	212,097,176
Land	13,371,917
Art work and collectibles	<u>4,713,943</u>
Land, buildings, and equipment, net	<u>\$ 230,183,036</u>

Depreciation expense for the year ended June 30, 2011 totaled \$10,124,347, and is allocated to functional expense categories on the accompanying consolidated statement of activities.

9. BOND ISSUANCE COSTS

Bond issuance costs consists of the following as of June 30, 2011:

Bond issuance costs	\$ 2,709,044
Accumulated amortization	<u>(745,979)</u>
Bond issuance costs, net	<u>\$ 1,963,065</u>

Amortization expense for the year ended June 30, 2011 amounted to \$90,302.

10. PENSION PLANS

Defined Contribution Plans

The College has a defined contribution pension plan for all eligible employees as defined in the “Retirement Resolution.” Pension obligations under the plan are funded monthly by the College as they accrue. Contributions are applied to annuities for each participant by Teachers Insurance and Annuity Association (“TIAA”) and/or College Retirement Equities Fund (“CREF”). College contributions are dependent upon employee contributions in accordance with a schedule of percentages in the plan agreement. Employee contributions are normally made on a pre-tax basis unless an after tax agreement is so authorized by the employee. The College’s contributions for the year ended June 30, 2011 was \$4,380,322.

The College funds a pension plan for all eligible employees in the SEIU Local 200 Union by participating in the pension plan provided by the 1199 Health Care Employees Pension Fund. The College’s contribution is a fixed percentage of monthly gross wages for all employees covered under the agreement. The College’s contributions for the year ended June 30, 2011 was \$348,172.

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

The College has a deferred compensation plan for an employee based on years of service, which provides for cash payments at the end of the employment contract which are not guaranteed. The cost of the plan is being accrued over the period of active employment from the contract date. The liability under the agreement is determined based on the contributions required by the plan. The plan requires annual contributions of \$25,000 for seven years and coincides with the end of the employee's contract on June 30, 2014. The plan requires that the contributions be deposited in an investment account. The assets related to this plan are maintained at TIAA-CREF. The obligation related to this plan at June 30, 2011 was \$118,643. Contribution to this plan for the year ended June 30, 2011 was \$25,000. The value of the assets related to the plan was \$118,643 as of June 30, 2011.

Defined Benefit Plan

The College has a non-qualified supplemental retirement plan for the President based on years of service, which provides for cash payments after retirement which are not guaranteed. The cost of the plan is being accrued over the period of active employment from the contract date. The liability under the agreement is determined actuarially and is reduced by current balances in the President's qualified pension plan. The plan was amended to coincide with the extension of the President's contract through June 30, 2011. There were no employer contributions, plan participant contributions or benefits paid during the year ended June 30, 2011. The benefit obligation of \$1,935,935 as of June 30, 2011 is recognized in the consolidated statement of financial position under accounts payable and accrued liabilities. Even though the plan has not been funded at June 30, 2011, the College had set assets aside for the plan. These assets were owned by the College and maintained at TIAA-CREF. The value of the assets amounted to \$1,624,042 as of June 30, 2011 which was paid subsequent to year end. With the extension of the President's contract through June 30, 2016, a new non-qualified supplemental retirement plan was entered into subsequent to year end.

11. CHARITABLE REMAINDER TRUST

A donor has established and funded a trust under which the College serves as the custodian and trustee. Assets held in this trust are stated separately in the consolidated statement of financial position. The value of the assets at June 30, 2011 was \$962,210. Specified distributions are to be made to a designated beneficiary over the trust's term. Upon termination of the trust, the College receives the assets remaining in the trust. Trusts are recorded as increases to net assets at the fair value of trust assets, less the present value of the estimated future payments to be made under the specific terms of the trust and are subsequently revalued at the end of each fiscal year.

12. OBLIGATIONS UNDER CAPITAL LEASES

During the year ended June 30, 2011, the College leased equipment under agreements that meet the criteria for capital lease treatment. The cost of the equipment under these capital leases totaled \$1,138,008 and is included in the consolidated statement of financial position as land, buildings and equipment at June 30, 2011. Accumulated depreciation of the equipment was \$183,571 at June 30, 2011. Amortization of assets under the capital leases is included within depreciation expense.

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

The future minimum lease payments required under these capital leases and the present value of the net minimum lease payments as of June 30, 2011, are as follows:

Fiscal year ending June 30,	Amount
2012	\$ 416,218
2013	416,218
2014	243,856
2015	<u>11,916</u>
Total future minimum lease payments	1,088,208
Less: amount representing interest	<u>(125,182)</u>
Present value of net minimum lease payments	<u>\$ 963,026</u>

13. LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2011:

Description	Maturity Date	Interest rate*	Total	
Dutchess County Industrial Development Agency:				
Series 1998-A Variable Rate Demand Bonds	July 1, 2028	0.09%/0.25%	\$ 7,450,000	A
Series 1999-A Variable Rate Demand Bonds	July 1, 2028	0.09%/0.25%	11,280,000	B
Series 2000-A Variable Rate Demand Bonds	July 1, 2031	0.08%/0.24%	16,455,000	C
Series 2003-A Refunding Bonds	July 1, 2022	4.86 %	19,899,992	D
Series 2005-A Variable Rate Demand Bonds	July 1, 2035	0.09%/0.25%	18,000,000	E
Series 2008-A Variable Rate Demand Bonds	July 1, 2038	0.09%/0.25%	19,225,000	F
Note Payable — Marist Brothers	June 1, 2013	8.00 %	<u>44,581</u>	G
Total long-term debt			<u>\$92,354,573</u>	

*The variable interest rate is the interest rate which, in the best judgment of the remarketing agent, is the lowest rate of interest which would permit the remarketing agent to sell such bonds in a secondary market at par plus accrued interest. Amounts shown represent the rate in effect as of June 30, 2011 and the average rate for the twelve months then ended.

A. Series 1998-A

On August 12, 1998, the College entered into an agreement with the Dutchess County Industrial Development Agency (“IDA”) and BNY Capital Markets to issue variable rate demand civic facility revenue bonds in the amount of \$10,500,000. Proceeds were used to finance construction of student housing on West Cedar Street in Poughkeepsie, New York. Interest is payable semiannually based upon a variable rate which is adjusted weekly. Principal payments will be made annually through July 1, 2028 based upon a predetermined schedule. The initial principal payment was \$190,000 and gradually increases to \$610,000 in the final year. The collateral on the bonds is a mortgage on the Lower West Cedar Townhouses as well as all related furniture, fixtures and equipment. A letter of credit issued by JP Morgan Chase provides a liquidity facility for the bonds.

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

B. Series 1999-A

On January 7, 1999, the College entered into an agreement with the Dutchess County IDA and BNY Capital Markets to issue variable rate demand bonds in the amount of \$15,000,000. Proceeds were used to finance construction of the College library and the humanities building. Interest is payable semiannually based upon a variable rate which is adjusted weekly. Principal payments will be made annually through July 1, 2028 based upon a predetermined schedule. The initial principal payment was \$270,000 and gradually increases to \$870,000 in the final year. The collateral on the bonds is a mortgage on the Cannavino Library and Fontaine Hall, as well as all related furniture, fixtures and equipment. A letter of credit issued by JP Morgan Chase provides a liquidity facility for the bonds.

C. Series 2000-A

On November 1, 2000, the College entered into an agreement with the Dutchess County IDA and BNY Capital Markets to issue variable rate demand bonds in the amount of \$20,000,000. Proceeds were used to finance construction of additional student townhouses on West Cedar Street in Poughkeepsie, New York and to make renovations to three existing dormitories. Interest is payable monthly based upon a variable rate not to exceed 12% per annum, which is adjusted weekly. Principal payments will be made annually through July 1, 2031 based upon a predetermined schedule. The initial principal payment was \$330,000 and gradually increases to \$1,175,000 in the final year. The collateral on the bonds is a mortgage on the Upper West Cedar Townhouses, Leo Hall, Sheahan Hall, Champagnat Hall, as well as all related furniture, fixtures and equipment. A letter of credit issued by TD Bank provides a liquidity facility for the bonds.

D. Series 2003-A

On March 3, 2003, the College entered into an agreement with the Dutchess County IDA and BNY Capital Markets to issue variable rate demand bonds in the amount of \$37,080,000. Proceeds were used to refund Series 1990 and 1992 bonds issued by the Dormitory Authority of the State of New York. Interest is payable semiannually based upon predetermined interest rates starting at 3.8% in the initial year, increases to 5.15% in 2017, and dropping back down to 5% from 2020 to 2022. Principal payments will be made annually through July 1, 2022 based upon a predetermined schedule ranging from \$1,855,000 to \$6,205,000. The collateral on the bonds is a mortgage on the Dyson Center, the Lowell Thomas Communications Center, the Midrise and Student Center, and all related furniture, fixtures and equipment. The College is required to maintain a Debt Service Reserve Fund of \$3,468,215. Funds held by BNY Capital Markets totaled \$4,008,143 as of June 30, 2011.

E. Series 2005-A

On March 22, 2005, the College entered into an agreement with the Dutchess County IDA and BNY Capital Markets to issue variable rate demand bonds in the amount of \$20,000,000. Proceeds were used to finance construction of additional student townhouses, parking and a pedestrian walkway on Fulton Street in Poughkeepsie, New York. Interest is payable monthly based upon a variable rate not to exceed 12% per annum, which is adjusted weekly. Principal payments will be made annually through July 1, 2035 based upon a predetermined schedule. The initial principal payment was \$370,000 and gradually increases to \$1,085,000 in the final year. The collateral on the bonds is a mortgage on the Upper Fulton Townhouses, 6 Terminal Road Parking Lot, as well as all related furniture, fixtures and equipment. A letter of credit issued by JP Morgan Chase provides a liquidity facility for the bonds.

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

F. Series 2008-A

On January 1, 2008 the College entered into an agreement with the Dutchess County IDA and Morgan Stanley & Company to issue variable rate demand bonds in the amount of \$20,000,000. Proceeds were used to finance construction of additional student townhouses, parking lots and roadways on Fulton Street in Poughkeepsie, New York. Interest is payable monthly based upon a variable rate not to exceed 12% per annum, which is adjusted weekly. Principal payments will be made annually through July 1, 2038 based upon a predetermined schedule. The initial principal payment was \$380,000 and gradually increases to \$1,065,000 in the final year. The bonds have a springing lien on Lower Fulton Townhouses, as well as all related furniture, fixtures and equipment. A letter of credit issued by TD Bank provides a liquidity facility for the bonds.

G. Note Payable -Marist Brothers

A note payable to the Marist Brothers is related to the original purchase of the assets of Marist College by the Marist College Corporation. Payments are due in equal annual installments of \$25,000 including interest at 8%. The final payment is due during the fiscal year ending June 30, 2013. The note is an unsecured obligation of the College.

At June 30, 2011, interest expense related to long-term debt was \$1,629,709.

The letters of credit issued by JP Morgan Chase and TD Bank require the College to meet certain financial and reporting covenants. The College is in compliance, or has obtained waivers to all required loan covenants at June 30, 2011. The College's debt rating (as affirmed by Moody's in March 2009) as of June 30, 2011 is currently A2 with a stable outlook.

Based on current rates and credit qualities, the fair value of long-term debt approximates carrying amounts.

At June 30, 2011, aggregate principal maturities of long-term debt for each of the next five years and thereafter are as follows:

Fiscal years ending:	
2012	\$ 3,345,000
2013	3,511,425
2014	3,648,148
2015	3,775,000
2016	3,940,000
Thereafter	<u>74,135,000</u>
Total	<u>\$ 92,354,573</u>

14. INTEREST RATE SWAP OBLIGATIONS

The College is a party to an interest rate swap agreement with Morgan Stanley Capital Services, Inc. (the "counterparty"). The swap agreement is in place for the variable rate debt of the series 1998, 1999, 2000 and 2005 bond issues with a notional principal amount of \$53,185,000 at June 30, 2011. The swap agreement matures on July 1, 2035. Under the terms of the agreement, the College will continue to pay the bondholders interest at variable rates. The counterparty will reimburse the College a variable interest rate at

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

68% of LIBOR (0.1690% at June 30, 2011) while the College is obligated to pay the counterparty a fixed rate of 3.42%.

The fair value of these obligations as of June 30, 2011 total \$5,355,956 and are categorized as level 2 within the fair value hierarchy. Change in value on these obligations total \$1,224,261 and are included in the accompanying consolidated statement of activities as net gain on change in value of interest rate swap obligations.

Additional interest paid by the College related to the swap agreement amounted to approximately \$1,704,522 during the year ended June 30, 2011.

The swap agreement contains provisions that require the College to meet certain financial covenants. The College is in compliance with these covenants at June 30, 2011, however, if they were not in compliance the College would be required to post an additional \$5,355,956 of collateral to the counterparty.

15. POST-RETIREMENT HEALTH CARE BENEFITS

The College sponsors three defined benefit post-retirement plans which cover substantially all employees that attain either predefined ages and/or years of service, or retirement with a disability benefit. The College offers a medical benefits plan, a dental benefits plan and a life insurance benefits plan. Under the medical plan, eligible retirees have a choice of one indemnity plan and one PPO. Both of these plans are contributory with retiree contributions adjusted annually. For all active and new employees, only the PPO plan is available.

The following table provides a reconciliation of the changes in the Plans' benefit obligations and fair value of assets for the year ended June 30, 2011:

Reconciliation of benefit obligation:	
Obligation at beginning of year, as restated (Note 24)	\$ 20,963,566
Service cost, including expenses	1,172,963
Interest cost	1,402,546
Actuarial loss	3,224,225
Benefits payments and expected expenses	(742,430)
Medicare Part D reimbursements	48,592
Obligation at end of year	<u>26,069,462</u>
Reconciliation of fair value of plan assets:	
Fair value of plan assets at beginning of year	\$ -
Employer contribution	693,838
Benefit payments and actual expenses	(742,430)
Medicare Part D reimbursements	48,592
Fair value of plan assets at end of year	<u>-</u>
Unfunded status at end of year	<u>\$ 26,069,462</u>

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

The effect of a one-percentage-point increase in the assumed health care cost trend rates for each future year on the accumulated post-retirement benefit obligation for health care benefits and the aggregate of the service and interest cost components of net periodic postretirement health care benefit cost are shown below:

	<u>Post-Retirement Benefits</u>	
	<u>Accumulated Post-Retirement Benefit Obligation</u>	<u>Service Cost Plus Interest Cost</u>
At trend	\$ 26,069,462	\$ 2,575,509
At trend + 1%	30,815,631	3,165,572
Dollar impact	4,746,169	590,063
Percentage impact	18.21 %	22.91 %
At trend - 1%	22,485,968	2,144,329
Dollar impact	(3,583,494)	(431,180)
Percentage impact	(13.75)%	(16.74)%

The amount recognized in unrestricted net assets on the consolidated statement of financial position at June 30, 2011, consists of:

Transition obligation	\$ (471,905)
Prior service cost	(700,826)
Loss	<u>(12,498,789)</u>
Total	<u>\$ (13,671,520)</u>

Components of net periodic cost and other amounts recognized in unrestricted net assets on the consolidated statement of activities for the year ended June 30, 2011 consist of the following:

Net periodic benefit cost:	
Service cost	\$ 1,172,963
Interest cost	1,402,546
Amortization of transition obligation	117,978
Amortization of prior service cost	120,715
Amortization of net loss	<u>737,063</u>
Net periodic benefit cost	<u>\$ 3,551,265</u>

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

Other amounts recognized in unrestricted net assets:

Net loss	\$ 3,224,225
Amortization of transition obligation	(117,978)
Amortization of prior service cost	(120,715)
Amortization of net loss	<u>(737,063)</u>
Total other amounts recognized in unrestricted net assets	<u>2,248,469</u>
Total amount recognized in net periodic benefit costs and unrestricted net assets	<u>\$ 5,799,734</u>

The estimated transition obligation, prior service cost, and net loss for the Plan that will be recognized as components of net periodic benefit cost for the year ending June 30, 2012 are \$117,978, \$190,715 and \$604,303, respectively.

For measurement purposes all items have been calculated as of June 30, 2011. The annual rate of increase in the per capita cost of covered health care benefits was assumed to be 8% for the fiscal year June 30, 2011. The health care costs trend rate assumed for next year is 7.6%, 7.1% in 2013, 6.6% in 2014 and declining to an ultimate trend rate of 5.2% in 2060. The College will split with the employees any future increases from July 1, 1999 levels. The weighted average of the assumed discount rate used to measure the accumulated post-retirement benefit obligation is 5.88%. The assumed long-term rate of return on plan assets is not applicable, since there are no plan assets.

The following schedule summarizes the benefits to be paid by the Plan in each of the next five years along with the aggregate to be paid for the five years thereafter:

Fiscal years ending	Net Benefits
June 30, 2012	\$ 773,492
June 30, 2013	835,612
June 30, 2014	921,630
June 30, 2015	992,325
June 30, 2016	1,055,107
June 30, 2017 through June 30, 2021	<u>6,782,768</u>
Total	<u>\$ 11,360,934</u>

The College's post-retirement benefit plan prescription drug coverage is at least actuarially equivalent to the new Medicare coverage. The disclosure reflects, as of June 30, 2011, the subsidy payments from Medicare that commenced in 2007. The value of the subsidy is reflected as an actuarial gain and reduces the Plan's accumulated post-retirement benefit obligation, service cost and the net periodic post-retirement benefit cost.

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

16. FAIR VALUE MEASUREMENTS

Fair values of assets and liabilities measured on a recurring basis at June 30, 2011 are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Short-term investments:				
Fixed income securities	\$ 12,636,821	\$ 12,636,821	\$ -	\$ -
Assets held in charitable remainder trusts:				
Cash and cash equivalents	962,210	-	962,210	-
Endowments and other investible funds:				
Fixed income securities	28,525,943	28,525,943	-	-
Domestic equity securities	60,848,389	60,848,389	-	-
International equity securities	36,530,202	21,410,699	15,119,503	-
Global real estate funds	6,398,505	6,398,505	-	-
Hedge funds	10,877,734	-	5,424,804	5,452,930
Total pooled investments	<u>143,180,773</u>	<u>117,183,536</u>	<u>20,544,307</u>	<u>5,452,930</u>
Other investments:				
Domestic equity securities	98,083	98,083	-	-
Investment in TIAA-CREF annuities and mutual funds	1,742,684	-	1,742,684	-
Total assets	<u>\$ 158,620,571</u>	<u>\$ 129,918,440</u>	<u>\$ 23,249,201</u>	<u>\$ 5,452,930</u>
LIABILITIES				
Interest rate swap obligations	<u>\$ 5,355,956</u>	<u>\$ -</u>	<u>\$ 5,355,956</u>	<u>\$ -</u>

Fair values of financial instruments measured using Level 3 inputs at June 30, 2011 are as follows:

Fair value, June 30, 2010	\$ 10,021,968
Transfers to level 2	(4,946,228)
Unrealized gains	<u>377,190</u>
Fair value, June 30, 2011	<u>\$ 5,452,930</u>

During the year ended June 30, 2011, the College transferred \$4,946,228 from Level 3 to Level 2 due to the expiration of lock-up periods and liquidity changes at June 30, 2011 for the Archstone Offshore Fund.

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

The College uses the Net Asset Value per share or its equivalent (“NAV”) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments by major category:

Fund Strategy	Number of Funds	NAV	Remaining Life	\$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Notice Required	Lockup and Redemption Terms
Multi-Strategy Hedge Fund of Funds	2	\$ 10,877,734	N/A	None	N/A	90 - 95 days	1 fund with 90 day liquidity, 1 fund with 180 day liquidity after 90 - 95 days notice
International Equity - Value	1	\$ 15,119,503	N/A	None	N/A	30 days	Monthly liquidity

All net unrealized gains in the table above are reflected in net realized and unrealized gain/(loss) in the accompanying consolidated statement of activities.

17. NET ASSETS

Net assets consist of the following at June 30, 2011:

Unrestricted net assets:

For general operations	\$ 74,266,870
Designated for quasi-endowment	7,349,671
Net investment in plant	<u>165,753,176</u>
	<u>247,369,717</u>

Temporarily restricted net assets:

Instruction, research and divisional support	3,045,839
Building and construction activities	21,796,316
Scholarships and endowment	<u>12,310,961</u>
	<u>37,153,116</u>

Permanently restricted net assets:

Endowment funds	<u>24,793,824</u>
Total net assets	<u><u>\$ 309,316,657</u></u>

18. ENDOWMENT

The College’s endowment consists of both donor-restricted endowment funds established for a variety of purposes and funds designated by the Board of Trustees to function as quasi-endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

MARIST COLLEGE AND AFFILIATES

Notes to Consolidated Financial Statements

For the year ended June 30, 2011

On September 17, 2010, New York State passed the New York State Prudent Management of Institutional Funds Act (“NYPMIFA”), its version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). All not-for-profit organizations formed in New York must apply this law. The College classifies donor-restricted endowment funds as permanently restricted net assets, unless otherwise stipulated by the donor: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund’s historic dollar value. Under NYPMIFA, the College may spend below the historical dollar value of its endowment funds, if determined to be prudent, unless specific donors have stipulated to the contrary. To date, the College has received instructions from donors, who have contributed \$253,908 in permanently restricted contributions (with a fair value of \$302,613 as of June 30, 2011), for which the College must maintain the historical dollar value of these funds and not adopt NYPMIFA as it relates to these particular endowment contributions. At June 30, 2011, the College had not spent below the historical dollar value of its endowments.

The investment objectives for the College’s endowment are to preserve the principal value of those funds, in both absolute as well as real terms, and to maximize, over the long-term, the total rate of return earned without assuming an unreasonable degree of risk. In connection with these investment objectives, the Board of Trustees has adopted a spending policy. The amount available for spending is determined annually by applying a rate of 5% to the average fair value of the endowment for the preceding three fiscal years.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until such amounts are appropriated for expenditure by the College’s Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the College 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 College and its 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 College
- (7) The investment policies of the College and
- (8) Where appropriate, alternatives to spending from the donor-restricted endowment fund and the possible effects of the College.

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

The tables which follow present information with respect to the College's endowment, inclusive of pledges, as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 12,310,961	\$ 24,793,824	\$ 37,104,785
Board-designated endowment funds	<u>7,349,671</u>	<u>-</u>	<u>-</u>	<u>7,349,671</u>
Total endowment net assets	<u>\$ 7,349,671</u>	<u>\$ 12,310,961</u>	<u>\$ 24,793,824</u>	<u>\$ 44,454,456</u>

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year, as previously reported (Note 24)	\$ 13,087,055	\$ 2,134,374	\$ 23,937,701	\$ 39,159,130
Transfer to temporarily restricted	(6,641,920)	6,641,920	-	-
Transfer to quasi-endowment	146,950	-	(146,950)	-
Transfer to permanently restricted	<u>(250,000)</u>	<u>-</u>	<u>250,000</u>	<u>-</u>
Endowment net assets, beginning of year, as restated	6,342,085	8,776,294	24,040,751	39,159,130
Dividends and interest	58,264	270,697	255	329,216
Net realized and unrealized appreciation on investments	933,060	3,658,945	-	4,592,005
Contributions	24,362	-	752,818	777,180
Awards made	<u>(8,100)</u>	<u>(394,975)</u>	<u>-</u>	<u>(403,075)</u>
Endowment net assets, end of year	<u>\$ 7,349,671</u>	<u>\$ 12,310,961</u>	<u>\$ 24,793,824</u>	<u>\$ 44,454,456</u>

19. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions due to the passage of time and/or satisfying the restricted purposes specified by the donors are as follows:

Instruction, research and divisional support	\$ 628,515
Scholarships	<u>394,975</u>
Total	<u>\$ 1,023,490</u>

20. DEVELOPMENT EXPENSES

The College incurred expenses amounting to \$1,025,165 related to development and fundraising for the year ended June 30, 2011. Such amount is included in institutional support on the accompanying consolidated statement of activities.

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

21. SELF-INSURED MEDICAL BENEFITS

The College has a self-insured hospitalization and medical coverage program for its employees. The College is limiting its losses through the use of stop-loss policies through reinsurers. Specific individual family losses for claims are limited to \$150,000 per plan year. The College's aggregate annual loss limitation for the plan year ended March 31, 2011 was \$9,738,599. The amount reserved for these items at June 30, 2011 totals \$1,219,526, and is included in accounts payable and accrued liabilities.

Management believes they have adequately provided for all claims incurred in the accompanying consolidated financial statements, however, since the accrued liability is based on estimates, the College's ultimate liability may exceed or be less than the amounts accrued. The methods of making such estimates and establishing the accrual are reviewed continually and any resulting adjustments are reflected in change in net assets for the current year.

22. RELATED PARTY TRANSACTIONS

Net unconditional promises to give include approximately \$2.7 million due from board members and entities related to board members as of June 30, 2011.

23. COMMITMENTS AND CONTINGENCIES

The College is subject to various litigation incidental to its business. Management and its counsel believe that existing insurance policies are sufficient and that pending litigation will not have a material adverse effect on the College's financial position, operations and cash flows.

The College is a member of the New York College & University Risk Management Group Trust. The Trust was created for the purpose of providing and securing workers compensation insurance for its members. There is a statutory requirement that each member be jointly and severally liable with all other members for the compensation and medical liability accruing during its participation in the Group. Such liability shall survive the member's termination from the Group or active participation in the Program. As of June 30, 2011, the College believes there is no exposure for future liabilities.

The College leases space in Fishkill, New York in conjunction with its School of Global and Professional Programs under a non-cancellable operating lease agreement. The agreement also require the College to pay for its share of utilities, real estate taxes, insurance and property management fees, as well as the operation of common areas. The Fishkill lease expires in April 2015.

The College has three separate leases for residential and classroom space in Florence, Italy for its international program. The agreements also require the College to pay for its share of utilities and registration fees. Leases expire in May 2012, May 2015 and December 2015.

Additionally, the College leases automobiles, copier equipment, and other equipment under operating leases with terms ranging from three to five years.

In addition to the benefits described in Note 10 above, the College has employment agreements in place that extend through fiscal 2016.

MARIST COLLEGE AND AFFILIATES
Notes to Consolidated Financial Statements
For the year ended June 30, 2011

The minimum future lease commitments under the above operating leases and other contractual commitments are as follows:

Fiscal years ending:

June 30, 2012	\$ 1,781,784
June 30, 2013	1,379,838
June 30, 2014	1,190,805
June 30, 2015	1,261,306
June 30, 2016	481,547
Total	<u>\$ 6,095,280</u>

Rental expense for the year ended June 30, 2011 amounted to \$900,831.

24. RESTATEMENT OF NET ASSETS

During fiscal 2011, the College determined that certain transactions related to prior years had not been properly reflected in previously issued consolidated financial statements. Accordingly, adjustments were recorded to net assets as of June 30, 2010 to properly account for these transactions. The effect of these adjustments is summarized below:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year, as previously reported	\$ 224,288,282	\$ 25,897,338	\$ 23,937,701	\$ 274,123,321
To record non-cash contribution	3,030,374	-	-	3,030,374
To correct actuarially determined post-retirement benefit obligations	(5,046,097)	-	-	(5,046,097)
To correctly state refundable advances owed to the U.S. government	(1,600,073)	-	-	(1,600,073)
To write off previously disposed property	(1,017,644)	-	-	(1,017,644)
To reclassify endowment earnings on scholarship funds	(6,641,920)	6,641,920	-	-
To reclassify quasi-endowment balances	146,950	-	(146,950)	-
To reclassify permanently restricted endowments	(250,000)	-	250,000	-
Net assets, beginning of year, as restated	<u>\$ 212,909,872</u>	<u>\$ 32,539,258</u>	<u>\$ 24,040,751</u>	<u>\$ 269,489,881</u>