THE CITY UNIVERSITY OF NEW YORK

Basic Financial Statements and Supplementary Schedules and Management's Discussion and Analysis

June 30, 2007

(With Independent Auditors' Report Thereon)
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management’s Discussion and Analysis</td>
<td>1</td>
</tr>
<tr>
<td>Independent Auditors’ Report</td>
<td>17</td>
</tr>
<tr>
<td>Basic Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>The City University of New York – Business-type Activities – University Only – Statement of Net Assets as of June 30, 2007</td>
<td>19</td>
</tr>
<tr>
<td>The City University of New York – Business-type Activities – University Only – Statement of Revenues, Expenses, and Changes in Net Assets for the year ended June 30, 2007</td>
<td>21</td>
</tr>
<tr>
<td>The City University of New York – Discretely Presented Component Units – College Foundations – Combined Statement of Activities for the year ended June 30, 2007</td>
<td>22</td>
</tr>
<tr>
<td>The City University of New York – Business-type Activities – University Only – Statement of Cash Flows for the year ended June 30, 2007</td>
<td>23</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>25</td>
</tr>
<tr>
<td>Supplementary Schedules</td>
<td></td>
</tr>
<tr>
<td>1 The City University of New York – Schedule of Net Assets – Senior and Community Colleges as of June 30, 2007</td>
<td>67</td>
</tr>
<tr>
<td>2 The City University of New York – Schedule of Revenues, Expenses, and Changes in Net Assets – Senior and Community Colleges for the year ended June 30, 2007</td>
<td>68</td>
</tr>
<tr>
<td>3 The City University of New York – Schedule of Cash Flows – Senior and Community Colleges for the year ended June 30, 2007</td>
<td>69</td>
</tr>
</tbody>
</table>
INTRODUCTION

The intent of Management’s Discussion and Analysis (MD&A) is to provide readers with an overview of the changes in financial position of The City University of New York (the “University” or “CUNY”) as of and for the year ended June 30, 2007.

The MD&A is designed to focus on current activities, resulting changes, and currently known facts with respect to the University’s financial position. It should be read in conjunction with the accompanying basic financial statements and related footnotes.

For financial reporting purposes, the University’s reporting entity consists of eleven (11) senior colleges, six (6) community colleges, three (3) Graduate and Professional Schools, and a School of Professional Studies, School of Biomedical Education and an Honors College. The University’s financial statements also include the financial activity of the following other related organizations: the Research Foundation of the City University of New York (RF-CUNY), the 230 West 41st Street LLC, the City University Construction Fund (CUCF), auxiliary enterprise corporations and boards, college associations, child care centers of the individual colleges, and other entities deemed includable in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity.”

The University also includes twenty (20) college foundations as part of its reporting entity. These fundraising organizations follow the Financial Accounting Standards Board (FASB) standards. The financial activities of these organizations are maintained in their original FASB format and are not included in the discussion presented below. The basis for determining which University related organizations are considered to be part of the University’s reporting entity is included in Note 1 of the financial statements.

FINANCIAL HIGHLIGHTS (COMPARISON OF FISCAL YEARS 2007 AND 2006)

- Fiscal year 2007 represented the first year of the University’s new multi-year funding strategy, the CUNY Compact. Under the Compact, funding would be shared by the State of New York (the State) and the City of New York (the City), the University (through internal efficiencies), philanthropic sources, and students, through managed enrollment growth and modest, predictable tuition increases. The Compact had a successful first-year implementation in that the University’s mandatory (i.e., salaries, fringes, utilities, rentals, etc.) needs were fully covered by the State and City, and the State provided additional operating aid to offset the planned tuition increases.

- During fiscal year 2007, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. For background information on GASB 45 and Other Postemployment Benefits (OPEB), please see New Accounting Standards Adopted (Note 2 of the financial statements). The financial reporting impact resulting from the implementation of GASB 45 was the recognition of additional expense and liability totaling $77.3 million in the University’s financial statements (see Note 10, Postemployment Benefits, for disclosure information relating to the OPEB Plan and liability).

- The University had over $3 billion of capital assets in fiscal 2007, net of accumulated depreciation. Capital construction disbursements increased 35% from 2006 to 2007.
FINANCIAL POSITION

An institution’s net assets (assets minus liabilities) are one measure of financial health or financial position. Increases and decreases in the University’s net assets over time are indicators of whether its financial health is sound or not.

CUNY’s total net assets increased by $23.2 million, or 5%, between fiscal years 2006 and 2007. The variance was due to the following: (i) $106 million decrease in invested in capital assets, net of related debt net assets due to the issuance of bonds offset by scheduled retirement and refunding of existing bonds; (ii) $10.6 million decrease in restricted nonexpendable net assets primarily due to the removal of the City College’s 21st Century Foundation from the blended presentation of the University’s financial statements; (iii) $27.8 million decrease in unrestricted net assets primarily due to the recognition of the OPEB liability ($77.3 million) offset by increases in cash and cash equivalents; and, (iv) $167.7 million increase in restricted expendable net assets primarily due to early payments of bond principal and interest during fiscal year 2006 and greater amount of funds needed to satisfy 2007’s bond obligations as a result of more outstanding debt.

<table>
<thead>
<tr>
<th>Net Assets</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>$ (217,627)</td>
<td>$ (111,632)</td>
</tr>
<tr>
<td>Restricted nonexpendable</td>
<td>36,669</td>
<td>47,297</td>
</tr>
<tr>
<td>Restricted expendable</td>
<td>534,526</td>
<td>366,836</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>123,926</td>
<td>151,800</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>$ 477,494</td>
<td>$ 454,301</td>
</tr>
</tbody>
</table>

The City University of New York

(Continued)
Management’s Discussion and Analysis
June 30, 2007

Several non-financial factors are also relevant to the University’s financial health. These include changes in the number and quality of its applicants, size of the first-year class, the number of full-time faculty, student retention, graduation rates, building conditions, and campus safety. For example, an increase in the size of the first-year class would result in an increase of tuition and fees revenues. It is important to note there are no known unfavorable changes in the aforementioned factors.

**ASSETS**

At June 30, 2007, the University’s total assets increased by $318.9 million, or 7%. The variance was attributable to increases in cash and cash equivalents, deposits held by bond trustees, amounts held by Dormitory Authority of the State of New York (DASNY) and capital assets, offset by decreases in investments and receivables.

The major components of the University’s assets at June 30, 2007 and 2006 follow:

<table>
<thead>
<tr>
<th>Assets</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$469,349</td>
<td>$327,602</td>
</tr>
<tr>
<td>Investments</td>
<td>242,010</td>
<td>313,960</td>
</tr>
<tr>
<td>Deposits held by bond trustees</td>
<td>915,786</td>
<td>726,451</td>
</tr>
<tr>
<td>Amounts held by DASNY</td>
<td>72,251</td>
<td>16,397</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>284,133</td>
<td>348,977</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>3,019,461</td>
<td>2,952,456</td>
</tr>
<tr>
<td>Deferred financing costs</td>
<td>44,515</td>
<td>43,035</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>27,573</td>
<td>27,383</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$5,075,078</td>
<td>$4,756,261</td>
</tr>
</tbody>
</table>

**Cash and Cash Equivalents** increased by $141.7 million, or 43%, between fiscal years 2006 and 2007. The variance was primarily due to the following increases: (i) $33.8 million of additional tuition and fees cash held by the University at June 30, 2007. These funds represent tuition collections at the senior colleges which will be used to pay their current and future year liabilities; (ii) $31.1 million increase in cash held by the New York State Treasury on CUNY’s behalf. This increase was due to the timing of deposits and disbursements as well as the addition of several new accounts established during the year, including: the Brooklyn College Academy, Baruch College High School, Medgar Evers High School, CUNY School of Law, School of Professional Studies (SPS), and Joseph Murphy Institute at SPS; (iii) $14.8 million due to the transfer of funds from investments in fiscal year 2006 to cash and cash equivalents in fiscal year 2007; (iv) $10.9 million related to the liquidation and transfer of investments from CUCF for the Honors College and School of Journalism to the University, this amount was held in cash equivalents in fiscal year 2007; (v) $6 million for the “Jobs to Build On” initiative; (vi) additional investment income; and (vii) other increases at the college’s non-tax levy related entities.

**Investments** at June 30, 2007 decreased by $72 million, or 23%. Approximately $171.4 million, or 71%, of the University’s investments are held within a managed investment pool. These funds are invested in
Management's Discussion and Analysis
June 30, 2007

various fixed and equity investment vehicles. Several investment advisory firms are used to assist the University’s Board of Trustees in its portfolio management.

The variance from the prior year was due to the following decreases: (i) $55.7 million at CUCF primarily due to timing; at June 30, 2007, CUCF was not holding any funds related to tuition and fees or debt service payments; whereas, at June 30, 2006 CUCF was holding over $46 million of these funds in investments. Additionally, CUCF transferred $10.9 million of its investments to CUNY during fiscal year 2007; these funds were held in cash equivalents by the University at June 30, 2007; (ii) $26.6 million related to the City College 21st Century Foundation being reported discretely in fiscal year 2007; and (iii) $14.8 million of funds held in investments at June 30, 2006, were held as cash equivalents at June 30, 2007. These decreases were offset by an $18 million increase in the University’s investment pool which was primarily due to an increase in realized and unrealized gains in the amount of $21 million, deposits into the pool of $3.9 million, less withdrawals from the pool of $6.3 million. The remainder of the variance was due to increases in the investments held by the colleges’ non-tax related entities.

**Deposits Held by Bond Trustees** includes bond proceeds not yet expended for construction projects and debt service and related accumulated investment income. Bond proceeds and investment income in excess of construction costs are restricted for future projects and debt service; these funds are invested in highly liquid assets, such as treasury bills. The balance increased by $189.3 million, or 26%, between fiscal years 2006 and 2007. The variance was primarily due to the issuance of two new bonds having a par value of $323 million and original issue premium of $24.2 million, offset by payments for construction, debt service and transfers to Amounts Held by DASNY (see explanation below).

**Amounts Held by DASNY** represents funds remitted to DASNY to be used for the rehabilitation of existing plant facilities and administrative costs. The balance increased by $55.9 million, or 341%, between fiscal years 2006 and 2007 primarily due to the transfer of $56.5 million from Deposits Held by Bond Trustee related to the rehabilitation of Fiterman Hall.

**Receivables, net** includes amounts due to the University for grants and contracts (federal, state, city and private), state and city appropriations, interest, student accounts, loans, and other operating receivables, offset by the allowance for doubtful accounts and loans of $48.8 million in fiscal year 2007.

The balance decreased by $64 million, or 19%, from the prior year due to the following: (i) $79.8 million decrease in appropriation receivable of which $73.7 million related to payroll and fringe benefits accrual for the Professional Staff Congress (PSC) collective bargaining contract which was accrued for at June 30, 2006, and paid out during fiscal year 2007; (ii) $3.7 million decrease at the City College 21st Century Foundation as the entity was reported discretely in fiscal year 2007; (iii) $4.5 million increase at CUCF due to an increase in amounts expected from DASNY related to salary reimbursement; and (iv) $6.2 million increase in accrued interest receivable related to the University’s Deposit Held by Bond Trustee primarily due to timing difference of the maturing of treasury notes.

**Capital Assets, net** includes land, land improvements, building, building improvements, leasehold improvements, construction in progress, infrastructure, infrastructure improvements, artwork and historical treasures, and equipment, reduced by related depreciation. The 2007 balance of $3.01 billion represented an increase of $67 million, or 2%, from fiscal year 2006. The variance was primarily due to capital construction additions of $241 million, offset by depreciation expense of $173.4 million.
Deferred Financing Costs represent costs incurred for the issuance of bonds that are capitalized and amortized over the life of the related debt. At June 30, 2007, 88% of these costs were for bonds issued for the senior colleges, while the remaining 12% were for community colleges. The increase of $1.5 million, or 3%, reflects capitalization of $4.4 million in issuance costs related to the two new bonds, offset by amortization expense of $2.9 million.

Prepaid Expenses and Other Assets remained consistent between fiscal years 2006 and 2007, with a $190 thousand, or less than 1%, increase.

LIABILITIES

At June 30, 2007, the University’s total liabilities increased by $295.6 million, or 7%, from the prior year. The variance was primarily due to increases in OPEB liability, long-term debt, accrued interest payable, and other liabilities; this was offset by a decrease in accounts payable and accrued expenses.

The following summarizes the liabilities at June 30, 2007 and 2006:

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$ 255,711</td>
<td>$ 366,870</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>$ 111,094</td>
<td>$ 103,327</td>
</tr>
<tr>
<td>OPEB liability</td>
<td>$ 107,989</td>
<td>$ 107,989</td>
</tr>
<tr>
<td>Deferred tuition and fees revenue</td>
<td>$ 56,764</td>
<td>$ 56,003</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>$ 80,672</td>
<td>$ 47,951</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>$ 3,793,280</td>
<td>$ 3,549,403</td>
</tr>
<tr>
<td>Deferred grant revenue</td>
<td>$ 56,572</td>
<td>$ 63,392</td>
</tr>
<tr>
<td>Federal refundable loans</td>
<td>$ 43,951</td>
<td>$ 44,945</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>$ 91,551</td>
<td>$ 70,069</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>$ 4,597,584</strong></td>
<td><strong>$ 4,301,960</strong></td>
</tr>
</tbody>
</table>

Accounts Payable and Accrued Expenses decreased by $111.2 million, or 30%, between fiscal years 2006 and 2007. The variance was primarily due to the following: (i) $79.8 million decrease in accrued expenses of which $73.7 million was related to payroll and fringe benefits for the PSC collective bargaining contract. These funds were accrued for at June 30, 2006, and paid out during fiscal year 2007; and (ii) $28.2 million decrease related to the timing of payments at CUCF: at June 30, 2007, all tuition and fees had been remitted to the City of New York, whereas at June 30, 2006, $27 million was outstanding.

Compensated Absences is comprised of estimates of annual and sick leave. The fiscal year 2007 balance increased by $7.8 million, or 8%, from the prior year, primarily due to an increase in the average salaries used in the calculation as a result of recent collective bargaining contracts.

OPEB Liability increased by $108 million. The University’s portion of this balance, $77.3 million, was comprised of Annual OPEB costs of $103 million, less payments made during fiscal year 2007 of $25 million. Additionally, $30.7 million of this liability was related to RF-CUNY (refer to Note 10 of the financial statements for further details).
Deferred Tuition and Fees Revenue comprises tuition and fee payments made by students prior to June 30th but which are intended for the following summer and/or fall semester. The June 30, 2007 balance of $56.8 million remained consistent with the fiscal year 2006 balance of $56 million, with less than a 1% increase.

Accrued Interest Payable increased by $32.7 million, or 68%, between fiscal years 2006 and 2007 and was due to the early payment of interest in fiscal year 2006.

Long-Term Debt increased by $243.9 million, or 7%, between fiscal years 2006 and 2007. The variance was due to the issuance of new bonds with a par value of $323 million and original issue premium of $24.2 million, as well as new debt for the acquisition of the Macaulay Honors College building of $28 million, offset by payments of outstanding bonds of $132 million and amortization of bond premiums and discounts of $14.5 million.

Deferred Grant Revenue decreased by $6.8 million, or 11%, between fiscal years 2006 and 2007. The variance was the result of changes in the timing of the receipt of payments from governmental and private sponsors to the Research Foundation of the City University of New York.

Other Liabilities includes both current and non-current other liabilities, deposits held in custody for others and collateral held for securities lending. The 2007 balance increased by $21.5 million, or 31%, primarily due to the following increases: (i) $6 million in deposits held in custody for others which represents funds appropriated and received from New York City for the “Jobs to Build On” program. These funds will be expended once contract terms have been settled; (ii) $2.6 million increase in other non-current liabilities due to the straight lining of leases – this was recorded in order to spread costs evenly throughout the term of the University’s leases; (iii) $1.2 million at RF-CUNY; (iv) $8.3 million related to timing at the University’s non-tax levy entities; and (v) $2.8 million at CUCF.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the University, as well as non-operating revenues and expenses. New York State and City appropriations, while budgeted for operating activities, are presented as non-operating revenues as prescribed by GASB. The major components of revenues are presented below:

REVENUES

2007 Revenues

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital appropriations</td>
<td>$426,208</td>
<td>13</td>
</tr>
<tr>
<td>New York City appropriations</td>
<td>$252,704</td>
<td>8</td>
</tr>
<tr>
<td>New York State appropriations</td>
<td>$994,781</td>
<td>30</td>
</tr>
<tr>
<td>Investment return</td>
<td>$97,156</td>
<td>3</td>
</tr>
<tr>
<td>Other revenues</td>
<td>$61,534</td>
<td>2</td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>$607,572</td>
<td>19</td>
</tr>
<tr>
<td>Gifts, grants and contracts</td>
<td>$814,073</td>
<td>25</td>
</tr>
</tbody>
</table>

2006 Revenues

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital appropriations</td>
<td>$365,811</td>
<td>12</td>
</tr>
<tr>
<td>New York City appropriations</td>
<td>$246,650</td>
<td>8</td>
</tr>
<tr>
<td>New York State appropriations</td>
<td>$916,997</td>
<td>31</td>
</tr>
<tr>
<td>Investment return</td>
<td>$65,026</td>
<td>2</td>
</tr>
<tr>
<td>Other revenues</td>
<td>$67,929</td>
<td>2</td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>$582,731</td>
<td>19</td>
</tr>
<tr>
<td>Gifts, grants and contracts</td>
<td>$797,897</td>
<td>26</td>
</tr>
</tbody>
</table>

The City University of New York

(Continued)
The University’s revenues for the fiscal years ended June 30, 2007 and 2006 are presented below:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees, net</td>
<td>$607,572</td>
<td>$582,731</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>808,282</td>
<td>775,530</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>21,668</td>
<td>20,159</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>39,866</td>
<td>47,770</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>1,477,388</td>
<td>1,426,190</td>
</tr>
<tr>
<td>Non-Operating and Other Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New York State appropriations</td>
<td>994,781</td>
<td>916,997</td>
</tr>
<tr>
<td>New York City appropriations</td>
<td>252,704</td>
<td>246,850</td>
</tr>
<tr>
<td>Capital appropriations</td>
<td>426,208</td>
<td>365,811</td>
</tr>
<tr>
<td>Investment income, net</td>
<td>75,495</td>
<td>49,410</td>
</tr>
<tr>
<td>Net appreciation in fair value of investments</td>
<td>21,661</td>
<td>15,616</td>
</tr>
<tr>
<td>Gifts and grants</td>
<td>5,791</td>
<td>22,367</td>
</tr>
<tr>
<td>Total non-operating and other revenues</td>
<td>1,776,640</td>
<td>1,617,051</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$3,254,028</td>
<td>$3,043,241</td>
</tr>
</tbody>
</table>

The University’s total revenue for fiscal year 2007 was $3.3 billion, which represented an increase of $210.8 million, or 7%, over the prior year. New York State appropriations accounted for 30% of revenues generated by the University, followed by gifts, grants and contracts at 25%, tuition and fees at 19%, capital appropriations at 13% and New York City appropriations at 8%.

**Tuition and Fees**, net of scholarship discounts and allowances increased by $24.9 million, or 4%, over fiscal year 2006. This variance can be primarily attributed to increases in enrollment; average annual Full-time Equivalent (FTE) enrollment increased by 2% from the prior year, from 156,376 students in fiscal 2006 to 159,027 in fiscal 2007. Additionally, in fiscal year 2007 several colleges held a winter session in which additional tuition and fees revenue was generated.
The following depicts the University’s enrollment trends for the past five years:

**STUDENT ENROLLMENT 2003 - 2007**

<table>
<thead>
<tr>
<th></th>
<th>Undergraduate</th>
<th>Graduate</th>
<th>Total</th>
<th>Undergraduate</th>
<th>Graduate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>195,158</td>
<td>29,008</td>
<td>224,166</td>
<td>141,525</td>
<td>17,502</td>
<td>159,027</td>
</tr>
<tr>
<td>2006</td>
<td>190,327</td>
<td>29,286</td>
<td>219,613</td>
<td>138,858</td>
<td>17,518</td>
<td>156,376</td>
</tr>
<tr>
<td>2005</td>
<td>188,121</td>
<td>29,483</td>
<td>217,604</td>
<td>137,679</td>
<td>17,578</td>
<td>155,257</td>
</tr>
<tr>
<td>2004</td>
<td>182,259</td>
<td>29,219</td>
<td>211,478</td>
<td>133,333</td>
<td>17,227</td>
<td>150,560</td>
</tr>
<tr>
<td>2003</td>
<td>179,717</td>
<td>29,497</td>
<td>209,214</td>
<td>132,137</td>
<td>16,857</td>
<td>148,994</td>
</tr>
</tbody>
</table>

Enrollment has increased in every year since 2003 and, according to preliminary Fall 2007 enrollment statistics, the increase is continuing in fiscal year 2008. Thus, the University continues to make significant progress towards fulfilling its goals, as articulated by the Chancellor, of increasing enrollment to the University. The increase in enrollment is an important component in helping the University maintain financial stability.

**Grants and Contracts** primarily consisting of student financial aid and government and private funds to support the University’s research initiatives, approximated 25% of the University’s revenue in fiscal 2007. The balance increased by $32.8 million, or 4%, from the prior year. The majority of this increase was experienced in Federal Grants as follows: (i) $4.4 million at RF-CUNY primarily due to an increase of $2.7 million related to a new United States Department of Energy grant; (ii) $6.9 million in Pell grants, which resulted from an increase of approximately 800 students who received Pell during the fiscal year; (iii) $4 million related to the two new Federal Grants – the National Science and Mathematics Access to Retain Talent Grant (National SMART Grant) and the Academic Competitiveness Grant (ACG). Additionally, a private grant of $20 million was pledged by William E. Macaulay toward the purchase of a building for the Honors College, of which $5 million has been received as of June 30, 2007.

**Other Operating Revenues** decreased by $7.9 million, or 17%, between fiscal years 2006 and 2007. The variance primarily consisted of numerous small decreases spread across the colleges including: (i) $1 million related to the City College 21st Century Foundation which was discretely presented in fiscal year 2007; (ii) $2.8 million related to miscellaneous income at the community colleges; and (iii) numerous smaller variances at the colleges’ non-tax levy entities.

**New York State Appropriations** increased by $77.8 million, or 8%, between fiscal years 2006 and 2007. The majority of the 2007 increase involved the following appropriations to the University: (i) $42.9 million for mandatory costs, including $28.7 million related to fringe benefits, $3 million related to rentals, $9 million related to salary increases and $2.2 million for other inflationary increases; (ii) $29.2 million for
college programmatic initiatives as outlined in the CUNY Compact and consistent with the University's Master Plan; and (iii) additional funds related to collective bargaining agreements.

**New York City Appropriations** increased by $5.9 million, or 2%, between fiscal year 2006 and 2007. The current year variance was due to mandatory cost increases for collective bargaining, energy, and rental payments, as well as funding for a new programmatic initiative at the community colleges called Accelerated Studies in Associate Programs (ASAP).

**Capital Appropriations** increased by $60.4 million, or 17%, between fiscal years 2006 and 2007 due to more bonds outstanding and additional funds needed to satisfy current bond obligations.

**Investment Income, net** increased by $26.1 million, or 53%, from the prior year and was generated from deposits held by bond trustees, amounts held by DASNY, the University's investment pool, RF-CUNY, CUCF, and the University's and colleges' other non-tax related entities.

The 2007 variance was due to the following increases: (i) $5.5 million in the University's non-tax levy entities; (ii) $3.6 million at RF-CUNY due to higher rate of return; and (iii) $18.6 million related to deposits held by bond trustees and amounts held by DASNY due to new funds from bond issuances available for investment.

**Net Appreciation in Fair Value of Investments** represents net realized and unrealized gains and losses on investments. The fiscal year 2007 balance increased by $6 million, or 39%, from the prior year. The variance can be primarily attributable to an increase of $11.4 million in the University's investment pool which was related to the University's investment managers liquidating positions in order to realize gains while at the same time reinvesting these funds to take advantage of undervalued securities. Buying these undervalued securities also helped to push higher the unrealized portion of the investment pool. The aforementioned increase was offset by a $4.8 million decrease related to deposits held by bond trustees and amounts held by DASNY.

**Gifts and Grants** include non-exchange contributions and additions to permanent endowment. The 2007 balance decreased by $16.6 million, or 74%, primarily due to the following increases in fiscal year 2006 which did not occur in fiscal year 2007: (i) $8.3 million permanent endowment funds for the School of Journalism; and (ii) $5.5 million in additions to the permanent endowment at the City College 21st Century Foundation.
EXPENSES

2007 Expenses

- Instruction: $1,202,935 (37%)
- Other non-operating expense: $193,494 (6%)
- Other operating expense: $159,319 (5%)
- Academic support: $130,053 (4%)
- Student services: $233,648 (7%)
- Institutional support: $417,553 (13%)
- Operation and maintenance of plant: $336,676 (11%)
- Scholarships and fellowships: $212,152 (7%)
- Depreciation and amortization: $177,139 (6%)
- Other non-operating expense: $193,494 (6%)

2006 Expenses

- Instruction: $1,117,158 (39%)
- Other non-operating expense: $183,825 (6%)
- Other operating expense: $160,281 (5%)
- Academic support: $126,513 (4%)
- Student services: $219,945 (7%)
- Institutional support: $393,493 (13%)
- Operation and maintenance of plant: $383,502 (13%)
- Scholarships and fellowships: $210,922 (7%)
- Depreciation and amortization: $167,837 (6%)

The City University of New York (Continued)
The University's expenses for the fiscal years ended June 30, 2007 and 2006 are presented below:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>$1,202,935</td>
<td>$1,117,158</td>
</tr>
<tr>
<td>Research</td>
<td>96,069</td>
<td>94,851</td>
</tr>
<tr>
<td>Public service</td>
<td>44,768</td>
<td>48,423</td>
</tr>
<tr>
<td>Academic support</td>
<td>130,053</td>
<td>126,513</td>
</tr>
<tr>
<td>Student services</td>
<td>233,648</td>
<td>219,945</td>
</tr>
<tr>
<td>Institutional support</td>
<td>417,553</td>
<td>393,493</td>
</tr>
<tr>
<td>Operation and maintenance of plant</td>
<td>336,676</td>
<td>383,502</td>
</tr>
<tr>
<td>Scholarships and fellowships</td>
<td>212,152</td>
<td>210,922</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>18,482</td>
<td>17,007</td>
</tr>
<tr>
<td>Depreciation and amortization expense</td>
<td>177,139</td>
<td>167,837</td>
</tr>
<tr>
<td>OPEB expense</td>
<td>133,837</td>
<td></td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>$3,003,312</td>
<td>2,779,651</td>
</tr>
<tr>
<td><strong>Non-Operating Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>192,198</td>
<td>178,927</td>
</tr>
<tr>
<td>Other non-operating expense</td>
<td>1,296</td>
<td>4,898</td>
</tr>
<tr>
<td><strong>Total non-operating expenses</strong></td>
<td>193,494</td>
<td>183,825</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$3,196,806</td>
<td>$2,963,476</td>
</tr>
</tbody>
</table>

Total expenses for fiscal 2007 exceeded $3 billion, which reflected an increase of $233.3 million, or 8%, over the prior year. Thirty-seven percent of the University's funds were spent on instruction followed by institutional support at 13%, operation and maintenance of plant at 11% and student services at 7%.

Some of the variances in expenses can be attributed to overall increases in payroll and related fringe benefit costs. Tax levy payroll expenses increased by $41.3 million to $1.239 billion between fiscal years 2006 and 2007, while the University's tax levy fringe benefit expense increased to $413 million, between fiscal years 2006 and 2007.

**Instruction** expense increased by $85.8 million, or 8%, between fiscal years 2006 and 2007. The variance was primarily due to the following increases: (i) $62.8 million in salary costs due to an increased number of faculty and salary or "step" increases given to employees in accordance with collective bargaining agreements with the University's unions; (ii) $5.5 million in additional fringe benefits costs; (iii) $3.7 million related to the increase in the compensated absences accrual; (iv) $2.1 million related to increased Adult and Continuing Education activity; and (v) various other increases at the colleges' non-tax levy related entities.

**Public Services** expense decreased by $3.7 million, or 8%, between fiscal years 2006 and 2007. The variance was primarily related to appropriations from New York City for the "Training for Long-term
Unemployment” and “Jobs to Build On” initiatives. In fiscal year 2007, the University received $6 million for the “Jobs to Build on Program”, which was $4 million less than in fiscal year 2006.

**Academic Support** expenses increased by $3.5 million, or 3%, between fiscal years 2006 and 2007 primarily due to increases in salaries and fringe benefits.

**Student Services** expenditures increased by $13.7 million, or 6%, between fiscal years 2006 and 2007 primarily due to the following increases: (i) $4 million in salary costs, due to an increased number of employees and salary or “step” increases given to employees in accordance with collective bargaining agreements with the University’s unions; (ii) $4.4 million in funds spent for the Doctorial Tuition Remission program; (iii) $5.5 million in other than personal services (OTPS) tax levy expenditures primarily due to $3.8 million in Compact initiatives ($3 million at the senior colleges and $0.8 million at the community colleges). The bulk of these funds were used in the areas of advising and counseling; and (iv) $2.6 million in awards to fund CUNY Prep and the Science and Technology Entry Program.

**Institutional Support** increased by $24 million, or 6%, between fiscal years 2006 and 2007. The majority of this increase resulted from the following new initiatives: (i) $5.7 million for University-wide technology initiatives, such as the Enterprise Resource Planning project, the High Computing Science Network, and system-wide bandwidth increases; (ii) $4.2 million in operational costs for the new Graduate School of Journalism, which opened in September 2006; (iii) $2.8 million for the colleges’ Instructional Technology Compact initiatives; (iv) $2 million for the operational costs of the new Student Services Building at Medgar Evers College; (v) $1.2 million for a new University-wide advertising campaign; (vi) $1 million for furniture and equipment for new University administrative space; (vii) $0.6 million in increased costs for administering proficiency exams to incoming freshmen; and (viii) $3 million for other initiatives such as the purchase of defibrillators for all University buildings, to comply with New York State legislation, centralized Compact spending for library materials and a new system to calculate and maintain employees’ accrued time and leave balances.

**Operation and Maintenance of Plant** expenses decreased by $46.8 million, or 12%, between fiscal years 2006 and 2007 primarily due to retroactive pay provided in fiscal year 2006 to various trades titles, including electricians, carpenters, plumbers, stationary engineers, oilers, roofers, steamfitters, and maintenance workers. These increases, most of which date back several years, were as a result of New York City Comptroller rate determinations and were paid out during fiscal year 2006. Additionally, expenditures related to capital projects decreased by $20.5 million from the prior year.

**Scholarship and Fellowship** expense increased by $1.2 million, or 1%, between fiscal years 2006 and 2007. The variance was primarily due to the addition of two new Federal grants – the National Science and Mathematics Access to Retain Talent Grant (National SMART Grant) and the Academic Competitiveness Grant (ACG).

**Depreciation and Amortization** expense increased by $9.3 million, or 6%, between fiscal years 2006 and 2007 due to additions related to capitalization of assets with increases in construction disbursements in fiscal 2007 and capitalization of additional bond issuance costs.

**OPEB Expense** increased by $133.8 million from the prior year. As mentioned above, this increase was due to the implementation of GASB Statement No. 45 at the University which accounted for $103.1 million of the increase. Additionally, the Research Foundation’s postemployment expense accounted for the remaining $30.7 million.
Interest Expense increased by $13.3 million, or 7%, between fiscal years 2006 and 2007 primarily due to an increase of approximately $238 million in debt outstanding as compared to fiscal year 2006.

Other Non-Operating Expenses decreased by $3.6 million, or 74%, between fiscal years 2006 and 2007 primarily a result of a one-time $2 million write off of capital assets in fiscal year 2006 due to impairment. The remaining variance was due to various decreases in other non-operating expenses at the colleges’ non-tax levy entities.

CAPITAL ASSETS

At June 30, 2007, the University had approximately $3.02 billion in capital assets, net of accumulated depreciation of $2.28 billion. Annual depreciation expense totaled $173.4 million for the year ended June 30, 2007.

The University’s capital program addresses the major new construction, rehabilitation and capital equipment needs of its colleges and is developed in accordance with the University’s established priority system as articulated in its Master Plan. Funding is based upon a five-year capital plan, which is subject to final approval by the State. A complete list of project and construction costs is included in the Master Plan. Most of CUNY’s capital program is conducted through DASNY on behalf of CUNY.

The following depicts disbursements made by DASNY for the University’s capital construction projects over the last five years:

DASNY Capital Construction Disbursements
(in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Disbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$210,904</td>
</tr>
<tr>
<td>2004</td>
<td>$186,958</td>
</tr>
<tr>
<td>2005</td>
<td>$170,044</td>
</tr>
<tr>
<td>2006</td>
<td>$160,026</td>
</tr>
<tr>
<td>2007</td>
<td>$216,558</td>
</tr>
</tbody>
</table>

Capital construction disbursements increased by $56.5 million, or 35%, between fiscal years 2006 and 2007. The increase in capital construction reflects both new bonds issued for construction during fiscal year 2006 and 2007 and funding for large capital projects, including the Brooklyn College West Quad Building, City College School of Architecture, John Jay College Phase II, and NAMM Hall at New York City College of Technology.
Funding for capital construction and rehabilitation of educational facilities is provided principally through the issuance of bonds authorized by the CUCF and funded through DASNY. In addition, the University has entered into various agreements for the construction of other capital assets and purchase of other equipment through the issuance of Certificates of Participation. Some rehabilitation projects are also funded through city and state capital appropriations.

The following summarizes the University's long-term debt:

<table>
<thead>
<tr>
<th>Year</th>
<th>Long-Term Debt (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$3,664,414</td>
</tr>
<tr>
<td>2004</td>
<td>$3,459,495</td>
</tr>
<tr>
<td>2005</td>
<td>$3,415,425</td>
</tr>
<tr>
<td>2006</td>
<td>$3,549,403</td>
</tr>
<tr>
<td>2007</td>
<td>$3,793,280</td>
</tr>
</tbody>
</table>

Debt increased by $243.9 million, or 7%, between fiscal years 2006 and 2007. The variance was due to the issuance of new bonds with a par value of $323 million and original issue premium of $24.2 million, as well as new debt for the acquisition of the Macaulay Honors College building of $28 million, offset by payments of outstanding bonds of $132 million and amortization of bond premiums and discounts of $14.5 million.

**ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE**

Fiscal 2007 saw the successful implementation of the University's multi-year funding plan, the CUNY Compact, by which financing of the University is shared by the State, the City, the University and its students. The Compact was renewed for fiscal 2008 by all the stakeholders, although, as in the prior year, students were not subject to a tuition increase; the Compact will continue as the mainstay of CUNY's budget message for fiscal year 2009.

Shortly after taking office, Governor Spitzer appointed a Commission on Higher Education (CHE) which was charged with finding ways to improve the quality of higher education in New York. Among the areas the CHE will examine that are expected to have an impact on the resources of CUNY are capital and finance, governance, tuition and financial aid. Chancellor Goldstein is a member of the Commission as are two CUNY presidents and one CUNY faculty. The Commission is due to issue a report by the end of the 2007 calendar year and it is anticipated its recommendations will positively affect CUNY's resources.
In September 2007, Governor Spitzer sent a memo to state agency commissioners urging fiscal prudence in approaching fiscal year 2009, for which there already is a projected $3.6 billion budget gap. Agency commissioners have been instructed to begin identifying savings and greater efficiencies to help close this shortfall.

In September 2007, Mayor Bloomberg sent a memo to the heads of city agencies warning that a downturn in financial markets could mean difficult budgetary times in the future. The Mayor stated that the Office of Management and Budget will be scrutinizing all agency hiring to make sure they are limited to strictly necessary hires and that budget reductions may be necessary in the coming months.

The University is now into the second year of its Decade of Science and is projected to spend over $1 billion during this period on new and sustainable science facilities throughout the system. With funding from New York City, CUNY is conducting an Accelerated Study in Associate Programs for a select group of students at its community colleges. In addition, enrollment growth is projected to continue, leading to increased revenues.

Notwithstanding the performance of the capital markets, the results of which have been mixed since the start of the 2007 third quarter, the University fully expects to maintain the course it has chartered to improve its financial position and stabilize its funding, continue to hire full-time faculty and create new academic programs while enriching existing ones, and expand its student support services.
Independent Auditors’ Report

The Board of Trustees
The City University of New York:

We have audited the accompanying financial statements of the business-type activities and the aggregate discreetly presented component units of The City University of New York (the University) as of and for the year ended June 30, 2007, which collectively comprise the University’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University’s management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University’s discreetly presented foundations, component units of The City University of New York. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University’s discreetly presented foundations, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 University’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 and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discreetly presented component units of The City University of New York as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, based on our audit and the reports of the other auditors, the supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.
As discussed in note 10 to the financial statements, the University adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective July 1, 2006.

Additionally, as discussed in note 2 to the financial statements, the University changed its reporting entity, effective July 1, 2006. Two component units that were previously presented as blended component units are now presented as discrete component units.

The management’s discussion and analysis on pages 1 through 16 is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

November 8, 2007
THE CITY UNIVERSITY OF NEW YORK
Business-type Activities – University Only
Statement of Net Assets
June 30, 2007
(In thousands)

Assets:
Current assets:
- Cash and cash equivalents (note 3) $469,349
- Short-term investments (note 3) 25,910
- Deposits held by bond trustees (note 8) 269,003
- Amounts held by the Dormitory Authority of the State of New York (note 8) 72,251
- Receivables (net of allowance for doubtful accounts of $29,252) (note 4) 279,198
- Prepaid expenses and other current assets 15,341
Total current assets 1,131,052

Noncurrent assets:
- Restricted cash (note 7) 6,510
- Long-term investments (note 3) 216,100
- Deposits held by bond trustees (note 8) 646,783
- Student loans and accrued interest receivable (net of allowance for doubtful loans of $19,526) (note 4) 4,935
- Capital assets, net (note 5) 3,019,461
- Deferred financing costs 41,633
- Other noncurrent assets 8,604
Total noncurrent assets 3,944,026
Total assets 5,075,078

Liabilities:
Current liabilities:
- Accounts payable and accrued expenses (note 6) $255,711
- Compensated absences (note 7) 69,255
- Deferred tuition and fees revenue 56,764
- Accrued interest payable 80,672
- Current portion of long-term debt (note 7) 211,023
- Deferred grant revenue 56,572
- Collateral held for securities lending (note 3) 27,272
- Other current liabilities 16,839
- Deposits held in custody for others 32,437
Total current liabilities 806,545

Noncurrent liabilities (note 7):
- Compensated absences 41,839
- OPEB liability (note 10) 107,989
- Long-term debt 3,582,257
- Federal refundable loans 43,951
- Other noncurrent liabilities 15,003
Total noncurrent liabilities 3,791,039
Total liabilities 4,597,584

Net assets (deficit):
- Invested in capital assets, net of related debt $(217,627)
Restricted:
- Nonexpendable 36,669
Expendable:
- Debt service 398,013
- Scholarships and general educational support 61,159
- Loans 6,717
- Other 68,637
Unrestricted 123,926
Total net assets 477,494

See accompanying notes to financial statements.
## Combined Statement of Financial Position

**June 30, 2007**

### Assets:
- Cash and cash equivalents: $45,365,669
- Accounts and other receivables, net: $1,226,230
- Prepaid expenses and other assets: $1,597,973
- Contributions receivable, net: $90,234,656
- Investments: $333,525,466
- Beneficial interest in remainder trusts: $10,410,752
- Remainder interest in real property: $264,000
- Capital assets, net: $264,000

**Total assets:** $489,058,764

### Liabilities:
- Accounts payable and accrued expenses: $3,153,624
- Annuities payable: $3,400,671
- Due to affiliates: $76,333
- Deferred revenue: $191,324
- Refundable matching grant: $500,000
- Other liabilities: $38,924

**Total liabilities:** $7,360,876

### Net assets:
- Unrestricted: $57,090,739
- Temporarily restricted: $194,720,189
- Permanently restricted: $229,886,960

**Total net assets:** $481,697,888

**Total liabilities and net assets:** $489,058,764

---

See accompanying notes to financial statements.
## Statement of Revenues, Expenses, and Changes in Net Assets

**Year ended June 30, 2007**

(In thousands)

### Revenues:

**Operating revenues:**
- Tuition and fees (net of scholarship allowance of $334,584) $607,572
- Grants and contracts:
  - Federal 380,559
  - New York State 220,142
  - New York City 105,005
  - Private 102,576

**Sales and services of auxiliary enterprises**
**Other operating revenues**

**Total operating revenues** 1,477,388

### Expenses:

**Operating expenses:**
- Instruction 1,202,935
- Research 96,069
- Public service 44,768
- Academic support 130,053
- Student services 233,648
- Institutional support 417,553
- Operation and maintenance of plant 336,676
- Scholarships and fellowships 212,152
- Auxiliary enterprises 18,482
- Depreciation and amortization expense 177,139

**Total operating expenses** 3,003,312

**Operating loss** (1,525,924)

### Nonoperating revenues (expenses):

**Government appropriations:**
- New York State 994,781
- New York City 252,704
- Gifts and grants 4,353
- Investment income, net 75,495
- Interest expense (192,198)
- Net appreciation in fair value of investments 21,661
- Other nonoperating expenses, net (1,296)

**Net nonoperating revenues** 1,155,500

**Loss before other revenues** (370,424)

**Capital appropriations** 426,208

**Additions to permanent endowments** 1,438

**Total other revenues** 427,646

**Increase in net assets** 57,222

**Net assets at beginning of year, as restated** 420,272

**Net assets at end of year**

$477,494

See accompanying notes to financial statements.
THE CITY UNIVERSITY OF NEW YORK  
Discretely Presented Component Units – College Foundations  
Combined Statement of Activities  
Year ended June 30, 2007

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues, gains (losses), and other support:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifts, grants, and contributions</td>
<td>$ 22,571,714</td>
<td>59,406,023</td>
<td>60,893,606</td>
<td>142,871,343</td>
</tr>
<tr>
<td>Special events</td>
<td>3,589,833</td>
<td>145,902</td>
<td></td>
<td>3,735,735</td>
</tr>
<tr>
<td>Program service revenues</td>
<td>1,215,662</td>
<td></td>
<td></td>
<td>1,215,662</td>
</tr>
<tr>
<td>Investment income</td>
<td>11,802,625</td>
<td>18,241,829</td>
<td>940,679</td>
<td>30,985,133</td>
</tr>
<tr>
<td>Net realized and unrealized gains on investments</td>
<td>3,839,044</td>
<td>3,353,606</td>
<td>2,453,471</td>
<td>9,646,121</td>
</tr>
<tr>
<td>Change in value of split interest agreements/ beneficial trust</td>
<td>(48,280)</td>
<td>4,652</td>
<td>4,574</td>
<td>(39,054)</td>
</tr>
<tr>
<td>Other income</td>
<td>1,001,982</td>
<td>54,861</td>
<td></td>
<td>1,056,843</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>32,290,455</td>
<td>(31,868,726)</td>
<td>(421,729)</td>
<td></td>
</tr>
<tr>
<td>Total revenues, gains, and other support</td>
<td>76,263,035</td>
<td>49,338,147</td>
<td>63,870,601</td>
<td>189,471,783</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>45,261,932</td>
<td></td>
<td></td>
<td>45,261,932</td>
</tr>
<tr>
<td>Management and general</td>
<td>5,906,871</td>
<td></td>
<td></td>
<td>5,906,871</td>
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<tr>
<td>Fundraising</td>
<td>5,752,557</td>
<td></td>
<td></td>
<td>5,752,557</td>
</tr>
<tr>
<td>Total expenses</td>
<td>56,921,360</td>
<td></td>
<td></td>
<td>56,921,360</td>
</tr>
<tr>
<td>Change in net assets before reclassifications and adjustments</td>
<td>19,341,675</td>
<td>49,338,147</td>
<td>63,870,601</td>
<td>132,550,423</td>
</tr>
<tr>
<td>Reclassifications and adjustments</td>
<td>(6,104,651)</td>
<td>7,628,615</td>
<td>175,213</td>
<td>1,699,177</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>13,237,024</td>
<td>56,966,762</td>
<td>64,045,814</td>
<td>134,249,600</td>
</tr>
<tr>
<td>Net assets at beginning of year, as restated</td>
<td>43,853,715</td>
<td>137,753,427</td>
<td>165,841,146</td>
<td>347,448,288</td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>$ 57,090,739</td>
<td>194,720,189</td>
<td>229,886,960</td>
<td>481,697,888</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
THE CITY UNIVERSITY OF NEW YORK
Business-type Activities – University Only
Statement of Cash Flows
Year ended June 30, 2007
(In thousands)

Cash flows from operating activities:
- Collection of tuition and fees $ 605,775
- Collection of grants and contracts 800,223
- Sales and services of auxiliary enterprises 21,668
- Payments to suppliers (527,414)
- Payments for utilities (70,608)
- Payments to employees (1,473,724)
- Payments for benefits (491,993)
- Payments for scholarships and fellowships (212,152)
- Payments for OPEB (25,848)
- Other receipts 21,814
  Net cash flows used by operating activities (1,352,259)

Cash flows from noncapital financing activities:
- State and City appropriations 1,327,288
- Gifts and grants for other than capital purposes 4,353
- Private gifts for endowment purposes 1,438
- Loans issued to students (11,170)
- Collection of loans from students 8,398
- Increase in deposits held in custody for others 10,443
- Other payments (35,571)
  Net cash flows provided by noncapital financing activities 1,305,179

Cash flows from capital and related financing activities:
- Proceeds from capital debt 389,147
- Capital appropriations 426,208
- Purchases of capital assets (243,390)
- Principal paid on capital debt (159,742)
- Interest paid on capital debt (145,005)
- Amounts paid for bond issuance costs (5,067)
- Increase in deposits held by bond trustees (189,335)
- Increase in amounts held by the Dormitory Authority of the State of New York (55,854)
  Net cash flows provided by capital and related financing activities 16,962

Cash flows from investing activities:
- Investment income 75,495
- Proceeds from sales and maturities of investments 454,975
- Purchases of investments (361,364)
- Deposit of restricted cash 607
- Increase in collateral held for securities lending 3,120
  Net cash flows provided by investing activities 172,833
- Increase in cash and cash equivalents 142,715
- Cash and cash equivalents at beginning of year, as restated 326,634
  Cash and cash equivalents at end of year $ 469,349

(Continued)
THE CITY UNIVERSITY OF NEW YORK
Business-type Activities – University Only
Statement of Cash Flows
Year ended June 30, 2007
(In thousands)

Reconciliation of operating loss to net cash flows used by operating activities:

Operating loss $ (1,525,924)

Adjustments to reconcile operating loss to net cash flows used by operating activities:
Depreciation and amortization expense 177,139

Change in operating assets and liabilities:
Receivables (13,299)
Prepaid expenses and other assets 249
Accounts payable and accrued expenses (108,158)
Deferred tuition and fees revenue 761
Compensated absences 7,767
OPEB liability 107,989
Deferred grant revenue (6,820)
Other liabilities 8,037

Net cash flows used by operating activities $ (1,352,259)

See accompanying notes to financial statements.
THE CITY UNIVERSITY OF NEW YORK
Notes to Financial Statements
June 30, 2007

(1) Organization and Reporting Entity

The City University of New York (the University or CUNY) is a municipal college system located in the City of New York and is composed of the following colleges:

Senior Colleges
Bernard M. Baruch College
Brooklyn College
The City College
The College of Staten Island
Hunter College
John Jay College of Criminal Justice
Herbert H. Lehman College
Medgar Evers College
New York City College of Technology
Queens College
York College

Community Colleges
Borough of Manhattan Community College
Bronx Community College
Eugenio Maria de Hostos Community College
Kingsborough Community College
Fiorello H. LaGuardia Community College
Queensborough Community College

Three Graduate and Professional Schools
The Graduate School and University Center
City University School of Law at Queens College
The CUNY Graduate School of Journalism

Other Schools
The William E. Macaulay Honors College
The Sophie Davis School of Biomedical Education
The CUNY School of Professional Studies

In addition to the colleges and schools listed above, other related organizations, including the Research Foundation of The City University of New York (RF-CUNY), the City University Construction Fund (CUCF), child care centers, auxiliary service corporations, and student associations were determined to be includable in the University’s financial reporting entity. The key element for inclusion in the reporting entity is based primarily on financial accountability. Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity (GASB 14), defines financial accountability in terms of a primary government (the University) that is financially accountable for the organizations that make up its legal entity. The University is financially accountable for legally separate organizations if its officers
appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the University. The University may also be financially accountable for governmental organizations that are fiscally dependent on it. Other organizations for which the nature and significance of their relationships with the University are such that exclusion from the financial reporting entity would render the reporting entity's financial statements to be misleading or incomplete may also be included in the financial reporting entity.

Further, the State of New York presents the senior colleges as an enterprise fund (business-type activity), as defined by GASB Statement No. 14, in its financial statements. Similarly, the City of New York presents CUCF as a component unit in its financial statements. In addition, the community colleges are reported as part of the primary government of the City of New York.

The accompanying basic financial statements include the operations of the following related organizations, which are blended with the accounts of the University:

**RF-CUNY**

RF-CUNY is a separate not-for-profit educational corporation and legal entity which operates as the fiscal administrator for the majority of University-sponsored programs financed by restricted grants and contracts. Such programs include research, training, and public service activities.

230 West 41st Street LLC (the Company) was established on May 7, 2004 as a Delaware limited liability company. The Company was organized pursuant to the Limited Liability Operating Agreement (the Agreement) dated July 14, 2004 by RF-CUNY with a 100% interest in the Company. The Company was formed to acquire, own, and operate an approximately 300,000 square foot office building located at 230 West 41st Street in New York, New York. The Company will continue indefinitely, unless terminated sooner pursuant to the Agreement.

The University has a financial benefit/burden relationship with RF-CUNY. Accordingly, financial activity related to RF-CUNY is included in the accompanying basic financial statements.

**CUCF**

CUCF is a public benefit corporation which has the authority to design, construct, reconstruct, and rehabilitate facilities of the University pursuant to an approved master plan. The University has a financial benefit/burden relationship with CUCF and, therefore, the financial activity related to CUCF is included in the accompanying basic financial statements.

**Other Related Organizations**

The majority of the University's colleges maintain auxiliary services, child care centers, and certain performing arts corporations. These entities are campus-based, not-for-profit corporations which operate, manage, and promote educationally related services for the benefit of the campus community. Although separate and independent legal entities, those corporations carry out operations which are integrally related to the University and are included in the accompanying basic financial statements.
The colleges' student associations carry out operations which are integrally related to the University. Accordingly, financial activity related to these associations is included in the accompanying basic financial statements.

**College Foundations**

Under GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14* (GASB 39), legally separate organizations meeting certain criteria should be discretely presented as component units. The criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the University/college, its component units or its constituents (e.g., students, faculty and staff).

2. The University/college, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

3. The economic resources received or held by an individual organization that the University/college, or its component units, is entitled to, or has the ability to otherwise access, are significant to the University.

Each of the 20 foundations listed below met these criteria, and are, therefore, discretely presented in the University’s basic financial statements. All of the foundations listed below are June 30 year-ends, with the exception of Herbert H. Lehman College Foundation, Inc. and The City College 21st Century Foundation, Inc., which are December 31 year-ends. The majority of the members of the foundations’ Board of Directors are made up of individuals who are independent from the University or college.

**Senior Colleges**

The Baruch College Fund
The Brooklyn College Foundation, Inc.
The City College 21st Century Foundation, Inc.
The City College Fund
The City University School of Law at Queens College Foundation, Inc.
The Graduate Center Foundation, Inc.
The Hunter College Foundation, Inc.
John Jay College Foundation, Inc.
Herbert H. Lehman College Foundation, Inc.
Medgar Evers Educational Foundation, Inc.
New York City College of Technology Foundation, Inc.
Queens College Foundation, Inc.
The College of Staten Island Foundation, Inc.
York College Foundation
Community Colleges

Borough of Manhattan Community College Foundation, Inc.
Bronx Community College Foundation, Inc.
Eugenio Maria de Hostos Community College Foundation
Kingsborough Community College Foundation, Inc.
Fiorello H. LaGuardia Community College Foundation, Inc.
Queensborough Community College Fund, Inc.

The operations of certain related but independent organizations existing at each campus, such as certain campus-related alumni associations, are not included in the accompanying basic financial statements because they do not meet the third criteria for inclusion under GASB Statement No. 39; that is, the economic resources received or held by these organizations that the University or college, or its component units, are entitled to, or has the ability to access, are not significant to the University.

Copies of the foundation audit reports can be obtained by sending an inquiry to The City University of New York, Office of the University Controller, 230 West 41st Street, 5th floor, New York, New York 10036.

(2) Summary of Significant Accounting Policies

In addition to GASB Statements Nos. 14 and 39, which were discussed previously, the significant accounting policies followed by the University are described below:

Measurement Focus and Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University’s basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as promulgated by the GASB. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized when incurred, if measurable.

GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, establishes financial reporting requirements that require the basic financial statements and required supplementary information (RSI) for general purpose governments should consist of: management’s discussion and analysis, basic financial statements, and required supplementary information.

GASB Statement No. 35, Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34, establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement No. 34. In accordance with this statement, the University presents statements of net assets, revenues, expenses, and changes in net assets, and cash flows on a University-wide basis. The objective of this statement is to enhance the understandability and usefulness of the external financial reports issued by public colleges and universities.

(Continued)
GASB Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statement No. 34, and GASB Statement No. 38, Certain Financial Statement Note Disclosures, were implemented simultaneously with GASB Statement No. 34.

The University’s reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB statements and interpretations issued after November 30, 1989.

Reconciliation of Beginning Net Assets – Change in Reporting Entity

During fiscal year 2007, the York College Foundation and The City College 21st Century Foundation altered their board structures thus changing the University’s reporting entity. Up until this fiscal year, the Board structure of both of these entities was primarily comprised of individuals directly related to their affiliated colleges, York College and City College and therefore, reported in the University’s financial statements under GASB 14 as blended. However, in fiscal year 2007, new Boards were created thus shifting the balance to individuals unaffiliated with the Foundation’s related college, and thus now meeting the criteria under GASB 39 as being discretely presented. The following is a reconciliation of total net asset balances at June 30, 2006 as originally presented, and the restated June 30, 2006 net asset balances of the Business-Type activities – University only (in thousands):

<table>
<thead>
<tr>
<th>Net assets</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2006 net assets, as previously reported</td>
<td>$454,301</td>
</tr>
<tr>
<td>The City College 21st Century Foundation</td>
<td>(33,410)</td>
</tr>
<tr>
<td>York College Foundation</td>
<td>(619)</td>
</tr>
<tr>
<td>June 30, 2006 net assets, as restated</td>
<td>$420,272</td>
</tr>
</tbody>
</table>

New Accounting Standards Adopted

In fiscal year 2007, the University adopted two new statements issued by the Governmental Accounting Standards Board (“GASB”).

GASB Statement No. 45, (“GASB 45”) Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45), was issued in 2004. As stated in GASB 45, this Statement establishes standards for the measurement, recognition, and display of Other Postemployment Benefits (OPEB) costs and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (e.g., life insurance) when provided separately from a pension plan. The approach followed in the Statement generally is consistent with the approach adopted in GASB Statement No. 27, Accounting for Pensions by
State and Local Governmental Employers ("GASB 27"), with modifications to reflect differences between pension benefits and OPEB. GASB 45 improves the relevance and usefulness of financial reporting by: (i) recognizing the cost of benefits in periods when the related services are received by the employer; (ii) providing information about the actuarial accrued liabilities for promised benefits associated with past services and whether and to what extent those benefits have been funded; and (iii) providing information useful in assessing potential demands on the employer’s future cash flows.

The financial reporting impact resulting from the implementation of GASB 45 was the recognition of an additional expense and liability of $77.283 million in the University’s financial statements (see note 10 for disclosure information relating to the OPEB Plan and Liability).

GASB Statement No. 47, Accounting for Termination Benefits ("GASB 47"), was issued in 2005. GASB 47 provides guidance for measuring, recognizing, and reporting liabilities and costs related to all termination benefits, including voluntary termination benefits (e.g., early retirement incentives), without limitation as to the period of time during which the benefits are offered, and involuntary termination benefits (e.g., severance benefits). This Statement excludes postemployment benefits (pensions and other postemployment benefits) which are part of the compensation that is offered in exchange for services received because they differ in nature from termination benefits. Accounting and reporting requirements for pensions and OPEB are addressed in GASB 27 and GASB 45, respectively. GASB 47 requires the University to disclose a description of the termination benefit arrangement, the cost of the termination benefits (required in the period in which the University becomes obligated if that information is not otherwise identifiable from information displayed on the face of the financial statements), and significant methods and assumptions used to determine termination benefit liabilities.

There was no impact on the University’s financial statements as a result of the implementation of GASB 47.

Use of Estimates

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

Cash Equivalents

Cash equivalents are composed of highly liquid assets with original maturities of 90 days or less, and include overnight repurchase agreements, commercial paper, and money market accounts.

Investments

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, debt and equity securities and certain other investments with readily determinable fair values are required to be reported at fair value. Accordingly, the University’s investments are reported at fair value, which is based upon values provided by the University’s custodian or current market quotations and assessed by the University for reasonableness, in the accompanying statement of net assets, and all investment income, including changes in the fair value of investments, is recognized as gain (loss) in the accompanying statement of revenues, expenses, and changes in net assets.
Noncurrent Assets

Noncurrent assets include: (1) cash and other assets or resources commonly identified as those which are expected to be realized in cash or sold or consumed beyond the normal operating cycle (12 months or more); (2) restricted assets, which should be reported when restrictions on assets change the nature or normal understanding of the availability of the asset. For example, cash and investments normally are classified as current assets, and a normal understanding of these assets presumes that restrictions do not limit the University's ability to use the resources to pay current liabilities. But cash and investments held in a separate account that can be used to pay debt principal and interest only as required by the debt covenants and that cannot be used to pay other current liabilities should be reported as restricted assets; and (3) investments purchased with a long term objective, which should not be reported as current assets, even though they are within one year of maturity, as the managerial intent was that the resources are not available for current uses or needs.

Cash and investments that are externally restricted to make debt service payments or long term loans to students, or to purchase capital or other noncurrent assets, are classified as noncurrent assets in the accompanying statement of net assets.

Deferred Financing Costs

The University capitalizes costs incurred in connection with its bonds and amortizes these costs over the life of the respective obligations. These deferred costs are included as other current and noncurrent assets in the accompanying statement of net assets.

Capital Assets

Land, land improvements, buildings, building improvements, leasehold improvements, infrastructure, and infrastructure improvements, are stated at cost or cost based appraisal values based upon an independent appraisal performed in 2002, with subsequent additions at cost at date of acquisition or fair value at date of donation in the case of gifts. Equipment and works of art and historical treasures are stated at cost at date of acquisition or appraised value at date of donation.

In accordance with the University's capitalization policy, only those items with unit costs of more than $5,000 (excluding computer hardware, which has a threshold of $1,000) and useful lives of two years or more are capitalized. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful lives of the structures are capitalized. Net interest costs on debt related to construction in progress are capitalized. University capital assets, with the exception of land, construction in progress, and works of art and historical treasures, are depreciated on a straight line basis over their estimated useful lives, which range from 5 to 40 years.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

In 2005, the University adopted GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries (GASB 42). This accounting standard requires the University to report the effects of capital asset impairment in its financial statements, and establishes accounting guidance for recording insurance recoveries. The adoption of GASB 42 did not have a material impact on the University's financial statements.
Noncurrent Liabilities
Noncurrent liabilities include: (1) principal and interest amounts of debt obligations with contractual maturities greater than one year; (2) federal refundable loans; (3) estimated amounts of compensated absences and other liabilities that will not be paid within the next fiscal year; and (4) OPEB liability.

Other Postemployment Benefits
OPEB cost is measured and disclosed using the accrual basis of accounting (see note 10). Annual OPEB cost is equal to the annual required contributions of the OPEB plan, calculated in accordance with certain parameters.

Deferred Revenue
Deferred revenue primarily consists of tuition and fees not earned during the current year and grant and contracts that have not yet been earned.

Net Assets
GASB 35 requires that resources be classified for accounting purposes into the following four net asset categories:

Invested in capital assets, net of related debt – This represents the University’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – nonexpendable – Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted net assets – expendable – Expendable restricted net assets include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets – Unrestricted net assets represent resources derived primarily from student tuition and fees, State and City appropriations, grants and contracts and sales and services of auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University’s policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.
Revenue Recognition

Student tuition and fee revenues are recognized in the period earned. Included in revenues are appropriations from New York State and City which are used for the reimbursement of operating expenses. Appropriation revenues are recognized as the related expenses are incurred.

New York State and City appropriations remain in effect provided the expense has been incurred at June 30, 2007 and a liability established at September 28, 2007. Accordingly, an appropriation receivable is recorded for accounts payable and accrued expenses to be paid from these appropriations.

Classification of Revenues

The University's policy for defining operating activities in the accompanying statement of revenues, expenses, and changes in net assets are those that serve the University's principal purpose and generally result from exchange transactions, such as payments received for services and payments made for the purchase of goods and services. Examples include: (1) tuition and fees, net of scholarship allowances; (2) sales and services of auxiliary enterprises; and (3) most Federal, State, local, private grants, and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as contributions, operating and capital appropriations from the State and the City of New York, and investment income.

Scholarship Allowances

Student tuition and fee revenues are reported net of scholarship allowances in the accompanying statement of revenues, expenses, and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on behalf of students. To the extent that these revenues are used to satisfy tuition and fees, the University has recorded a scholarship allowance.

Income Tax Status

The University is exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and the following notes.

Summary of Significant Accounting Policies Related to Component Units

Purchase Accounting for Acquisition of Real Estate

The fair value of 230 West 41st Street LLC's (the Company) acquired rental property is allocated to the acquired tangible assets, consisting of land, building, and identified intangible assets and liabilities, consisting of the value of above market and below market leases, other value of in place leases, and value of tenant relationships, based in each case on their fair values.

The fair value of the tangible assets of an acquired property (which includes land and building) is determined by valuing the property as if it were vacant, and the "as if vacant" value is then allocated to land and building based on the Company's determination of relative fair values of these assets. Factors considered by the Company in performing these analyses include an estimate of carrying costs during the
expected lease up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, the Company includes real estate taxes, insurance and other operating expenses, and estimates of lost rental revenue during the expected lease up periods based on current market demand. The Company also estimates costs to execute similar leases, including leasing commissions.

In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above market and below market in place lease values are recorded based on the difference between the current in place lease rent and the Company’s estimate of current market rents. Below market lease intangibles are recorded as part of liabilities, and amortized into rental revenues over the noncancelable period of the respective leases. Above market lease intangibles are recorded as part of assets and are amortized as a direct charge against rental revenues over the noncancelable periods of the respective leases.

The aggregate value of other acquired intangible assets, consisting of in place leases and tenant relationships, is measured by the excess of (i) the purchase price paid for the property over (ii) the estimated fair value of the property as if vacant, determined as set forth above. This aggregate value is allocated between in place lease values and tenant relationships based on management’s evaluation of the specific characteristics of each tenant’s lease. The value of in place leases is amortized to expense over the remaining noncancelable periods of the respective leases.

The weighted average amortization period for value of in place leases, above-market leases, and below-market leases is approximately five years.

(3) Cash, Cash Equivalents, and Investments

The University follows GASB Statement No. 40, Deposit and Investment Risk Disclosure, which establishes disclosure requirements related to the following investment and deposit risks:

Custodial Credit Risk

**Deposits** – risk that, in the event of failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

**Investments** – risk that, in the event of failure of the counterparty (the party that pledges collateral or that sells investments to or buys investments from the University) of a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of credit risk is the risk of loss attributed to the magnitude of the University’s investment in a single issuer.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the investment or deposit.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the value of the investment or deposit.
Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the University’s deposits may not be returned to it.

At June 30, 2007, cash and cash equivalents were held by depositories and amounted to $378,717,804 of which $12,448,494 was insured and $366,269,310 was uninsured and uncollateralized, or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the University’s name. The carrying value of such funds amounted to $469,349,000 at June 30, 2007.

The University’s investment policy does not place formal limits on cash deposits, or on uninsured investments held by counterparties.

Investments

At June 30, 2007, the University had the following investments (in thousands):

<table>
<thead>
<tr>
<th>Investment type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury bills</td>
<td>$36,772</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>12,312</td>
</tr>
<tr>
<td>Certificates of deposits</td>
<td>3,741</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>21,488</td>
</tr>
<tr>
<td>Equities</td>
<td>90,387</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>31,192</td>
</tr>
<tr>
<td>U.S. agency mortgage-backed securities</td>
<td>31,010</td>
</tr>
<tr>
<td>U.S. Treasury notes</td>
<td>1,045</td>
</tr>
<tr>
<td>U.S. government bonds</td>
<td>14,447</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>200</td>
</tr>
<tr>
<td>Foreign bonds</td>
<td>300</td>
</tr>
<tr>
<td>Total investments</td>
<td>242,894</td>
</tr>
<tr>
<td>Due to broker, net</td>
<td>(884)</td>
</tr>
<tr>
<td>Total investments, net</td>
<td>242,010</td>
</tr>
<tr>
<td>Less current portion of investments</td>
<td>25,910</td>
</tr>
<tr>
<td>Total noncurrent portion of investments</td>
<td>$216,100</td>
</tr>
</tbody>
</table>

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University’s $27,272,000 in securities lending transactions at June 30, 2007 are held in the investment’s counterparty, not in the University’s name.
Securities Lending

The University lends certain securities to broker dealers and other entities under a contractual agreement with its custodian. In exchange for the securities loaned, the University receives collateral, which has an underlying fair value in amounts of not less than 102% of the securities loaned. The custodian may invest the cash collateral in U.S. Government securities or repurchase agreements, which are fully collateralized by U.S. Government securities, high grade corporate obligations, high grade asset backed securities, or domestic money market instruments. The custodian may not invest the collateral in any securities which cause the dollar weighted average portfolio maturity of the cash collateral to exceed 45 days or the dollar weighted average mismatch (the relationship between the maturities of the invested collateral and the maturities of the securities loaned) to exceed 30 days.

The University is indemnified by its custodian against borrowers who fail to return securities, provide inadequate collateral to replace the securities, or fail to pay distributions by securities' issuers while the securities are on loan. Further, the University cannot pledge or sell any of the collateral received unless the borrower defaults. At June 30, 2007, the University had no credit risk resulting from securities lending transactions.

In accordance with GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions (GASB 28), cash received as collateral from financial institutions on securities lending transactions and investments made with that cash are reported as assets, while obligations resulting from these transactions are reported as liabilities in the accompanying statement of net assets. Securities received as collateral on securities lending transactions are not required to be reported in the accompanying statement of net assets because the University does not have the ability to pledge or sell these securities received as collateral without a borrower default. The collateral received is held in the custodian's investment portfolio.

Securities on loan with cash collateral held in the custodian's short term investment pool at June 30, 2007 (in thousands):

<table>
<thead>
<tr>
<th>Investment type</th>
<th>Underlying securities</th>
<th>Collateral received</th>
<th>Collateral investment value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate bonds</td>
<td>$3,195</td>
<td>3,124</td>
<td>3,124</td>
</tr>
<tr>
<td>Equities</td>
<td>18,278</td>
<td>18,882</td>
<td>18,882</td>
</tr>
<tr>
<td>U.S. agency mortgage-backed securities</td>
<td>5,267</td>
<td>5,368</td>
<td>5,368</td>
</tr>
<tr>
<td>U.S. Treasury notes</td>
<td>6,029</td>
<td>6,117</td>
<td>6,117</td>
</tr>
<tr>
<td>U.S. government bonds</td>
<td>1,951</td>
<td>2,002</td>
<td>2,002</td>
</tr>
<tr>
<td>Total</td>
<td>$34,720</td>
<td>35,493</td>
<td>35,493</td>
</tr>
</tbody>
</table>

The University's investment policy does not formally address custodial credit risk.

At June 30, 2007, investments include $27,272,000 of repurchase agreements that have been lent out in accordance with securities lending contracts for which cash collateral has been received. Furthermore, at June 30, 2007, the University also received securities, having a fair value of $8,221,804 as collateral on
securities lending contracts which, in accordance with GASB 28, are not included in the accompanying statement of net assets.

**Credit Risk**

At June 30, 2007, the University's investments in debt securities were rated as follows (in thousands):

<table>
<thead>
<tr>
<th>Type of debt security</th>
<th>Fair value</th>
<th>S&amp;P credit rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate bonds</td>
<td>$1,335</td>
<td>AAA</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>488</td>
<td>AA</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>1,402</td>
<td>AA-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>1,333</td>
<td>A+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>2,267</td>
<td>A</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>1,150</td>
<td>A-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>1,092</td>
<td>BBB+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>3,140</td>
<td>BBB</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>801</td>
<td>BBB-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>855</td>
<td>BB+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>611</td>
<td>BB</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>976</td>
<td>BB-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>696</td>
<td>B+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>1,452</td>
<td>B</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>243</td>
<td>B-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>279</td>
<td>CCC+</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>396</td>
<td>CCC-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>2,972</td>
<td>Not Rated</td>
</tr>
<tr>
<td><strong>Total corporate bonds</strong></td>
<td>21,488</td>
<td></td>
</tr>
<tr>
<td>U.S. agency mortgage-backed securities</td>
<td>25,538</td>
<td>AAA</td>
</tr>
<tr>
<td>U.S. agency mortgage-backed securities</td>
<td>5,472</td>
<td>Not Rated</td>
</tr>
<tr>
<td>Foreign bond</td>
<td>50</td>
<td>A-</td>
</tr>
<tr>
<td>Foreign bond</td>
<td>250</td>
<td>Not Rated</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$52,798</td>
<td></td>
</tr>
</tbody>
</table>

U.S. mortgage-backed securities are not rated by S&P; however, there is an implied AAA rating in the market.

The University’s investment policy requires that the overall average quality of each fixed income portfolio be AA or higher. Nonrated issues or issues below investment grade (below BBB) may be purchased up to a maximum of 15% of the University’s portfolio. The policy does not otherwise place formal limitations on credit risk.
Interest Rate Risk

At June 30, 2007, the University's investments in debt securities had the following maturities (in thousands):

<table>
<thead>
<tr>
<th>Investment type</th>
<th>Fair value</th>
<th>Less than 1 year</th>
<th>1-5 years</th>
<th>6-10 years</th>
<th>More than 10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury bills</td>
<td>$36,772</td>
<td>36,772</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificates of deposits</td>
<td>3,741</td>
<td>3,741</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>21,488</td>
<td>420</td>
<td>6,732</td>
<td>4,316</td>
<td>10,020</td>
</tr>
<tr>
<td>U.S. agency mortgage-backed securities</td>
<td>31,010</td>
<td>11,376</td>
<td>4,495</td>
<td></td>
<td>15,139</td>
</tr>
<tr>
<td>U.S. Treasury notes</td>
<td>1,045</td>
<td></td>
<td>1,045</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. government bonds</td>
<td>14,447</td>
<td>346</td>
<td>8,030</td>
<td>5,284</td>
<td>787</td>
</tr>
<tr>
<td>Foreign bonds</td>
<td>300</td>
<td></td>
<td>250</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$108,803</strong></td>
<td><strong>52,655</strong></td>
<td><strong>20,552</strong></td>
<td><strong>9,650</strong></td>
<td><strong>25,946</strong></td>
</tr>
</tbody>
</table>

The University's investment policy does not formally limit investment maturities as a means of managing exposure to fair market value losses arising from increasing interest rates.

Investment Pool

Certain assets included with investments in the accompanying financial statements are pooled on a fair value basis, with each individual fund subscribing to or disposing of units on the basis of the fair value per unit determined quarterly. At June 30, 2007, the investment pool consisted of 171,328,592 units with a fair value of $171,370,184. The investment pool includes certain gifts and bequests received by the University, the use of which is restricted by donor-imposed limitations. During 2007, the University recorded approximately $12,552,302 of net realized and unrealized appreciation of donor-restricted expendable and nonexpendable endowments. Under provisions of New York State law, gains on investments of endowment funds may be expended subject to certain limitations.

(4) Receivables, Net

Receivables consist of the following at June 30, 2007 (in thousands):

<table>
<thead>
<tr>
<th>Receivables, net</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriations receivable</td>
<td>$134,853</td>
</tr>
<tr>
<td>Students and financial aid receivable</td>
<td>37,434</td>
</tr>
<tr>
<td>Grants and contracts receivable</td>
<td>55,702</td>
</tr>
<tr>
<td>Student loan receivables and accrued interest receivable</td>
<td>29,702</td>
</tr>
<tr>
<td>Other receivables</td>
<td>26,442</td>
</tr>
<tr>
<td><strong>Total receivables, net</strong></td>
<td><strong>$284,133</strong></td>
</tr>
</tbody>
</table>
(5) **Capital Assets, Net**

Capital assets consist of the following at June 30, 2007 (in thousands):

<table>
<thead>
<tr>
<th>Capital assets:</th>
<th>June 30, 2006</th>
<th>Additions</th>
<th>Reductions</th>
<th>June 30, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and building improvements</td>
<td>$3,731,894</td>
<td>204,123</td>
<td>990</td>
<td>3,935,027</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>485,698</td>
<td>146,220</td>
<td>186,198</td>
<td>445,720</td>
</tr>
<tr>
<td>Equipment</td>
<td>399,644</td>
<td>33,962</td>
<td>25,519</td>
<td>408,087</td>
</tr>
<tr>
<td>Infrastructure and infrastructure improvements</td>
<td>67,876</td>
<td>44,151</td>
<td>—</td>
<td>112,027</td>
</tr>
<tr>
<td>Land</td>
<td>298,885</td>
<td>48</td>
<td>—</td>
<td>298,933</td>
</tr>
<tr>
<td>Land improvements</td>
<td>70,765</td>
<td>1,323</td>
<td>185</td>
<td>71,903</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>13,788</td>
<td>154</td>
<td>626</td>
<td>13,316</td>
</tr>
<tr>
<td>Works of art and historical treasures</td>
<td>11,750</td>
<td>145</td>
<td>26</td>
<td>11,869</td>
</tr>
<tr>
<td><strong>Total capital assets</strong></td>
<td>5,080,300</td>
<td>430,126</td>
<td>213,544</td>
<td>5,296,882</td>
</tr>
</tbody>
</table>

Less accumulated depreciation:

<table>
<thead>
<tr>
<th>Capital assets:</th>
<th>June 30, 2006</th>
<th>Additions</th>
<th>Reductions</th>
<th>June 30, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and building improvements</td>
<td>1,732,864</td>
<td>129,320</td>
<td>72</td>
<td>1,862,112</td>
</tr>
<tr>
<td>Equipment</td>
<td>326,661</td>
<td>36,776</td>
<td>23,734</td>
<td>339,703</td>
</tr>
<tr>
<td>Infrastructure and infrastructure improvements</td>
<td>7,486</td>
<td>5,496</td>
<td>—</td>
<td>12,982</td>
</tr>
<tr>
<td>Land improvements</td>
<td>60,289</td>
<td>874</td>
<td>—</td>
<td>61,163</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>543</td>
<td>918</td>
<td>—</td>
<td>1,461</td>
</tr>
<tr>
<td><strong>Total accumulated depreciation</strong></td>
<td>2,127,843</td>
<td>173,384</td>
<td>23,806</td>
<td>2,277,421</td>
</tr>
</tbody>
</table>

**Total capital assets, net** $2,952,457 256,742 189,738 3,019,461

Added to construction in progress is net capitalized interest of $384,000 for the year ended June 30, 2007. This amount represents interest expense of $636,000 and reduced by investment income of $252,000 for the year ended June 30, 2007.
THE CITY UNIVERSITY OF NEW YORK
Notes to Financial Statements
June 30, 2007

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at June 30, 2007 (in thousands):

<table>
<thead>
<tr>
<th>Accounts payable and accrued expenses</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel services</td>
<td>$39,812</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>33,299</td>
</tr>
<tr>
<td>Capital projects</td>
<td>30,568</td>
</tr>
<tr>
<td>Due to City of New York</td>
<td>783</td>
</tr>
<tr>
<td>Due to State of New York</td>
<td>31,323</td>
</tr>
<tr>
<td>Vendors and other</td>
<td>119,926</td>
</tr>
<tr>
<td>Total accounts payable and accrued expenses</td>
<td>$255,711</td>
</tr>
</tbody>
</table>

(7) Noncurrent Liabilities

Noncurrent liabilities at June 30, 2007 consist of the following (in thousands):

<table>
<thead>
<tr>
<th>June 30, 2006</th>
<th>Additions</th>
<th>Reductions</th>
<th>June 30, 2007</th>
<th>Current portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage loan payable</td>
<td>$62,000</td>
<td>345,854</td>
<td>3,632,596</td>
<td>184,821</td>
</tr>
<tr>
<td>Capital lease agreements with DASNY</td>
<td>3,404,337</td>
<td>117,595</td>
<td>17,612</td>
<td></td>
</tr>
<tr>
<td>Certificates of participation</td>
<td>72,547</td>
<td>363</td>
<td>1,278</td>
<td></td>
</tr>
<tr>
<td>Other capital lease agreements</td>
<td>3,502</td>
<td>7,129</td>
<td>2,400</td>
<td></td>
</tr>
<tr>
<td>Honors college loan</td>
<td>—</td>
<td>28,000</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Line of credit</td>
<td>7,017</td>
<td>10,000</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Oracle financing agreement</td>
<td>—</td>
<td>6,320</td>
<td>2,135</td>
<td></td>
</tr>
<tr>
<td>Total long-term debt</td>
<td>3,549,403</td>
<td>389,147</td>
<td>3,793,280</td>
<td>211,023</td>
</tr>
<tr>
<td>Other liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensated absences</td>
<td>103,327</td>
<td>8,977</td>
<td>111,094</td>
<td>69,255</td>
</tr>
<tr>
<td>Federal refundable loans</td>
<td>44,945</td>
<td>1,560</td>
<td>43,951</td>
<td></td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>11,214</td>
<td>201</td>
<td>15,003</td>
<td></td>
</tr>
<tr>
<td>OPEB liability</td>
<td>—</td>
<td>107,989</td>
<td>107,989</td>
<td></td>
</tr>
<tr>
<td>Total other liabilities</td>
<td>159,486</td>
<td>2,971</td>
<td>278,037</td>
<td>69,255</td>
</tr>
<tr>
<td>Total noncurrent liabilities</td>
<td>$3,708,889</td>
<td>148,241</td>
<td>4,071,317</td>
<td>280,278</td>
</tr>
</tbody>
</table>

Mortgage Loan Payable

On July 11, 2004, the Company, a component unit of the University, entered into a mortgage loan (the Loan) with a principal amount of $62 million, which matures on August 11, 2014. The Loan bore interest at a rate of 6.19% and was payable in monthly installments of interest only through August 2006; thereafter, principal and interest payments are due in equal monthly installments of $379,329. A balloon payment is due at maturity consisting of unpaid principal of $55,184,007 and accrued and unpaid interest.

(Continued)
Under the terms of the Loan, the Company is required to deposit monthly payments of $24,500 to escrow accounts maintained by the Company consisting of escrow accounts for building capital expenditures and tenant improvements, leasing commissions, lease cancellation fees, and other leasing costs. The Company had balances in escrow accounts, including interest earned, of approximately $2,473,000 as of June 30, 2007. In addition, under the terms of the mortgage, the Company is required to deposit monthly payments to escrow accounts maintained by the Company for real estate taxes and insurance.

The following is a summary of future minimum mortgage payments required under the mortgage loan payable at June 30, 2007 (in thousands):

<table>
<thead>
<tr>
<th>Mortgage loan payable</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year:</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$ 777</td>
</tr>
<tr>
<td>2009</td>
<td>827</td>
</tr>
<tr>
<td>2010</td>
<td>880</td>
</tr>
<tr>
<td>2011</td>
<td>936</td>
</tr>
<tr>
<td>2012</td>
<td>995</td>
</tr>
<tr>
<td>2013 - 2017</td>
<td>57,020</td>
</tr>
<tr>
<td></td>
<td>$ 61,435</td>
</tr>
</tbody>
</table>

The Loan is secured by the property and assignment of rents and other payments from the tenants.

The Loan is subject to certain restrictive financial covenants, including limitations on the incurrence of additional indebtedness. Management believes the Company is in compliance with all covenants at June 30, 2007. The Loan is subject to certain prepayment penalties if it is repaid prior to its maturity date.

Also included in restricted cash are amounts to be funded for replacements and repairs, and leasing commissions as required by the loan agreement.

Long-Term Debt

The University has entered into capital lease agreements for much of its capital assets with the Dormitory Authority of the State of New York (DASNY). In addition, the University has entered into various agreements for construction of other capital assets and the purchase of other equipment through the issuance of certificates of participation. The University has also entered into certain leases for leasehold improvements, which have been treated as capital leases.

Capital Lease Agreements with the Dormitory Authority of the State of New York

Under the University’s capital lease agreements with DASNY, construction costs are initially paid with the proceeds of bonds issued by DASNY. The bonds, with a maximum 30-year life, are repaid by DASNY via appropriations received from both New York State and New York City. Annual bond payments are secured by instructional and noninstructional fees, State appropriations for University operating expenditures, per capita State aid to New York City or New York State personal income tax receipts. Upon repayment of the bonds and the satisfaction of all other obligations under the agreements, all rights, title, and interest in the...
projects are conveyed to the State of New York (for senior colleges) or the City of New York (for community colleges).

The following is a schedule by year of future minimum lease payments under these capital leases, together with the net swap amount, assuming current interest rates remain the same, and the present value of the minimum lease payments at June 30, 2007 (in thousands):

<table>
<thead>
<tr>
<th>Capital lease agreements with DASNY</th>
<th>Principal</th>
<th>Interest</th>
<th>Swap, net</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$ 199,340</td>
<td>173,511</td>
<td>(1,082)</td>
<td>371,769</td>
</tr>
<tr>
<td>2009</td>
<td>155,790</td>
<td>163,389</td>
<td>(1,082)</td>
<td>318,097</td>
</tr>
<tr>
<td>2010</td>
<td>220,575</td>
<td>152,782</td>
<td>(1,082)</td>
<td>372,275</td>
</tr>
<tr>
<td>2011</td>
<td>148,785</td>
<td>142,526</td>
<td>(1,082)</td>
<td>290,229</td>
</tr>
<tr>
<td>2012</td>
<td>207,560</td>
<td>132,692</td>
<td>(1,082)</td>
<td>339,170</td>
</tr>
<tr>
<td>2013 – 2017</td>
<td>1,005,505</td>
<td>511,830</td>
<td>(5,521)</td>
<td>1,511,814</td>
</tr>
<tr>
<td>2018 – 2022</td>
<td>687,035</td>
<td>301,818</td>
<td>(8,784)</td>
<td>980,069</td>
</tr>
<tr>
<td>2023 – 2027</td>
<td>593,780</td>
<td>167,162</td>
<td>(3,690)</td>
<td>757,252</td>
</tr>
<tr>
<td>2028 – 2032</td>
<td>342,055</td>
<td>68,179</td>
<td>(896)</td>
<td>409,338</td>
</tr>
<tr>
<td>2033 – 2037</td>
<td>134,735</td>
<td>14,609</td>
<td></td>
<td>149,344</td>
</tr>
</tbody>
</table>

| Total minimum lease payment        | $ 3,695,160 | 1,828,498 | (24,301) | 5,499,357 |
| Less amount representing interest  | (1,828,498) |          |          |          |
| Add swap, net                      | 24,301      |          |          |          |
| Present value of net minimum lease payments | 3,695,160 |   |          |          |
| Less unamortized original issue discount, net | (62,564) | | | |
| Carrying amount of obligations     | $ 3,632,596 | | | |

Interest rates on DASNY obligations range from 2.625% to 7.5%.

During 2007, DASNY issued bonds for new construction with a par value of $287,725,000 and original issue premium of $22,962,145 and issued refunding bonds with a par value of $35,225,000 and original issue premium of $1,274,584 on behalf of the University.

At June 30, 2007, $979,075,000 of bonds outstanding are considered defeased.
As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, at various times, DASNY issued certain variable interest rate bonds, and concurrently entered into 46 separate pay-fixed, receive-variable interest swaps with four counterparties. During 2005, DASNY issued fixed rate bonds and concurrently entered into three separate pay-variable, receive-fixed rate swaps with three counterparties, for which swap payments commence at future dates. The swaps are undertaken as a part of the State’s overall debt management program. The notional amounts of the swaps match the principal amounts of the associated debt. The swap was entered into at the same time the bonds were issued. The swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated “bond payable” category. The terms, including the fair values and credit ratings of the outstanding swaps at June 30, 2007, were as follows (in thousands):

<table>
<thead>
<tr>
<th>Counterparty</th>
<th>Notional amount</th>
<th>Termination date</th>
<th>Swap fixed rate paid</th>
<th>Variable swap rate received</th>
<th>Swap fair value</th>
<th>b Counterparty</th>
<th>Swap insured</th>
</tr>
</thead>
<tbody>
<tr>
<td>City University System</td>
<td>Consolidated Revenue Bonds, Series 2003:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citibank</td>
<td>$350,003</td>
<td>7/1/14 to 7/1/31</td>
<td>3.36%</td>
<td>65% of LIBOR</td>
<td>$7,382</td>
<td>Aaa/AA+/AA+</td>
<td>Yes</td>
</tr>
<tr>
<td>Lehman Brothers</td>
<td>203,199</td>
<td>7/1/14 to 7/31</td>
<td>3.36</td>
<td>65% of LIBOR</td>
<td>4,292</td>
<td>Aaa/AAA/AAA</td>
<td>Yes</td>
</tr>
<tr>
<td>Merrill Lynch</td>
<td>203,199</td>
<td>7/1/14 to 7/1/33</td>
<td>3.36</td>
<td>65% of LIBOR</td>
<td>4,292</td>
<td>Aa3/AA-/AA-</td>
<td>Yes</td>
</tr>
<tr>
<td>UBS</td>
<td>203,199</td>
<td>7/1/14 to 7/1/34</td>
<td>3.36</td>
<td>65% of LIBOR</td>
<td>4,292</td>
<td>Aaa/AA+/AA+</td>
<td>Yes</td>
</tr>
<tr>
<td>City University System</td>
<td>Consolidated Revenue Bonds, Series 2003B:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lehman Brothers</td>
<td>21,100</td>
<td>7/1/25</td>
<td>3.17</td>
<td>65% of LIBOR</td>
<td>1,098</td>
<td>Aaa/AAA/AAA</td>
<td>Yes</td>
</tr>
<tr>
<td>PIT Education 2005C</td>
<td>22,160</td>
<td>3/15/32</td>
<td>3.09</td>
<td>65% of LIBOR</td>
<td>1,642</td>
<td>Aaa/AAA/AAA</td>
<td>No</td>
</tr>
<tr>
<td>Total pay-fixed</td>
<td>$1,002,860</td>
<td></td>
<td></td>
<td>$7,382</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Future pay-variable, receive-fixed swaps**

<table>
<thead>
<tr>
<th>Counterparty</th>
<th>Notional amount</th>
<th>Termination date</th>
<th>Swap fixed rate paid</th>
<th>Variable swap rate received</th>
<th>Swap fair value</th>
<th>b Counterparty</th>
<th>Swap insured</th>
</tr>
</thead>
<tbody>
<tr>
<td>City University System</td>
<td>Consolidated Revenue Bonds, Series 2005A:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citibank</td>
<td>$108,260</td>
<td>7/1/24</td>
<td>4.44%</td>
<td>BMA</td>
<td>$ (150)</td>
<td>Aaa/AA+/AA+</td>
<td>No</td>
</tr>
<tr>
<td>JPMorgan</td>
<td>45,550</td>
<td>3/15/30</td>
<td>4.34</td>
<td>BMA</td>
<td>(437)</td>
<td>Aaa/AAAA/Aa3</td>
<td>No</td>
</tr>
<tr>
<td>UBS</td>
<td>45,550</td>
<td>3/15/30</td>
<td>4.34</td>
<td>BMA</td>
<td>(437)</td>
<td>Aaa/AA+/AA+</td>
<td>No</td>
</tr>
<tr>
<td>Total pay-variable</td>
<td>199,360</td>
<td></td>
<td></td>
<td>(1,024)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$1,202,220</td>
<td></td>
<td></td>
<td>$21,974</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a London Interbank Offered Rate
b Moody’s/S&P/Fitch, respectively
c Bond Market Association Municipal Swap Index
At June 30, 2007, the swaps had a fair value of $21,974,000. Interest rates have changed since the swaps were entered into; the pay-fixed, receive-variable swaps had a fair value of $22,998,000 (the fixed swap payment rate is lower than current comparable fixed rates), and the pay-variable, receive-fixed swaps had a negative fair value of $1,024,000 (the fixed swaps receive rate is higher than current comparable fixed rates). The fair values of pay-fixed, receive-variable rate swaps generally move in the opposite direction from the fair values of pay-variable, receive-fixed rate swaps, mitigating exposure in the swap portfolio resulting from changes in interest rates. The fair values were estimated using the zero coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swaps.

Credit Risk. At June 30, 2007, the swap agreements were not exposed to credit risk on those swaps with negative fair values. However, should interest rates change and the fair values of those swaps become positive, then the swap agreements would be exposed to credit risk in the amount of the swaps’ fair value.

For those swaps with a positive fair value, the swaps fair value represented the credit exposure to the counterparties at June 30, 2007. The swap agreements entered into during 2005 contain set-off provisions and amended existing swap agreements with those four counterparties to include such set-off provisions. Under the terms of these agreements, should an agreement terminate, close-out set-off provisions permit all outstanding transactions with the related counterparty to terminate and net the transaction’s fair values so that a single sum will be owed by, or owed to, DASNY. Should the counterparties fail to perform according to the terms of the swap contracts, at June 30, 2007, the maximum possible loss equivalent to the related swaps’ net positive value, assuming set-off, is $21,974,000. The set-off provisions currently cover 4 out of the 5 counterparties.

The guidelines set forth by DASNY require that the counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories and ratings which are obtained from any other nationally recognized statistical rating agency for such counterparty shall also be within the three highest investment grade categories, or the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings.

To further mitigate credit risk, all swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of 102% of the swap termination value payable by the counterparty, at any time that the counterparty does not have at least one rating in the second highest rating category or any of the ratings assigned to the counterparty are below the three highest rating categories. Collateral on all swaps is to be held by a third-party custodian and be in the form of direct obligations or obligations the principal and interest of which are guaranteed by the United States of America, or other securities permitted by law and agreed upon in writing by DASNY and the counterparty.

Interest Rate Risk. The pay-variable, receive-fixed interest rate swaps increase the exposure to interest rate risk. The variable interest rate to the counterparties is based on the Bond Market Association Municipal Swap Index (BMA). As BMA increases, the net payment on the swaps increases.
Basis Risk. The pay-fixed, receive-variable swap agreements are exposed to basis risk. DASNY is paying a fixed rate of interest to the counterparties and the counterparties are paying a variable rate representing 65% of the one-month LIBOR rate. The amount of the variable rate swap payments received from the counterparties does not necessarily exactly equal the actual variable rate payable to the bondholders. Should the relationship between LIBOR and actual variable rate payments converge, the expected cost savings may not materialize.

Termination Risk. The swap contracts use the International Swap Dealers Association Master Agreement (Master Agreement), which includes standard termination events, such as failure to pay, default on any other debt in an aggregate amount greater than the agreed-upon thresholds and bankruptcy. The schedule to the Master Agreement includes additional termination events, providing that the swap may be terminated if either the downgrade of the applicable state supported bonds or the debt of the counterparty falls below certain levels. DASNY or the counterparty may terminate any of the swaps if the other party fails to perform under the term of the contract. If the counterparty to the swap defaults or if the swap is terminated, the related variable rate bonds would no longer be hedged and DASNY would no longer effectively be paying a synthetic fixed rate with respect to those bonds. A termination of the swap agreement may also result in DASNY making or receiving a termination payment. If, at the time of termination, the swap has a negative fair value, DASNY would incur a loss and would be required to settle with the other party at the swap’s fair value. If the swap has a positive value at the time of termination, DASNY would realize a gain that the other party would be required to pay.

Rollover Risk. Since the terms of the individual swaps correlate to match the final maturity of the associated debt, the authority is not exposed to rollover risk.

Certificate of Participation Agreements

The University has entered into various arrangements for the acquisition/rehabilitation of capital assets through the issuance of certificates of participation. The certificates are issued through a trustee and the University is responsible for payments to the trustee in an amount equal to the interest and principal payments made by the trustee to the certificate holders. New York State holds title to the capital assets financed with certificates of participation. Title to equipment financed with certificates of participation is held by the trustee as security for the certificate holders until such time as the certificates are fully paid. Payments under these obligations are funded by New York State appropriations.
The following is a summary of future minimum payments required under these certificates of participation at June 30, 2007 (in thousands):

<table>
<thead>
<tr>
<th>Certificate of participation agreements</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$17,565</td>
<td>2,335</td>
<td>19,900</td>
</tr>
<tr>
<td>2009</td>
<td>18,585</td>
<td>1,440</td>
<td>20,025</td>
</tr>
<tr>
<td>2010</td>
<td>19,510</td>
<td>488</td>
<td>19,998</td>
</tr>
<tr>
<td>Total minimum payments</td>
<td>$55,660</td>
<td>4,263</td>
<td>59,923</td>
</tr>
<tr>
<td>Less amount representing interest</td>
<td></td>
<td></td>
<td>(4,263)</td>
</tr>
<tr>
<td>Present value of net minimum payments</td>
<td></td>
<td></td>
<td>55,660</td>
</tr>
<tr>
<td>Add unamortized original issue premium, net</td>
<td></td>
<td>140</td>
<td></td>
</tr>
<tr>
<td>Carrying amount of obligations</td>
<td></td>
<td></td>
<td>$55,800</td>
</tr>
</tbody>
</table>

Interest rates on certificates of participation range from 4.90% to 5.15%.

**Other Capital Lease Agreements**

The University has entered into a capital lease agreement for the renovation of existing space at a building occupied by the Hunter College School of Social Work. The following is a summary of future minimum lease payments required under this capital lease at June 30, 2007 (in thousands):

<table>
<thead>
<tr>
<th>Hunter capital lease</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$402</td>
<td>296</td>
<td>698</td>
</tr>
<tr>
<td>2009</td>
<td>444</td>
<td>254</td>
<td>698</td>
</tr>
<tr>
<td>2010</td>
<td>491</td>
<td>207</td>
<td>698</td>
</tr>
<tr>
<td>2011</td>
<td>542</td>
<td>156</td>
<td>698</td>
</tr>
<tr>
<td>2012</td>
<td>598</td>
<td>100</td>
<td>698</td>
</tr>
<tr>
<td>2013 – 2017</td>
<td>662</td>
<td>36</td>
<td>698</td>
</tr>
<tr>
<td>Total minimum lease payment</td>
<td>$3,139</td>
<td>1,049</td>
<td>4,188</td>
</tr>
<tr>
<td>Less amount representing interest</td>
<td></td>
<td></td>
<td>(1,049)</td>
</tr>
<tr>
<td>Carrying amount of obligations</td>
<td></td>
<td></td>
<td>$3,139</td>
</tr>
</tbody>
</table>

The interest rate for this capital lease obligation is 10%. 

(Continued)
The University has a capital lease agreement for equipment related to the Brooklyn College Central Chiller Plant. The following is a summary of future minimum lease payments required under this capital lease at June 30, 2007 (in thousands):

<table>
<thead>
<tr>
<th>Fiscal year:</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$876</td>
<td>201</td>
<td>1,077</td>
</tr>
<tr>
<td>2009</td>
<td>949</td>
<td>154</td>
<td>1,103</td>
</tr>
<tr>
<td>2010</td>
<td>1,042</td>
<td>102</td>
<td>1,144</td>
</tr>
<tr>
<td>2011</td>
<td>1,123</td>
<td>43</td>
<td>1,166</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,990</strong></td>
<td><strong>500</strong></td>
<td><strong>4,490</strong></td>
</tr>
</tbody>
</table>

Less amount representing interest

Carrying amount of obligations $3,990

**Honors College Loan**

The University has entered into a mortgage loan with Commerce Bank for financing the purchase price of the Macaulay Honors College Building.

The following is the schedule by year of future principal and interest payments to Commerce Bank, assuming current interest rates and the present value of the net swap amounts at June 30, 2007 remain the same (in thousands):

<table>
<thead>
<tr>
<th>Honors College Loan</th>
<th>Principal</th>
<th>Interest</th>
<th>Swap, net</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$2,400</td>
<td>1,774</td>
<td>5</td>
<td>4,179</td>
</tr>
<tr>
<td>2009</td>
<td>2,400</td>
<td>1,616</td>
<td>4</td>
<td>4,020</td>
</tr>
<tr>
<td>2010</td>
<td>2,400</td>
<td>1,459</td>
<td>4</td>
<td>3,863</td>
</tr>
<tr>
<td>2011</td>
<td>2,400</td>
<td>1,301</td>
<td>3</td>
<td>3,704</td>
</tr>
<tr>
<td>2012</td>
<td>1,800</td>
<td>1,160</td>
<td>2</td>
<td>2,962</td>
</tr>
<tr>
<td>2013 – 2017</td>
<td>16,600</td>
<td>1,608</td>
<td>3</td>
<td>18,211</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28,000</strong></td>
<td><strong>8,918</strong></td>
<td><strong>21</strong></td>
<td><strong>36,939</strong></td>
</tr>
</tbody>
</table>

Less amount representing interest

Less swap, net (8,918)

Carrying amount of obligations $28,000

Interest rate range between 6.54% and 30 day Libor plus 1.25%.

(Continued)
As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, CUNY obtained a commercial loan of $28,000,000 from Commerce Bank and concurrently entered into a pay-fixed, receive-variable interest swap with the same bank, for which swap payments commence at future date. The notional amount of the swap is $18,200,000 whereas the principal amount of the associated debt is $28,000,000. The balance of the loan amount, $9,800,000, has variable interest rate of 30 day Libor plus 1.25%. The swap was entered into at the same time the loan was obtained. The swap agreement contains scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated receipt of gift funds from the donor, William E. Macaulay. The terms, including the fair values and credit ratings of the outstanding swap at June 30, 2007 are as follows (in thousands):

<table>
<thead>
<tr>
<th>Counterparty</th>
<th>Notional amount</th>
<th>Termination date</th>
<th>Swap fixed rate paid</th>
<th>Variable swap rate received</th>
<th>Swap fair value</th>
<th>Counterparty credit rating</th>
<th>Swap insured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commerce Bank</td>
<td>$ 18,200</td>
<td>1/31/2014</td>
<td>6.54%</td>
<td>30 day Libor plus 1.25%</td>
<td>$38</td>
<td>A2 (Moody’s)</td>
<td>A- (Fitch)</td>
</tr>
</tbody>
</table>

At June 30, 2007, the swap had a fair value of $38,264. Interest rates have changed since the swap was entered into and the fixed swap payment rate is lower than current comparable fixed rate. The fair value for the swap was supplied by the bank.

Credit Risk. At June 30, 2007, the swap agreement was exposed to credit risk in the amount of the swap’s fair value.

Basis Risk. The pay-fixed, receive-variable swap agreements are exposed to basis risk. CUNY is paying a fixed rate of interest to the counterparty at 6.54% and receiving from the counterparty a variable rate representing 30-day Libor plus 1.25%.

Termination Risk. The swap contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay, default on any other debt in an aggregate amount greater than the agreed-upon thresholds and bankruptcy. CUNY or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. A termination of the swap agreement may also result in CUNY making or receiving a termination payment. If at the time of termination, the swap has a negative fair value CUNY would incur a loss and would be required to settle with the other party at the swap’s fair value. If the swap has a positive value at the time of termination, CUNY would realize a gain that the other party would be required to pay.

Rollover Risk. Since the terms of the individual swaps correlate to match the final maturity of the associated debt, CUNY is not exposed to rollover risk.
Line of Credit

In March 2006, the 230 West 41st Street LLC (the Company) received a revolving credit loan for $12 million, which bears interest at Libor plus 1.75% and which converted to a ten-year term loan on September 2006. The loan was obtained to finance the construction of certain improvements for leased space at 230 West 41st Street. At June 30, 2007, the Company received $12,000,000 in loan proceeds of which $11,542,337 were used to pay for tenant improvements and interest expense. The remaining loan proceeds of $457,664 are recorded as restricted cash on the statement of net assets. During the fiscal year, the Company paid off $10 million in principal and $641,235 in interest expense and legal fees. At June 30, 2007, $2 million of the line of credit is outstanding.

Oracle Financing Agreement

In May 2007, the University entered into a long-term financing agreement with Oracle Credit Corporation for $56,320,385 to provide for the acquisition of Oracle software licenses and consulting services. As of June 30, 2007, the University drew down $6,320,385 of the financing agreement for the acquisition of Oracle software licenses from Oracle Corporation. The following is a summary of future minimum payments required under this financing agreement at June 30, 2007 (in thousands):

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$2,135</td>
<td>125</td>
<td>2,260</td>
</tr>
<tr>
<td>2009</td>
<td>998</td>
<td>132</td>
<td>1,130</td>
</tr>
<tr>
<td>2010</td>
<td>1,030</td>
<td>100</td>
<td>1,130</td>
</tr>
<tr>
<td>2011</td>
<td>1,062</td>
<td>68</td>
<td>1,130</td>
</tr>
<tr>
<td>2012</td>
<td>1,095</td>
<td>34</td>
<td>1,129</td>
</tr>
<tr>
<td>Total</td>
<td>$6,320</td>
<td>459</td>
<td>6,779</td>
</tr>
</tbody>
</table>

Less amount representing interest (459)

Carrying amount of obligations $6,320

Interest rate was 3.10%.

Compensated Absences

Employees accrue vacation leave based upon time employed, with the maximum accumulation generally ranging from 45 to 50 days. The recorded liability for accrued vacation leave, including the University's share of fringe benefits, is approximately $65.2 million at June 30, 2007. Employees also earn sick leave credits, which are considered termination payments and may be accumulated up to a maximum of 160 days. Accumulated sick leave credits are payable up to 50% of the accumulated amount as of the date of retirement. The recorded liability for sick leave credits is approximately $45.4 million at June 30, 2007.
(8) Deposits Held by Bond Trustees and Amounts Held by the Dormitory Authority of the State of New York

Deposits held by bond trustees include bond proceeds not yet expended for construction projects and related accumulated investment income. Bond proceeds and interest income in excess of construction costs are restricted for future projects or debt service. In addition, deposits held by bond trustees include reserves required for debt service and replacement under lease agreements, together with earnings on such funds.

Amounts held by DASNY represent funds which have been remitted to DASNY to be used for rehabilitation of capital assets or held for general operating purposes.

In accordance with GASB 40, deposits held by bond trustee and amounts held by DASNY by type, at June 30, 2007, are as follows (in thousands):

<table>
<thead>
<tr>
<th>Deposits held by trustee and amounts held by DASNY</th>
<th>Fair value</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 25,460</td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury notes and bonds</td>
<td>682,165</td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury bills</td>
<td>271,989</td>
<td></td>
</tr>
<tr>
<td>U.S. agency mortgage-backed securities</td>
<td>8,423</td>
<td>AAA</td>
</tr>
<tr>
<td>Total</td>
<td>$ 988,037</td>
<td></td>
</tr>
</tbody>
</table>

The funds are invested in securities with maturities of less than one year.

Deposits held by bond trustee and amounts held by DASNY are subject to the following risks:

**Custodial Credit Risk**

Custodial credit risk for deposits held by bond trustee and amounts held by DASNY is the risk that in the event of a bank failure or counterparty failure, the University will not be able to recover the value of its cash and investments in the possession of an outside party. Of the $988,037,000 in deposits held by bond trustee and amounts held by DASNY at June 30, 2007, $975,811,000 are held by DASNY or the bond trustee, not in the University's name.

**Credit Risk**

For an investment security, credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. Under investment agreements, deposits held by bond trustee and amounts held by DASNY are invested with financial institutions at a fixed contract rate of interest. Because the security is essentially a written contract, there is no rating available for such an instrument; however, at the time the agreements are entered into, the underlying providers are generally rated in at least the second highest rating category by at least one of the nationally recognized rating organizations in accordance with established investment policy and guidelines.
Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. During 2007, deposits held by bond trustee and amounts held by DASNY were not exposed to concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy for deposits held by bond trustee or amounts held by DASNY that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments primarily consist of obligations of the United States Government and are reported at fair value with maturities of one year or less.

(9) Pension Plans

The University participates in three pension plans for its employees: the New York City Employees' Retirement System (ERS); the Teachers' Retirement System of the City of New York Qualified Pension Plan (TRS); and Teachers' Insurance and Annuity Association—College Retirement Equities Fund (TIAA CREF). ERS and TRS are cost sharing, multiple employer defined benefit plans administered by the City of New York. TIAA CREF is a privately operated, multi employer defined contribution retirement plan. TIAA CREF obligations of employers and employees to contribute and of employees to receive benefits are governed by the New York State Education Law and City laws.

ERS and TRS provide retirement benefits, as well as death and disability benefits. These systems function in accordance with existing State of New York statutes and City laws.

ERS and TRS issue publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to ERS at 335 Adams Street, Brooklyn, New York 11201, or TRS at 55 Water Street, New York, New York 10041.

TIAA CREF provides retirement and death benefits for or on behalf of those full time professional employees and faculty members electing to participate in this optional retirement program.

Funding Policy

Employer contributions to ERS and TRS are determined by the City of New York based on actuarially determined rates that, expressed as a percentage of annualized covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Member contributions are established by law. Employees who joined ERS and TRS on or after July 1, 1977 are mandated to contribute 3% of their annual wages to the plans. Effective October 1, 2000, in accordance with Chapter 126 of the Laws of 2000, these members are not required to make contributions after the 10th anniversary of their membership date or completion of ten years of credited service, whichever is earlier.

Employer and employee contribution requirements to TIAA CREF are determined by the New York State Retirement and Social Security Law. Participating University employees contribute 1.5% for tiers one through four and 3% for tier five of salary on an after tax basis. Employer contributions range from 10.5% to 13.5% for tiers one through four, depending upon the employee’s compensation, and 8% to 10% of
salary for tier five, depending upon the employee's years of service. Employee contributions for 2007 amounted to approximately $58.1 million.

The required University contributions for the current year and the two preceding years were (in thousands):

<table>
<thead>
<tr>
<th>Pension plans</th>
<th>ERS</th>
<th>TRS</th>
<th>TIAA-CREF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>$28,063</td>
<td>26,465</td>
<td>76,021</td>
<td>130,549</td>
</tr>
<tr>
<td>2006</td>
<td>18,688</td>
<td>21,007</td>
<td>73,324</td>
<td>113,019</td>
</tr>
<tr>
<td>2005</td>
<td>15,362</td>
<td>20,921</td>
<td>62,571</td>
<td>98,854</td>
</tr>
</tbody>
</table>

The University's contributions made to the systems were equal to 100% of the contributions required for each year.

(10) Postemployment Benefits

During 2007, the University adopted GASB Statement No. 45 ("GASB 45") Accounting and Financial Reporting by Employers for Postemployment other Than Pensions, on a perspective basis. The Statement establishes standards for measurement, recognition, and display of OPEB costs/contributions and related liabilities (assets) note disclosures, and, if applicable, required supplementary information. (See New Accounting Standards Adopted in note 2 for an overview of GASB 45.)

Plan Description. CUNY retirees receive retiree healthcare benefits through the New York City Health Benefits Program (Plan) which is a single-employer defined benefit healthcare plan. The program covers former CUNY employees who were originally employed by CUNY senior colleges or by CUNY community colleges. The program covers individuals who receive pensions from one of the following three pension plans within the New York City Retirement System (NYCRS):

- New York City Employees' Retirement System (ERS)
- New York City Teachers' Retirement System (TRS)
- New York City Board of Education Retirement System (BERS)

In addition, the program covers individuals under alternate retirement arrangements. The most significant alternate retirement arrangement is coverage under the TIAA rather than through the NYCRS. In addition to the participants of NYCRS and TIAA, the valuation also includes 55 CUNY employees covered under the Cultural Institutions Retirement System (CIRS), who are being treated the same as employees in TIAA.

New York City (the City) pays for the coverage (Basic Coverage and Welfare Fund contributions) for retirees in NYCRS who retired from the community colleges. In addition, the City reimburses CUNY employees the Part B premium for Medicare-eligible retirees and covered spouses for all covered CUNY employees, whether retired under NYCRS or TIAA, and whether retired from a senior or community college. The obligation for these coverages are considered an obligation of the City and not included in CUNY's valuation.
CUNY currently reimburses the City for Basic Coverage and Welfare Fund coverage for NYCRS senior college retirees. CUNY is also currently being billed for Basic Coverage and Welfare Fund coverage for all TIAA retirees, whether retired from a senior or community college.

The City issues a publicly available financial report which is available at: Office of the Comptroller, Bureau of Accountancy – Room 808, 1 Centre Street, New York, New York 10007.

**Funding Policy.** OPEB includes Health Insurance and Medicare Part B Reimbursements; Welfare Benefits stem from the University’s collective bargaining agreements. The University is not required by law or contractual agreement to provide funding for postemployment benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependants. For the fiscal year ended June 30, 2007, the University paid $31.5 million, of which $25.8 was for senior colleges and $5.7 million was for community colleges which were paid to the New York City Health Retirement Trust Fund.

### Annual OPEB Cost and Net OPEB Obligation

The University’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by using the Frozen Entry Age Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB 45). Under this method, the excess of the Actuarial Present Value of Projected Benefits over the sum of: (i) the Actuarial Value of Assets plus; (ii) the Unfunded Frozen Actuarial Accrued Liability is allocated on a level basis over the earnings of the covered active employees between the valuation date and assumed exit. This allocation is performed for the group as a whole. The Frozen Actuarial Accrued Liability is determined using the Entry Age Actuarial Cost Method. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. Under this method, actuarial gains/losses, as they occur, reduce/increase future Normal Costs. The ARC represents a level of funding that is paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarially liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the elements of the University’s annual OPEB cost for the year, the amount actually paid and changes in the University’s net OPEB obligation to the plan for the year ended June 30, 2007 (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual required contribution*</td>
<td>$103,131</td>
</tr>
<tr>
<td>Interest on net OPEB obligation</td>
<td>—</td>
</tr>
<tr>
<td>Adjustment to annual required contribution</td>
<td>—</td>
</tr>
<tr>
<td><strong>Annual OPEB cost (expense)</strong></td>
<td>103,131</td>
</tr>
<tr>
<td>Payments made</td>
<td>(25,848)</td>
</tr>
<tr>
<td>Increase in net OPEB obligation</td>
<td>77,283</td>
</tr>
<tr>
<td>Net OPEB obligation – beginning of year</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net OPEB obligation – end of year</strong></td>
<td>$77,283</td>
</tr>
</tbody>
</table>
THE CITY UNIVERSITY OF NEW YORK
Notes to Financial Statements
June 30, 2007

* This amount reflects a 30-year amortization as a level percentage of payroll of the Unfunded Actuarial Accrued Liability.

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2007 were as follows (in thousands):

<table>
<thead>
<tr>
<th>Fiscal year ended</th>
<th>Annual OPEB cost</th>
<th>Percentage of annual OPEB cost paid</th>
<th>Net OPEB obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2007</td>
<td>$103,131</td>
<td>25.00%</td>
<td>$77,283</td>
</tr>
</tbody>
</table>

Funded Status and Funding Progress. As of June 30, 2006, the most recent (initial) actuarial valuation date, the Plan was 0.0% funded. The actuarial accrued liability for benefits was $1.06 billion (which represents the total present value that is allocated to service rendered prior to the valuation date), and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1.06 billion. The covered payroll (annual payroll of active employees by the Plan) was $818 million, and the ratio of the UAAL to be covered payroll was 130%.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employers are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, shown below as required supplementation information, presents the results of OPEB valuations as of June 30, 2006 and looking forward, the schedule will eventually provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

<table>
<thead>
<tr>
<th>Actuarial valuation date</th>
<th>Actuarial value of assets (a)</th>
<th>Actuarial accrued liability entry age (b)</th>
<th>Unfunded AAL (UAAL) (b-a)</th>
<th>Funded ratio (a/b)</th>
<th>Covered payroll (c)</th>
<th>UAL as a percentage of covered payroll (b-a)/(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2006</td>
<td>$1,060,801</td>
<td>$1,060,801</td>
<td>0%</td>
<td>$818,476</td>
<td>130%</td>
<td></td>
</tr>
</tbody>
</table>

Actuarial Cost Methods and Assumptions – CUNY employees and retirees are eligible for the same health benefits (both in active service and in retirement, if eligible) as employees and retirees of the City of New York. The health benefits are administered by the Office of Labor Relations (OLR). The City of New York

(Continued)
is responsible for the cost of all OPEB benefits for Community College retirees who retired under one of the NYCRS and for Medicare Part B premiums for Senior College retirees who retired under one of the NYCRS and for all CUNY TIAA retirees.

The actuarial assumptions used for CUNY members of the NYCRS are the same as those used for City of New York members of the applicable retirement systems. According to the data provided by the New York City Office of the Actuary (OA), there are CUNY employees covered by NYCERS, TRS, and BERS.

Except as noted below, all other assumptions for TIAA employees and retirees (e.g., discount rate, per capita claims costs, healthcare trend rates, Medicare Part B premiums, and age-related morbidity) are the same as those used for members of TRS.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical patterns of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Valuation Date: June 30, 2006, and the Actuarial Accrued Liability frozen as of the valuation date.

Actuarial Cost Method: Frozen Entry Age Actuarial Cost Method. Under this method, the excess of the Actuarial Present Value of Projected Benefits over the sum of the Actuarial Value of Assets and the Unfunded Frozen Actuarial Accrued Liability is allocated on a level basis over the future working lifetime of the group included in the valuation from the valuation date to assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. The Frozen Actuarial Accrued Liability is determined using the Entry Age Actuarial Cost Method. The portion of the Actuarial Present Value allocated to a valuation year is called the Normal Cost. Under this method, Actuarial Gains (Losses), as they occur, reduce (increase) future Normal Costs.

Amortization: For purposes of these calculations, the Frozen Actuarial Accrued Liability is amortized as a level percentage of payroll over an open 30-year period.

Discount Rate: 4.0% per annum, compounded annually.
Healthcare Cost Trend Rate: Covered healthcare expenses were assumed to increase by the following percentages each year:

<table>
<thead>
<tr>
<th>Fiscal year ending</th>
<th>Medical (Pre-Medicare)</th>
<th>Medical (Post-Medicare)</th>
<th>Welfare Fund contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>9.5%</td>
<td>7.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>2009</td>
<td>9.0</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>2010</td>
<td>8.5</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>2011</td>
<td>8.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>2012</td>
<td>7.5</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>2013</td>
<td>7.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>2014</td>
<td>6.5</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>2015</td>
<td>6.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>2016</td>
<td>5.5</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>2017+</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Inflation Rate: the assumed increase in premium rates.

Medical
- Initial Rate ** 9.5%
- Ultimate Rate 5%
- Fiscal Year Ultimate Rate Reached** 2017

** 7% initial trend rate applied to post-Medicare per-capitas and Welfare fund contributions, with 5% ultimate rate reached in 2010.

Wage Inflation: 3.0% per annum, compounded annually.

Miscellaneous: The valuation was prepared on a going-plan basis. This assumption does not necessarily imply that an obligation to continue the Plan exists.

Component Unit

The Research Foundation ("the Foundation") provides postemployment benefits, including salary continuance, to certain employees. The cost of these benefits is accrued over the employees' years of service. The Foundation also provides certain healthcare benefits to retired employees (including eligible dependents) who have a combination of age and years of service equal to 70 with a minimum age of 55 and at least ten years of continuous service.

The Foundation accounts for postretirement benefits provided to retirees on an accrual basis during the period of their employment.
The following table sets forth the plan’s funded status as of June 30, 2007 (in thousands):

<table>
<thead>
<tr>
<th>Benefit obligation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit obligation</td>
<td>$ (68,740)</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>38,034</td>
</tr>
<tr>
<td>Funded status as of June 30</td>
<td>$ (30,706)</td>
</tr>
</tbody>
</table>

(11) Commitments

The University has entered into contracts for the construction and improvement of various capital assets. At June 30, 2007, these outstanding contractual commitments were approximately $599.2 million.

The University is also committed under various operating leases covering real property and equipment. The following is a summary of the future minimum rental commitments under noncancelable real property and equipment operating leases with terms exceeding one year at June 30, 2007 (in thousands):

<table>
<thead>
<tr>
<th>Contractual commitments</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year:</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$ 34,430</td>
</tr>
<tr>
<td>2009</td>
<td>34,815</td>
</tr>
<tr>
<td>2010</td>
<td>36,387</td>
</tr>
<tr>
<td>2011</td>
<td>33,549</td>
</tr>
<tr>
<td>2012</td>
<td>31,068</td>
</tr>
<tr>
<td>2013 – 2017</td>
<td>96,771</td>
</tr>
<tr>
<td>2018 – 2022</td>
<td>8,560</td>
</tr>
<tr>
<td></td>
<td>$ 275,580</td>
</tr>
</tbody>
</table>

For the year ended June 30, 2007, rent expense, including escalations of $7.1 million, was approximately $40.6 million.

(12) Contingent Liabilities

The University disburses Pell Grant funds to students eligible for Federal financial assistance. Students’ eligibility details are then submitted to the U.S. Department of Education (ED) for validation. Differences between the Pell Grant disbursements made by the University and the final amounts validated by ED exist for each of the years from 1974 to 1985. The University is currently negotiating with ED to resolve these differences, which approximate $7,000,000. Management believes the University will continue to aggressively defend, negotiate and, if appropriate, litigate in order to achieve satisfactory resolution of this matter. In the opinion of the University, the ultimate disposition of these matters will not have a material adverse effect on the University’s financial statements.
THE CITY UNIVERSITY OF NEW YORK
Notes to Financial Statements
June 30, 2007

(13) Litigation and Risk Financing

The University is involved with claims and other legal actions arising in the normal course of its activities, including several currently in litigation. Pursuant to the New York State Education Law, the State or City of New York (as applicable) shall save harmless and indemnify the University, members of its Board, and any duly appointed staff member against any claim, demand, suit, or judgment arising from such person performing his or her duties on behalf of the University. Further, any judgments rendered against such individuals will be paid from funds appropriated by the Legislature, which are separate and apart from the University's operating funds. While the final outcome of the matters referred to above cannot be determined at this time, management is of the opinion that the ultimate liability, if any, will not have a material effect on the financial position of the University.

Liabilities for claims are accrued when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

The University is uninsured for most categories of risk of loss.

(14) Financial Dependency

Appropriations from the State of New York and the City of New York are significant sources of revenue to the University. Accordingly, the University is economically dependent on these appropriations to carry on its operations.

(15) City College Dormitory

During 2005, the University entered into a support agreement with DASNY in connection with the issuance of CUNY Student Housing Project Insured Revenue Bond, Series 2005. The bonds having a par value of $63,050,000 and premium of $5,955,235 were issued to fund a nonrecourse loan from DASNY to Educational Housing Services, Inc. to finance construction of a student residence building on the campus of City College. Under the terms of the support agreement, the University has agreed to unconditionally guarantee the loan and transfer to the trustee amounts required to replenish deficiencies related to debt service payments and debt service reserve funds. The obligations of CUNY shall terminate upon the payment or legal defeasance of all of the Series 2005 bonds.

(16) College Foundations

The University's college foundations are made up of not for profit corporations, which support both academic and general needs of the colleges and their students. Their activities are funded through donor contributions, special fund raising events, and earnings on investments.

The accounting policies of the foundations conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. The foundations' financial statements are based on applicable FASB pronouncements.

Summary of Significant Accounting Policies

The foundations follow FASB Statement No. 116, Accounting for Contributions Received and Contributions Made (FASB 116), and FASB Statement No. 117, Financial Statement of Not for profit Organizations (FASB 117). Under FASB 116, contributions received, including unconditional promises to
give, are recognized at fair value in the period received. Under FASB 117, foundations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The classes are defined as follows:

**Permanently Restricted**

Net assets resulting from contributions whose use is limited by donor imposed restrictions.

**Temporarily Restricted Net Assets**

Net assets resulting from contributions and other inflows of assets, whose use is limited by restrictions that expire either by the passage of time or by fulfillment of the restriction. When stipulations end or are fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets are released from restrictions.

**Unrestricted Net Assets**

Net assets that are neither permanently nor temporarily restricted.

**Split Interest Agreements**

Several of the foundations have received contributions from donors in exchange for a promise by the foundations to pay a fixed amount to the donor or other individuals over a specified period of time (normally the donor’s or other beneficiary’s life) and are recognized at fair value when received. The annuity payment liability is recognized at the present value of future cash payments expected to be paid. The net of these two amounts is recorded as contribution income.

**Charitable Remainder Trusts**

Several of the foundations have received charitable remainder trusts of various types, which are received by the college during the lifetime of the grantor, and carry with them the obligation to pay the grantor an annuity during his or her lifetime. Upon the death of the grantor, the trust is terminated, and the remaining value becomes the property of the foundation.
Investments

Investments are carried at fair value with changes in their value of investments recorded in the statement of activities. Investments at June 30, 2007 consist of:

<table>
<thead>
<tr>
<th>Investment type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$15,385,335</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>173,482</td>
</tr>
<tr>
<td>U.S. Treasury bills</td>
<td>21,241,266</td>
</tr>
<tr>
<td>U.S. government bonds</td>
<td>10,826,221</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>21,820,005</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>112,602,392</td>
</tr>
<tr>
<td>Equities</td>
<td>94,859,045</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>45,934,475</td>
</tr>
<tr>
<td>CUNY investment pool</td>
<td>3,459,115</td>
</tr>
<tr>
<td>Other</td>
<td>7,224,130</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td><strong>$333,525,466</strong></td>
</tr>
</tbody>
</table>

Contributions Receivable

Unconditional promises to give are recorded as contributions receivable, and in most cases are discounted over the payment period using the applicable discount rate in effect at the time of the contribution. At June 30, 2007, contributions receivable consisted of:

<table>
<thead>
<tr>
<th>Contributions receivable</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions receivable</td>
<td>$112,007,548</td>
</tr>
<tr>
<td>Less allowance for doubtful accounts</td>
<td>5,413,405</td>
</tr>
<tr>
<td>Less discount to present value</td>
<td>16,359,487</td>
</tr>
<tr>
<td><strong>Contributions receivable, net</strong></td>
<td><strong>$90,234,656</strong></td>
</tr>
</tbody>
</table>

Temporarily Restricted Net Assets

At June 30, 2007, temporarily restricted net assets are available for the following purposes:

<table>
<thead>
<tr>
<th>Temporarily restricted net assets</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student education and welfare</td>
<td>$192,462,936</td>
</tr>
<tr>
<td>Facility renovations</td>
<td>662,406</td>
</tr>
<tr>
<td>Obligations under charitable</td>
<td>1,094,561</td>
</tr>
<tr>
<td>remainder trusts</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>500,286</td>
</tr>
<tr>
<td><strong>Total temporarily restricted net assets</strong></td>
<td><strong>$194,720,189</strong></td>
</tr>
</tbody>
</table>
Permanently Restricted Net Assets

At June 30, 2007, permanently restricted net assets consist of the following:

<table>
<thead>
<tr>
<th>Permanently restricted net assets</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student education and welfare</td>
<td>$229,551,292</td>
</tr>
<tr>
<td>Other</td>
<td>$335,668</td>
</tr>
<tr>
<td><strong>Total permanently restricted net assets</strong></td>
<td><strong>$229,886,960</strong></td>
</tr>
</tbody>
</table>

The student education and welfare category includes scholarships, awards, and college programs, while the other programs category represents funds restricted for college and community programs.

Reconciliation of Beginning Net Assets - Change in Reporting Entity

Beginning in fiscal year 2007, the financial activity of the York College Foundation and the City College 21st Century Foundation were included in the University’s financial statements in a discretely presented format (refer to note 2 for further details). The following is a reconciliation of total net asset balances at June 30, 2006 as originally presented, and the restated June 30, 2006 net asset balance (in thousands):

<table>
<thead>
<tr>
<th>Net assets</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2006 net assets, as previously reported</td>
<td>$313,465</td>
</tr>
<tr>
<td>The City College 21st Century Foundation</td>
<td>33,364</td>
</tr>
<tr>
<td>York College Foundation</td>
<td>619</td>
</tr>
<tr>
<td>June 30, 2006 net assets, as restated</td>
<td>$347,448</td>
</tr>
</tbody>
</table>

The following tables include the financial information for the colleges’ foundations as of and for the year ended June 30, 2007:
Combining schedule of financial position – College Foundations:

<table>
<thead>
<tr>
<th>Assets:</th>
<th>Baruch</th>
<th>Brooklyn</th>
<th>City College Fund</th>
<th>City 21st Century</th>
<th>Graduate</th>
<th>Hunter</th>
<th>Queens</th>
<th>Other senior*</th>
<th>Total senior</th>
<th>Total community **</th>
<th>Grand total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$398,797</td>
<td>2,127,668</td>
<td>1,800,482</td>
<td>26,204,399</td>
<td>3,706,204</td>
<td>198,722</td>
<td>4,665,007</td>
<td>4,226,176</td>
<td>43,327,653</td>
<td>2,038,018</td>
<td>45,365,669</td>
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<tr>
<td>Accounts and other receivables, net</td>
<td>—</td>
<td>13,385</td>
<td>325,914</td>
<td>97,430</td>
<td>—</td>
<td>17,000</td>
<td>191,901</td>
<td>222,029</td>
<td>867,659</td>
<td>358,571</td>
<td>1,226,230</td>
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<tr>
<td>Prepaid expenses and other assets</td>
<td>168,762</td>
<td>25,490</td>
<td>43,028</td>
<td>198,441</td>
<td>769,283</td>
<td>43,139</td>
<td>167,181</td>
<td>36,883</td>
<td>1,452,177</td>
<td>345,796</td>
<td>1,597,973</td>
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<tr>
<td>Contributions receivable, net</td>
<td>23,103,040</td>
<td>14,295,569</td>
<td>14,023,000</td>
<td>22,251,806</td>
<td>7,357,312</td>
<td>6,016,575</td>
<td>10,211,876</td>
<td>1,293,532</td>
<td>89,455,610</td>
<td>779,046</td>
<td>90,334,656</td>
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<td>Investments</td>
<td>100,382,849</td>
<td>59,889,855</td>
<td>36,560,698</td>
<td>28,947,749</td>
<td>29,641,077</td>
<td>32,461,985</td>
<td>21,958,195</td>
<td>323,046,861</td>
<td>10,478,605</td>
<td>333,525,466</td>
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<td>Beneficial interest in remainder trusts</td>
<td>9,395,247</td>
<td>915,503</td>
<td>—</td>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>100,000</td>
<td>—</td>
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<tr>
<td>Capital assets, net</td>
<td>1,224,848</td>
<td>233,870</td>
<td>45,781</td>
<td>2,148,316</td>
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<td>—</td>
<td>2,641,725</td>
<td>—</td>
<td>6,432,729</td>
<td>—</td>
<td>6,434,018</td>
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<tr>
<td>Total assets</td>
<td>$134,774,443</td>
<td>77,501,282</td>
<td>42,798,903</td>
<td>79,850,537</td>
<td>41,473,856</td>
<td>39,901,421</td>
<td>39,925,885</td>
<td>19,021,112</td>
<td>475,257,439</td>
<td>13,801,325</td>
<td>489,058,764</td>
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<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$464,950</td>
<td>196,131</td>
<td>481,283</td>
<td>702,418</td>
<td>115,859</td>
<td>188,639</td>
<td>555,205</td>
<td>242,283</td>
<td>2,946,768</td>
<td>206,856</td>
<td>3,153,624</td>
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<td>Amortizable payable</td>
<td>1,743,784</td>
<td>683,618</td>
<td>751,098</td>
<td>—</td>
<td>20,164</td>
<td>159,610</td>
<td>—</td>
<td>42,397</td>
<td>3,400,671</td>
<td>—</td>
<td>3,400,671</td>
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<tr>
<td>Due to affiliates</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>8,996</td>
<td>8,996</td>
<td>—</td>
<td>67,337</td>
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<tr>
<td>Deferred revenue</td>
<td>50,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>50,000</td>
<td>—</td>
<td>191,324</td>
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<tr>
<td>Refundable matching grant</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>500,000</td>
<td>—</td>
<td>—</td>
<td>500,000</td>
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<tr>
<td>Other liabilities</td>
<td>—</td>
<td>—</td>
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<td>—</td>
<td>—</td>
<td>38,924</td>
<td>—</td>
<td>—</td>
<td>38,924</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2,258,734</td>
<td>879,749</td>
<td>1,232,381</td>
<td>741,342</td>
<td>136,023</td>
<td>848,249</td>
<td>553,205</td>
<td>293,676</td>
<td>6,945,359</td>
<td>415,517</td>
<td>7,360,876</td>
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<tr>
<td>Net assets:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>11,651,260</td>
<td>10,837,394</td>
<td>2,131,224</td>
<td>3,331,814</td>
<td>4,100,097</td>
<td>1,550,049</td>
<td>11,204,295</td>
<td>6,013,965</td>
<td>50,822,553</td>
<td>6,268,186</td>
<td>57,090,739</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>59,111,109</td>
<td>37,409,884</td>
<td>29,362,508</td>
<td>20,630,668</td>
<td>18,261,275</td>
<td>16,671,805</td>
<td>5,681,318</td>
<td>227,765,471</td>
<td>2,121,489</td>
<td>229,886,960</td>
<td></td>
</tr>
<tr>
<td>Total net assets</td>
<td>$132,515,709</td>
<td>76,621,533</td>
<td>41,566,522</td>
<td>79,109,195</td>
<td>41,377,853</td>
<td>39,033,172</td>
<td>39,386,680</td>
<td>18,727,436</td>
<td>468,312,080</td>
<td>13,385,608</td>
<td>481,697,688</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$134,774,443</td>
<td>77,501,282</td>
<td>42,798,903</td>
<td>79,850,537</td>
<td>41,473,856</td>
<td>39,901,421</td>
<td>39,925,885</td>
<td>19,021,112</td>
<td>475,257,439</td>
<td>13,801,325</td>
<td>489,058,764</td>
</tr>
</tbody>
</table>

* Other Senior refers to CUNY Law School, College of Staten Island, Lehman College, John Jay College, Medgar Evers, New York City College of Technology and York College.

**See note 1 for a listing of all community college foundations.

(Continued)
### The City of New York

**Notes to Financial Statements**

**June 30, 2007**

#### Combining Schedule of Activities - College Foundations:

<table>
<thead>
<tr>
<th></th>
<th>Baruch Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
<th>Brooklyn Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
<th>City Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues, gains (losses), and other support:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifts, grants, and contributions</td>
<td>$10,885,224</td>
<td>4,925,953</td>
<td>20,655,792</td>
<td>36,464,909</td>
<td>1,734,351</td>
<td>12,765,990</td>
<td>1,220,012</td>
<td>15,720,353</td>
<td>1,199,722</td>
<td>1,554,653</td>
<td>1,150,025</td>
<td>3,904,400</td>
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<td>Special events</td>
<td>797,472</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program service revenues</td>
<td>1,081,926</td>
<td>8,382,317</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Investment income</td>
<td>1,081,926</td>
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<td></td>
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</tr>
<tr>
<td>Net realized and unrealized gains on investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Change in value of split interest agreements/beneficial trust</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Other income</td>
<td>2,732,609</td>
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<td></td>
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<td></td>
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<tr>
<td>Net assets released from restrictions</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenues, gains, and other support</td>
<td>$20,028,231</td>
<td>6,080,144</td>
<td>20,655,792</td>
<td>36,762,167</td>
<td>13,865,466</td>
<td>9,696,682</td>
<td>1,214,308</td>
<td>24,776,636</td>
<td>3,751,217</td>
<td>236,266</td>
<td>4,040,570</td>
<td>8,028,053</td>
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<td>Expenses:</td>
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<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Program services</td>
<td>11,054,979</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Management and general</td>
<td>2,380,977</td>
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<td></td>
<td></td>
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<td>Fundraising</td>
<td>2,380,977</td>
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<td></td>
<td></td>
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<tr>
<td>Total expenses</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets before reclassifications and adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassifications and adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>(24,264)</td>
<td>12,969,743</td>
<td>20,655,792</td>
<td>33,599,271</td>
<td>5,696,716</td>
<td>9,696,682</td>
<td>1,214,308</td>
<td>16,607,706</td>
<td>(80,313)</td>
<td>236,266</td>
<td>4,040,570</td>
<td>8,018,253</td>
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<tr>
<td>Net assets at beginning of year, as restated</td>
<td>11,675,224</td>
<td>48,781,357</td>
<td>38,457,117</td>
<td>99,816,498</td>
<td>5,222,280</td>
<td>18,886,392</td>
<td>35,805,255</td>
<td>60,030,827</td>
<td>2,219,337</td>
<td>8,536,524</td>
<td>25,321,638</td>
<td>37,377,999</td>
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<td>Net assets at end of year</td>
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<td>89,111,109</td>
<td>152,515,769</td>
<td>10,837,394</td>
<td>23,374,255</td>
<td>37,409,884</td>
<td>76,621,533</td>
<td>2,331,224</td>
<td>10,072,790</td>
<td>29,362,608</td>
<td>41,566,522</td>
</tr>
</tbody>
</table>

* Other Senior refers to CUNY Law School, College of Staten Island, Lehman College, John Jay College, Medgar Evers, New York City College of Technology and York College.

**See note 1 for a listing of all community college foundations.**

(Continued)
Combining schedule of activities - College Foundations:

<table>
<thead>
<tr>
<th></th>
<th>City Hall agency</th>
<th>Graduate school</th>
<th>Hunter</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily restricted</td>
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<td>Total</td>
</tr>
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<td>Revenues, gains (losses), and other support:</td>
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<td>Gifts, grants, and contributions</td>
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<td>—</td>
<td>—</td>
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<tr>
<td>Special events</td>
<td>1,179,880</td>
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<td>—</td>
<td>—</td>
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<tr>
<td>Program service revenues</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Investment income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Change in value of split interest agreements/beneficiary trust</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Change in unrestricted net assets (5)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other revenues</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total revenues, gains, and other support</td>
<td>5,670,999</td>
<td>16,679,711</td>
<td>25,515,906</td>
<td>$ 50,866,606</td>
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<td>Expenses:</td>
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<tr>
<td>Program services</td>
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<td>—</td>
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<td>—</td>
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<tr>
<td>Management and general</td>
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</tr>
<tr>
<td>Total expenses</td>
<td>5,120,999</td>
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<tr>
<td>Change in net assets before reclassifications and adjustments</td>
<td>549,990</td>
<td>16,679,711</td>
<td>25,515,906</td>
<td>$ 45,745,607</td>
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<tr>
<td>Change in net assets</td>
<td>549,990</td>
<td>16,679,711</td>
<td>25,515,906</td>
<td>$ 45,745,607</td>
</tr>
<tr>
<td>Net assets at beginning of year, as reported</td>
<td>2,761,324</td>
<td>18,460,367</td>
<td>12,122,397</td>
<td>$ 33,363,538</td>
</tr>
</tbody>
</table>

* Other Senior refers to CUNY Law School, College of Staten Island, Lehman College, John Jay College, Medgar Evers, New York City College of Technology and York College.
**See note 1 for a listing of all community college foundations.

(Continued)
### THE CITY OF NEW YORK
Notes to Financial Statements
June 30, 2007

Combining schedule of activities – College Foundations:

<table>
<thead>
<tr>
<th></th>
<th>Queens</th>
<th>Other senior *</th>
<th>Total senior</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily restricted</td>
<td>Permanently restricted</td>
</tr>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily restricted</td>
<td>Permanently restricted</td>
</tr>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily restricted</td>
<td>Permanently restricted</td>
</tr>
<tr>
<td>Revenues, gains (losses), and other support:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifts, grants, and contributions</td>
<td>$1,140,119</td>
<td>3,830,932</td>
<td>1,655,079</td>
</tr>
<tr>
<td>Special events</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Program service revenues</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Investment income</td>
<td>569,711</td>
<td>581,652</td>
<td>--</td>
</tr>
<tr>
<td>Net realized and unrealized gain on investments</td>
<td>2,505,333</td>
<td>--</td>
<td>2,505,333</td>
</tr>
<tr>
<td>Change in value of split interest agreements/beneficial trust</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Other income</td>
<td>304,026</td>
<td>--</td>
<td>304,026</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>3,836,022</td>
<td>(3,836,022)</td>
<td>--</td>
</tr>
<tr>
<td>Total revenues, gains, and other support</td>
<td>8,405,241</td>
<td>546,582</td>
<td>1,655,079</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>3,177,020</td>
<td>--</td>
<td>3,177,020</td>
</tr>
<tr>
<td>Management and general</td>
<td>269,497</td>
<td>--</td>
<td>269,497</td>
</tr>
<tr>
<td>Fundraising</td>
<td>466,911</td>
<td>--</td>
<td>466,911</td>
</tr>
<tr>
<td>Total expenses</td>
<td>5,913,428</td>
<td>--</td>
<td>5,913,428</td>
</tr>
<tr>
<td>Change in net assets before reclassifications and adjustments</td>
<td>2,491,853</td>
<td>546,582</td>
<td>1,655,079</td>
</tr>
<tr>
<td>Reclassifications and adjustments</td>
<td>--</td>
<td>--</td>
<td>(243,665)</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>2,491,853</td>
<td>546,582</td>
<td>1,411,414</td>
</tr>
<tr>
<td>Net assets at beginning of year, as reported</td>
<td>8,712,906</td>
<td>10,977,984</td>
<td>10,259,991</td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>$12,004,759</td>
<td>11,504,516</td>
<td>16,671,405</td>
</tr>
</tbody>
</table>

* Other Senior refers to CUNY Law School, College of Staten Island, Lehman College, John Jay College, Medgar Ever's, New York City College of Technology and York College.
**See note 1 for a listing of all community college foundations.

(Continued)
### Revenues, gains (losses), and other support:

<table>
<thead>
<tr>
<th>Description</th>
<th>Total community **</th>
<th>Grand total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily restricted</td>
</tr>
<tr>
<td>Gifts, grants, and contributions</td>
<td>$1,944,033</td>
<td>2,211,930</td>
</tr>
<tr>
<td>Special events</td>
<td>838,245</td>
<td>100,618</td>
</tr>
<tr>
<td>Program service revenues</td>
<td>1,215,662</td>
<td>—</td>
</tr>
<tr>
<td>Investment income</td>
<td>324,557</td>
<td>40,721</td>
</tr>
<tr>
<td>Net realized and unrealized gains on investments</td>
<td>676,950</td>
<td>579,832</td>
</tr>
<tr>
<td>Change in value of assets receivable and liabilities</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other income</td>
<td>173,774</td>
<td>—</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>2,984,442</td>
<td>(2,153,520)</td>
</tr>
<tr>
<td>Total revenues, gains, and other support</td>
<td>7,154,463</td>
<td>779,551</td>
</tr>
</tbody>
</table>

### Expenses:

<table>
<thead>
<tr>
<th>Description</th>
<th>Total community **</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
</tr>
<tr>
<td>Program services</td>
<td>4,459,977</td>
</tr>
<tr>
<td>Management and general</td>
<td>1,034,891</td>
</tr>
<tr>
<td>Fundraising</td>
<td>165,195</td>
</tr>
<tr>
<td>Total expenses</td>
<td>5,660,063</td>
</tr>
<tr>
<td>Change in net assets before reclassifications and adjustments</td>
<td>1,494,400</td>
</tr>
<tr>
<td>Reclassifications and adjustments</td>
<td>(65,818)</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>1,428,582</td>
</tr>
<tr>
<td>Net assets at beginning of year, as restated</td>
<td>4,839,604</td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>$6,268,186</td>
</tr>
</tbody>
</table>

* Other Senior refers to CUNY Law School, College of Staten Island, Lehman College, John Jay College, Medgar Evers, New York City College of Technology and York College.

**See note 1 for a listing of all community college foundations.
Schedule 1

THE CITY UNIVERSITY OF NEW YORK
Schedule of Net Assets – Senior and Community Colleges
June 30, 2007
(In thousands)

<table>
<thead>
<tr>
<th>Assets:</th>
<th>Senior colleges</th>
<th>Community colleges</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$428,474</td>
<td>40,875</td>
<td>469,349</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>19,160</td>
<td>6,750</td>
<td>25,910</td>
</tr>
<tr>
<td>Deposits held by bond trustees</td>
<td>227,667</td>
<td>41,336</td>
<td>269,003</td>
</tr>
<tr>
<td>Amounts held by the Dormitory Authority of the State of New York</td>
<td>12,838</td>
<td>59,413</td>
<td>72,251</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>240,829</td>
<td>38,369</td>
<td>279,198</td>
</tr>
<tr>
<td>Prepaid expense and other current assets</td>
<td>13,802</td>
<td>1,539</td>
<td>15,341</td>
</tr>
<tr>
<td>Total current assets</td>
<td>942,770</td>
<td>188,282</td>
<td>1,131,052</td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash</td>
<td>6,510</td>
<td>—</td>
<td>6,510</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>208,406</td>
<td>7,694</td>
<td>216,100</td>
</tr>
<tr>
<td>Deposits held by bond trustees</td>
<td>551,659</td>
<td>95,124</td>
<td>646,783</td>
</tr>
<tr>
<td>Student loans and accrued interest receivable, net</td>
<td>4,246</td>
<td>689</td>
<td>4,935</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>2,539,791</td>
<td>479,670</td>
<td>3,019,461</td>
</tr>
<tr>
<td>Deferred financing costs</td>
<td>36,927</td>
<td>4,706</td>
<td>41,633</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>8,515</td>
<td>89</td>
<td>8,604</td>
</tr>
<tr>
<td>Total noncurrent assets</td>
<td>3,356,054</td>
<td>587,972</td>
<td>3,944,026</td>
</tr>
<tr>
<td>Total assets</td>
<td>4,298,824</td>
<td>776,254</td>
<td>5,075,078</td>
</tr>
</tbody>
</table>

| Liabilities:                 |                 |                    |         |
| Current liabilities:         |                 |                    |         |
| Accounts payable and accrued expenses | $208,635     | 47,076             | 255,711 |
| Compensated absences         | 53,068          | 16,187             | 69,255  |
| Deferred tuition and fees revenue | 49,302         | 7,462              | 56,764  |
| Accrued interest payable     | 69,114          | 11,358             | 80,472  |
| Current portion of long-term debt | 178,137        | 32,886             | 211,023 |
| Deferred grant revenue       | 56,346          | 226                | 56,572  |
| Collateral held for securities lending | 26,091         | 1,181              | 27,272  |
| Other current liabilities    | 15,782          | 1,057              | 16,839  |
| Deposits held in custody for others | 25,486         | 6,951              | 32,437  |
| Total current liabilities    | 681,961         | 124,584            | 806,545 |
| Noncurrent liabilities:      |                 |                    |         |
| Compensated absences         | 31,745          | 10,094             | 41,839  |
| OPEB liability               | 97,078          | 10,911             | 107,989 |
| Long-term debt               | 3,077,200       | 505,057            | 3,582,257 |
| Federal refundable loans     | 38,800          | 5,151              | 43,951  |
| Other noncurrent liabilities | 9,175           | 5,828              | 15,003  |
| Total noncurrent liabilities | 3,253,998       | 537,041            | 3,791,039 |
| Total liabilities            | 3,935,959       | 661,625            | 4,597,584 |

Net assets (deficit):  
Invested in capital assets, net of related debt  
(251,784)  
Restricted:  
Nonexpendable  
36,493  
36,669  
Expendable:  
Debt service  
306,549  
1,953  
308,492  
Scholarships and general educational support  
60,151  
1,042  
61,193  
Loans  
4,764  
6,717  
Other  
66,014  
68,637  
Unrestricted  
140,678  
123,926  
Total net assets  
$362,865  
114,629  
477,494

See accompanying independent auditors’ report.
### Schedule of Revenues, Expenses, and Changes in Net Assets – Senior and Community Colleges

**Year ended June 30, 2007**

*(In thousands)*

<table>
<thead>
<tr>
<th>Revenues:</th>
<th>Senior colleges</th>
<th>Community colleges</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees, net</td>
<td>$488,113</td>
<td>119,459</td>
<td>607,572</td>
</tr>
<tr>
<td>Grants and contracts:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>278,806</td>
<td>101,753</td>
<td>380,559</td>
</tr>
<tr>
<td>New York State</td>
<td>177,484</td>
<td>42,658</td>
<td>220,142</td>
</tr>
<tr>
<td>New York City</td>
<td>100,994</td>
<td>4,011</td>
<td>105,005</td>
</tr>
<tr>
<td>Private</td>
<td>100,328</td>
<td>2,248</td>
<td>102,576</td>
</tr>
<tr>
<td>Total grants and contracts</td>
<td>657,621</td>
<td>150,670</td>
<td>808,282</td>
</tr>
<tr>
<td>Sales and services of auxiliary enterprises</td>
<td>16,027</td>
<td>5,641</td>
<td>21,668</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>37,554</td>
<td>2,312</td>
<td>39,866</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>1,199,306</td>
<td>278,082</td>
<td>1,477,388</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses:</th>
<th>Senior colleges</th>
<th>Community colleges</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>880,903</td>
<td>322,032</td>
<td>1,202,935</td>
</tr>
<tr>
<td>Research</td>
<td>95,869</td>
<td>200</td>
<td>96,069</td>
</tr>
<tr>
<td>Public service</td>
<td>29,769</td>
<td>14,999</td>
<td>44,768</td>
</tr>
<tr>
<td>Academic support</td>
<td>111,642</td>
<td>18,411</td>
<td>130,053</td>
</tr>
<tr>
<td>Student services</td>
<td>171,275</td>
<td>62,373</td>
<td>233,648</td>
</tr>
<tr>
<td>Institutional support</td>
<td>316,803</td>
<td>100,750</td>
<td>417,553</td>
</tr>
<tr>
<td>Operation and maintenance of plant</td>
<td>237,991</td>
<td>98,685</td>
<td>336,676</td>
</tr>
<tr>
<td>Scholarships and fellowships</td>
<td>153,988</td>
<td>58,164</td>
<td>212,152</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>13,362</td>
<td>5,120</td>
<td>18,482</td>
</tr>
<tr>
<td>Depreciation and amortization expense</td>
<td>144,099</td>
<td>33,040</td>
<td>177,139</td>
</tr>
<tr>
<td>OPEB expense</td>
<td>122,926</td>
<td>10,911</td>
<td>133,837</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>2,278,627</td>
<td>724,685</td>
<td>3,003,312</td>
</tr>
</tbody>
</table>

| Operating loss | (1,079,321) | (446,603) | (1,525,924) |

| Nonoperating revenues (expenses): | | | |
| Government appropriations: | | | |
| New York State | 835,058 | 159,723 | 994,781 |
| New York City | 33,363 | 219,341 | 252,704 |
| Gifts and grants | 2,504 | 4,353 |
| Investment income, net | 65,651 | 9,844 | 75,495 |
| Interest expense | (165,276) | (26,922) | (192,198) |
| Net appreciation in fair value of investments | 20,601 | 1,060 | 21,661 |
| Transfers | (49,150) | 49,150 | — |
| Other nonoperating (expenses) revenues, net | (2,141) | 845 | (1,296) |
| Net nonoperating revenues | 739,955 | 415,545 | 1,155,500 |
| Loss before other revenues | (339,366) | (31,058) | (370,424) |

| Capital appropriations | 350,696 | 75,512 | 426,208 |
| Additions to permanent endowments | 1,438 | — | 1,438 |
| Total other revenues | 352,134 | 75,512 | 427,646 |
| Increase in net assets | 12,768 | 44,454 | 57,222 |
| Net assets at beginning of year, as restated | 350,097 | 70,175 | 420,272 |
| Net assets at end of year | $362,865 | 114,629 | 477,494 |

See accompanying independent auditors' report.
THE CITY UNIVERSITY OF NEW YORK  
Schedule of Cash Flows – Senior and Community Colleges  
Year ended June 30, 2007  
(In thousands)

<table>
<thead>
<tr>
<th>Senior colleges</th>
<th>Community colleges</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collection of tuition and fees</td>
<td>$487,022</td>
<td>118,753</td>
</tr>
<tr>
<td>Collection of grants and contracts</td>
<td>648,254</td>
<td>151,969</td>
</tr>
<tr>
<td>Sales and services of auxiliary enterprises</td>
<td>16,027</td>
<td>6,841</td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>(370,814)</td>
<td>(156,600)</td>
</tr>
<tr>
<td>Payments for utilities</td>
<td>(52,035)</td>
<td>(18,573)</td>
</tr>
<tr>
<td>Payments to employees</td>
<td>(1,177,356)</td>
<td>(356,368)</td>
</tr>
<tr>
<td>Payments for scholarships and fellowships</td>
<td>(153,988)</td>
<td>(38,164)</td>
</tr>
<tr>
<td>Payment for OPEB</td>
<td>(25,848)</td>
<td>—</td>
</tr>
<tr>
<td>Other receipts (payments)</td>
<td>31,445</td>
<td>(9,631)</td>
</tr>
<tr>
<td><strong>Net cash flows used by operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(901,330)</td>
<td>(450,929)</td>
</tr>
<tr>
<td><strong>Cash flows from noncapital financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State and City appropriations</td>
<td>911,884</td>
<td>415,404</td>
</tr>
<tr>
<td>Gifts and grants for other than capital purposes</td>
<td>1,849</td>
<td>2,504</td>
</tr>
<tr>
<td>Private gifts for endowment purposes</td>
<td>1,438</td>
<td>—</td>
</tr>
<tr>
<td>Loans issued to students</td>
<td>(9,612)</td>
<td>(1,558)</td>
</tr>
<tr>
<td>Collection of loans from students</td>
<td>7,553</td>
<td>845</td>
</tr>
<tr>
<td>Increase in deposits held in custody for others</td>
<td>8,331</td>
<td>2,112</td>
</tr>
<tr>
<td>Transfers</td>
<td>(49,150)</td>
<td>49,150</td>
</tr>
<tr>
<td>Other (payments) receipts</td>
<td>(36,416)</td>
<td>845</td>
</tr>
<tr>
<td><strong>Net cash flows provided by noncapital financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>835,877</td>
<td>469,302</td>
</tr>
<tr>
<td><strong>Cash flows from capital and related financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from capital debt</td>
<td>360,189</td>
<td>28,958</td>
</tr>
<tr>
<td>Capital appropriations</td>
<td>350,696</td>
<td>75,512</td>
</tr>
<tr>
<td>Purchases of capital assets</td>
<td>(223,199)</td>
<td>(20,191)</td>
</tr>
<tr>
<td>Principal paid on capital debt</td>
<td>(130,166)</td>
<td>(29,576)</td>
</tr>
<tr>
<td>Interest paid on capital debt</td>
<td>(127,437)</td>
<td>(17,568)</td>
</tr>
<tr>
<td>Amount paid for bond issuance costs</td>
<td>(4,690)</td>
<td>(377)</td>
</tr>
<tr>
<td>Increase in deposits held by bond trustees</td>
<td>(164,269)</td>
<td>(25,066)</td>
</tr>
<tr>
<td>Increase in amounts held by the Dormitory Authority of the State of New York</td>
<td>(3,559)</td>
<td>(52,295)</td>
</tr>
<tr>
<td><strong>Net cash flows provided (used) by capital and related financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>57,565</td>
<td>(40,603)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>65,651</td>
<td>9,844</td>
</tr>
<tr>
<td>Proceeds from sales and maturities of investments</td>
<td>429,270</td>
<td>25,705</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(351,826)</td>
<td>(9,538)</td>
</tr>
<tr>
<td>Deposit of restricted cash</td>
<td>607</td>
<td>—</td>
</tr>
<tr>
<td>Increase in collateral held for securities lending</td>
<td>2,888</td>
<td>232</td>
</tr>
<tr>
<td><strong>Net cash flows provided by investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>146,590</td>
<td>26,243</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>138,772</td>
<td>40,875</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of year, as restated</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>289,772</td>
<td>36,862</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$428,474</td>
<td>40,875</td>
</tr>
</tbody>
</table>

(Continued)
### THE CITY UNIVERSITY OF NEW YORK

Schedule of Cash Flows – Senior and Community Colleges  
Year ended June 30, 2007  
(In thousands)

<table>
<thead>
<tr>
<th>Reconciliation of operating loss to net cash flows used by operating activities:</th>
<th>Senior colleges</th>
<th>Community colleges</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss</td>
<td>$(1,079,321)</td>
<td>$(446,603)</td>
<td>$(1,525,924)</td>
</tr>
<tr>
<td>Adjustments to reconcile operating loss to net cash flows used in operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization expense</td>
<td>144,099</td>
<td>33,040</td>
<td>177,139</td>
</tr>
<tr>
<td>Change in operating assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>$(11,789)</td>
<td>$(1,510)</td>
<td>$(13,299)</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>945</td>
<td>696</td>
<td>249</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$(57,578)</td>
<td>$(50,580)</td>
<td>$(108,158)</td>
</tr>
<tr>
<td>Deferred tuition and fees revenue</td>
<td>396</td>
<td>365</td>
<td>761</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>5,264</td>
<td>2,503</td>
<td>7,767</td>
</tr>
<tr>
<td>OPEB liability</td>
<td>97,078</td>
<td>10,911</td>
<td>107,989</td>
</tr>
<tr>
<td>Deferred grant revenue</td>
<td>6,768</td>
<td>52</td>
<td>6,820</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>6,344</td>
<td>1,693</td>
<td>8,037</td>
</tr>
<tr>
<td><strong>Net cash flows used by operating activities</strong></td>
<td>$(901,330)</td>
<td>$(450,929)</td>
<td>$(1,352,259)</td>
</tr>
</tbody>
</table>

See accompanying independent auditors' report.