

THE CITY UNIVERSITY OF NEW YORK  
SCHOOL OF LAW FOUNDATION, INC.

Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

THE CITY UNIVERSITY OF NEW YORK  
SCHOOL OF LAW FOUNDATION, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 16

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
The City University of New York  
School of Law Foundation, Inc.:

### Report on the Financial Statements

We have audited the accompanying financial statements of The City University of New York School of Law Foundation, Inc. (the Foundation) (a not-for-profit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The City University of New York School of Law Foundation, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 1, 2019

THE CITY UNIVERSITY OF NEW YORK  
SCHOOL OF LAW FOUNDATION, INC.  
Statements of Financial Position  
June 30, 2019 and 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Assets:		
Cash and equivalents	\$ 2,214,545	2,314,701
Investments in CUNY Investment Pool	3,340,748	3,275,624
Contributions receivable, net	1,118,408	584,475
Other receivables	9,244	2,587
Due from related parties	40,990	18,565
Prepaid expenses	6,742	5,851
Furniture, fixtures and equipment, net	9,455	13,474
Total assets	\$ 6,740,132	6,215,277
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	100,599	62,678
Deferred revenue	99,220	75,518
Due to related parties	2,196	9,601
Total liabilities	202,015	147,797
Net assets:		
Without donor restrictions	971,474	913,863
With donor restrictions	5,566,643	5,153,617
Total net assets	6,538,117	6,067,480
Total liabilities and net assets	\$ 6,740,132	6,215,277

See accompanying notes to financial statements.

THE CITY UNIVERSITY OF NEW YORK  
SCHOOL OF LAW FOUNDATION, INC.

Statements of Activities  
Year ended June 30, 2019

	Without donor <u>restrictions</u>	With donor <u>restrictions</u>	<u>Total</u>
Revenue:			
Contributions and grants	\$ 114,663	1,875,680	1,990,343
Contributed services	361,556	-	361,556
Contributed facilities	130,328	-	130,328
Net investment income	1,209	177,957	179,166
Other income	149,407	-	149,407
Net assets released from restrictions	<u>1,640,611</u>	<u>(1,640,611)</u>	-
Total revenue	<u>2,397,774</u>	<u>413,026</u>	<u>2,810,800</u>
Expenses:			
Program services:			
Fellowships and education	550,711	-	550,711
Court Square Law Project	666,971	-	666,971
Centers, projects and programs	<u>685,250</u>	<u>-</u>	<u>685,250</u>
Total program services	<u>1,902,932</u>	<u>-</u>	<u>1,902,932</u>
Supporting services:			
Fundraising	228,818	-	228,818
Management and general	<u>208,413</u>	<u>-</u>	<u>208,413</u>
Total supporting services	<u>437,231</u>	<u>-</u>	<u>437,231</u>
Total expenses	<u>2,340,163</u>	<u>-</u>	<u>2,340,163</u>
Change in net assets	57,611	413,026	470,637
Net assets at beginning of year	<u>913,863</u>	<u>5,153,617</u>	<u>6,067,480</u>
Net assets at end of year	<u>\$ 971,474</u>	<u>5,566,643</u>	<u>6,538,117</u>

See accompanying notes to financial statements.

THE CITY UNIVERSITY OF NEW YORK  
SCHOOL OF LAW FOUNDATION, INC.

Statement of Activities  
Year ended June 30, 2018

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue:			
Contributions and grants	\$ 220,584	1,337,075	1,557,659
Contributed services	613,305	-	613,305
Contributed facilities	134,842	-	134,842
Net investment income	786	194,789	195,575
Other income	248,896	-	248,896
Net assets released from restrictions	<u>1,349,696</u>	<u>(1,349,696)</u>	<u>-</u>
Total revenue	<u>2,568,109</u>	<u>182,168</u>	<u>2,750,277</u>
Expenses:			
Program services:			
Fellowships and education	301,218	-	301,218
Court Square Law Project	749,653	-	749,653
Centers, projects and programs	<u>513,634</u>	<u>-</u>	<u>513,634</u>
Total program services	<u>1,564,505</u>	<u>-</u>	<u>1,564,505</u>
Supporting services:			
Fundraising	263,911	-	263,911
Management and general	<u>445,776</u>	<u>-</u>	<u>445,776</u>
Total supporting services	<u>709,687</u>	<u>-</u>	<u>709,687</u>
Total expenses	<u>2,274,192</u>	<u>-</u>	<u>2,274,192</u>
Change in net assets	293,917	182,168	476,085
Net assets at beginning of year	<u>619,946</u>	<u>4,971,449</u>	<u>5,591,395</u>
Net assets at end of year	<u>\$ 913,863</u>	<u>5,153,617</u>	<u>6,067,480</u>

See accompanying notes to financial statements.

THE CITY UNIVERSITY OF NEW YORK  
SCHOOL OF LAW FOUNDATION, INC.  
Statement of Functional Expenses  
Year ended June 30, 2019

	Program Services							Supporting Services				Total
	Fellowships and education	Court Square Law Project	Sorensen Center	CLEAR	CED	GLPP	All other	Total program services	Fundraising	Management and general	Total supporting services	
Fellowships	\$ 550,711	-	-	-	-	-	-	550,711	-	-	-	550,711
Program expenses	-	16,847	62,662	16,823	146,786	84,446	48,963	376,527	-	-	-	376,527
Salaries	-	436,796	16,537	108,047	42,745	-	18,441	622,566	-	-	-	622,566
Fringe benefits and payroll taxes	-	89,910	-	64,044	28,079	-	12,875	194,908	-	-	-	194,908
Reunion and alumni events	-	-	-	-	-	-	34,802	34,802	-	-	-	34,802
Insurance	-	5,598	-	-	-	-	-	5,598	-	4,427	4,427	10,025
Professional fees	-	-	-	-	-	-	-	-	-	34,846	34,846	34,846
Bank charges	-	-	-	-	-	-	-	-	2,572	-	2,572	2,572
Staff development and relations	-	-	-	-	-	-	-	-	5,011	-	5,011	5,011
Contributed facilities	-	117,820	-	-	-	-	-	117,820	8,446	4,062	12,508	130,328
Contributed services	-	-	-	-	-	-	-	-	212,789	148,767	361,556	361,556
Bad debt expense	-	-	-	-	-	-	-	-	-	12,292	12,292	12,292
Depreciation	-	-	-	-	-	-	-	-	-	4,019	4,019	4,019
Total expenses	<u>\$ 550,711</u>	<u>666,971</u>	<u>79,199</u>	<u>188,914</u>	<u>217,610</u>	<u>84,446</u>	<u>115,081</u>	<u>1,902,932</u>	<u>228,818</u>	<u>208,413</u>	<u>437,231</u>	<u>2,340,163</u>

See accompanying notes to financial statements.



THE CITY UNIVERSITY OF NEW YORK  
SCHOOL OF LAW FOUNDATION, INC.  
Statement of Functional Expenses  
Year ended June 30, 2018

	Program Services							Supporting Services				
	Fellowships and education	Court Square Law Project	Sorensen Center	CLEAR	CED	GLPP	All other	Total program services	Fundraising	Management and general	Total supporting services	Total
Fellowships	\$ 301,218	-	-	-	-	-	-	301,218	-	-	-	301,218
Program expenses	-	2,493	97,516	17,209	120,349	72,774	5,250	315,591	-	-	-	315,591
Salaries	-	509,119	-	90,629	-	2,901	26,246	628,895	-	-	-	628,895
Fringe benefits and payroll taxes	-	113,129	-	50,160	-	1,438	16,924	181,651	-	-	-	181,651
Reunion and alumni events	-	-	-	-	-	-	12,238	12,238	-	-	-	12,238
Insurance	-	7,092	-	-	-	-	-	7,092	-	4,450	4,450	11,542
Professional fees	-	-	-	-	-	-	-	-	-	35,358	35,358	35,358
Bank charges	-	-	-	-	-	-	-	-	3,182	-	3,182	3,182
Staff development and relations	-	-	-	-	-	-	-	-	25,286	-	25,286	25,286
Contributed facilities	-	117,820	-	-	-	-	-	117,820	5,096	11,926	17,022	134,842
Contributed services	-	-	-	-	-	-	-	-	230,347	382,958	613,305	613,305
Depreciation	-	-	-	-	-	-	-	-	-	11,084	11,084	11,084
Total expenses	<u>\$ 301,218</u>	<u>749,653</u>	<u>97,516</u>	<u>157,998</u>	<u>120,349</u>	<u>77,113</u>	<u>60,658</u>	<u>1,564,505</u>	<u>263,911</u>	<u>445,776</u>	<u>709,687</u>	<u>2,274,192</u>

See accompanying notes to financial statements.

THE CITY UNIVERSITY OF NEW YORK  
SCHOOL OF LAW FOUNDATION, INC.  
Statements of Cash Flows  
Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 470,637	476,085
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Additions to net assets with donor restrictions	(15,000)	(157,000)
Depreciation	4,019	11,084
Net realized and unrealized gains on investments	(129,103)	(181,527)
Bad debt expense	12,292	-
Changes in:		
Contributions receivable	(546,225)	161,150
Others receivables	(6,657)	(2,587)
Due from related parties	(22,425)	16,217
Prepaid expenses	(891)	501
Accounts payable and accrued expenses	37,921	(123,121)
Deferred revenue	23,702	(72,968)
Due to related parties	<u>(7,405)</u>	<u>381</u>
Net cash provided by (used in) operating activities	<u>(179,135)</u>	<u>128,215</u>
Cash flows from investing activities:		
Purchase of investments	(48,854)	(170,260)
Proceeds from sales of investments	<u>112,833</u>	<u>102,497</u>
Net cash provided by (used in) investing activities	<u>63,979</u>	<u>(67,763)</u>
Cash flows from financing activities - private gifts for restricted endowments	<u>15,000</u>	<u>157,000</u>
Net change in cash and equivalents	(100,156)	217,452
Cash and equivalents at beginning of year	<u>2,314,701</u>	<u>2,097,249</u>
Cash and equivalents at end of year	<u>\$ 2,214,545</u>	<u>2,314,701</u>

See accompanying notes to financial statements.

THE CITY UNIVERSITY OF NEW YORK  
SCHOOL OF LAW FOUNDATION, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(1) Nature of Organization

The City University of New York School of Law Foundation, Inc. (the Foundation) is a New York State not-for-profit corporation, which serves as a repository for gifts to The City University of New York Law School (the CUNY Law School).

As an integral part of its mission of maintaining and strengthening the academic excellence of the CUNY Law School, the Foundation administers funds, the proceeds of which are used to support the educational needs of the CUNY Law School such as scholarships, special academic programs and other activities. The Foundation also manages restricted accounts and allocates the income from these accounts as prescribed by their donors.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) Basis of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the Foundation's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Foundation.

(c) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(d) Cash and Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(e) Concentrations

At times, the Foundation's cash and equivalents balance may exceed federally insured limits. At June 30, 2019 and 2018, the Foundation's cash balances were in excess of this insurable limit. The Foundation monitors its financial institutions and the concentration of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions.

THE CITY UNIVERSITY OF NEW YORK  
SCHOOL OF LAW FOUNDATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(e) Concentrations, Continued

At June 30, 2019, contributions receivable from four donors amounted to \$1,028,646, which represents 92% of contributions receivable. At June 30, 2018, contributions receivable from one donor amounted to \$200,000, which represents 34% of contributions receivable. The Foundation regularly monitors its contributions receivable by investigating delayed payments and differences when payments received do not conform to the payment schedules. At June 30, 2019 and 2018, the Foundation had an allowance for doubtful accounts in the amount of \$18,352 and \$6,060, respectively.

(f) Investments

The Foundation's investments are held by CUNY in an Investment Pool which is under the control of the Committee on Fiscal Affairs of the Board of Trustees of CUNY (the Committee). Several investment advisory firms are engaged to assist the Committee in its Investment Pool portfolio management, which is comprised of cash and cash equivalents, corporate bonds, equities, mutual funds, U.S. agency mortgage-backed securities, U.S. government bonds and foreign bonds. Realized and unrealized gains and losses are included in the statements of activities as changes in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law.

(g) Fair Value Measurements

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Level 2 assets are those whose inputs to the valuation methodology are determined by quoted prices for similar assets in active markets. Investments held by the Foundation are classified as level 2 in the fair value hierarchy.

(h) Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates (1.75% in 2019 and 2018) applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until conditions are substantially met. Interest is not charged or recorded on outstanding receivables.

(i) Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are stated at cost if purchased or at fair value at the date of the gift, if contributed. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

THE CITY UNIVERSITY OF NEW YORK  
SCHOOL OF LAW FOUNDATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(j) Contributions and Grants

Contributions and grants received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Restricted contributions in which the restriction is met in the same period as received are reported as net assets without donor restrictions.

(k) Contributed Services and Facilities

The Foundation operates on the campus of the CUNY Law School and, as such, office space and certain services are made available to it. The cost savings associated with contributed services and facilities, which amounted to \$361,556 and \$130,328, respectively, during the year ended June 30, 2019, and \$613,305 and \$134,842, respectively, during the year ended June 30, 2018, are reflected in the accompanying statements of activities as both revenue and expenses.

(l) Functional Allocation of Expenses

The costs of providing the Foundation's programs and services have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. All expenses related to providing these services have been allocated to program services with the exception of certain administrative expenses. Salaries and benefits are allocated among programs and support services based on time and effort. Other expenses are allocated based on direct usage.

(m) Subsequent Events

The Foundation has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(n) Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the financial statements. The Foundation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Foundation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Foundation has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Foundation are subject to examination by taxing authorities.

THE CITY UNIVERSITY OF NEW YORK  
SCHOOL OF LAW FOUNDATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(o) Recent Accounting Standards Issued

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, “Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities.” ASU 2016-14 contains several provisions that change the presentation of and disclosures within the financial statements of a not-for-profit entity. These changes include an updated net asset classification scheme from three classes to two classes, quantitative and qualitative disclosures regarding liquidity, and a requirement to report expenses by function, nature, and an analysis showing the relationship between function and nature and the removal of the requirement for a reconciliation for statements of cash flows done on the direct basis. This guidance is effective for fiscal years beginning after December 15, 2017. These financial statements and notes reflect adoption of this new standard.

(p) Reclassifications

Reclassifications have been made to certain 2018 balances in order to conform them to the 2019 presentation.

(3) Liquidity

The Foundation has \$2,997,893 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$2,214,545 of cash and \$783,348 of receivables. Some of the receivables are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2019 statement of financial position.

(4) Contributions Receivable

Contributions receivable, net at June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 733,114	304,180
Two to five years	100,000	-
Thereafter	<u>1,000,000</u>	<u>1,000,000</u>
	1,833,114	1,304,180
Less:		
Discount to net present value	(696,354)	(713,645)
Allowance for uncollectible pledges	<u>(18,352)</u>	<u>(6,060)</u>
Net contributions receivable	\$ <u>1,118,408</u>	<u>584,475</u>

THE CITY UNIVERSITY OF NEW YORK  
SCHOOL OF LAW FOUNDATION, INC.

Notes to Financial Statements, Continued

(5) Investments in CUNY Investment Pool and Related Investment Income

The Foundation's investments in the Investment Pool comprise assets which are pooled and invested by and under the control of the Committee on Fiscal Affairs of the Board of Trustees of CUNY. Pooled investments include equity and fixed income securities. Investments as of June 30, 2019 and 2018, comprised of the following:

	<u>2019</u>	<u>2018</u>
Investments in CUNY Investment Pool	\$ <u>3,340,748</u>	<u>3,275,624</u>

The following table summarizes the activity for financial instruments during the years ended June 30, 2019 and 2018:

Balance at July 1, 2017		\$ 3,026,334
Interest and dividends		13,262
Realized gain		45,442
Unrealized gain		136,085
Purchases, net		<u>54,501</u>
Balance at June 30, 2018		3,275,624
Interest and dividends		48,854
Realized gain		523,479
Unrealized loss		(394,376)
Sales, net		<u>(112,833)</u>
Balance at June 30, 2019		\$ <u>3,340,748</u>

Net investment income during the years ended June 30, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 48,854	13,262
Net realized gains	523,479	45,442
Net unrealized gain (loss)	(394,376)	<u>136,085</u>
Total investment income	\$ <u>177,957</u>	<u>194,789</u>

THE CITY UNIVERSITY OF NEW YORK  
SCHOOL OF LAW FOUNDATION, INC.

Notes to Financial Statements, Continued

(6) Furniture, Fixtures and Equipment

Furnitures, fixtures and equipment at June 30, 2019 and 2018 consists of the following:

	Estimated useful lives	2019	2018
Computer equipment	5 years	\$ 69,363	69,363
Furniture and fixtures	7 years	<u>116,154</u>	<u>116,154</u>
Subtotal		185,517	185,517
Less accumulated depreciation		<u>(176,062)</u>	<u>(172,043)</u>
Total		\$ <u>9,455</u>	<u>13,474</u>

(7) Deferred Revenue

The Foundation defers recognition of revenue received in advance from Court Square Law Project clients. Deferred revenue at June 30, 2019 and 2018 amounted to \$99,220 and \$75,518, respectively.

(8) Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 are available for the following purposes:

	2019	2018
Time or purpose restriction:		
Fellowship/scholarships	\$ 632,509	639,099
Haywood Burns' Chair on Civil Rights	332,418	327,409
David Fields Fund	307,056	286,355
Sorensen Center Fund	577,225	286,584
Court Square Law Project	176,203	334,373
Creating Law Enforcement Accountability and Responsibility	268,086	325,056
Gender Law and Policy	59,578	107,354
Annual Fund	325,000	-
Other	<u>270,570</u>	<u>239,389</u>
Total time or purpose restriction	<u>2,948,645</u>	<u>2,545,619</u>
Endowment:		
Fellowship	508,767	498,767
Haywood Burns' Chair on Civil Rights	200,000	200,000
International Women Human Rights Law Clinic	150,000	150,000
Lecture Series	75,000	75,000
Sorensen Center Fund	<u>1,684,231</u>	<u>1,684,231</u>
Total endowment	<u>2,617,998</u>	<u>2,607,998</u>
Total	\$ <u>5,566,643</u>	<u>5,153,617</u>



THE CITY UNIVERSITY OF NEW YORK  
SCHOOL OF LAW FOUNDATION, INC.

Notes to Financial Statements, Continued

(9) Endowment

The Foundation classifies as net assets with donor restrictions: (a) the original value of gifts contributed to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the Foundation and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, (7) the Foundation's investment policies and (8) where appropriate, alternatives to spending from the donor-restricted endowment funds and the possible effects of those alternatives on the Foundation.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified assets allocation that places an emphasis on fixed income investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowment funds for grant making and administration. The current spending policy is to distribute 4.5% of the endowment assets.

Endowment net asset composition consists of \$2,395,498 and \$2,380,498 which is included in net assets with donor restrictions as of June 30, 2019 and 2018, respectively.

THE CITY UNIVERSITY OF NEW YORK  
SCHOOL OF LAW FOUNDATION, INC.

Notes to Financial Statements, Continued

(9) Endowment, Continued

Changes in net assets with donor restrictions for the years ended June 30, 2019 and 2018 are as follows:

	Time <u>restrictions</u>	Endowment <u>restrictions</u>	<u>Total</u>
Endowment net assets at July 1, 2017	\$ 524,837	2,223,498	2,748,335
Investment gains, net	176,880	-	176,880
Contributions to endowments	-	157,000	157,000
Amounts appropriated for expenditure	<u>(90,143)</u>	<u>-</u>	<u>(90,143)</u>
Endowment net assets at June 30, 2018	611,574	2,380,498	2,992,072
Investment gains, net	162,693	-	162,693
Contributions to endowments	-	15,000	15,000
Amounts appropriated for expenditure	<u>(100,238)</u>	<u>-</u>	<u>(100,238)</u>
Endowment net assets at June 30, 2019	\$ <u>674,029</u>	<u>2,395,498</u>	<u>3,069,527</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA require the Foundation to retain as a fund of perpetual duration. At June 30, 2019 and 2018 there are no deficiencies of this nature.