

New York Medical College
Financial Statements
June 30, 2011 and 2010

New York Medical College

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Report of Independent Auditors

To the Board of Trustees of
New York Medical College

In our opinion, the accompanying statement of financial position as of June 30, 2011 and the related statements of activities and of cash flows for the period from May 13, 2011 to June 30, 2011 present fairly, in all material respects, the financial position of New York Medical College ("Successor") at June 30, 2011 and the changes in its net assets and its cash flows for the period from May 13, 2011 to June 30, 2011 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements 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 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, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 27, 2011



Report of Independent Auditors

To the Board of Trustees of
New York Medical College

In our opinion, the accompanying statement of financial position as of June 30, 2010 and the related statements of activities and of cash flows for the period from July 1, 2010 to May 12, 2011 and for the year ended June 30, 2010 present fairly, in all material respects, the financial position of New York Medical College ("Predecessor") at June 30, 2010 and the changes in its nets assets and its cash flows for the period from July 1, 2010 to May 12, 2011 and for the year ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 6 to the financial statements, the College changed the manner in which it classifies accumulated total investment returns within net assets in 2011.

PricewaterhouseCoopers LLP

October 27, 2011

New York Medical College

Statements of Financial Position

(dollars in thousands)

	(Successor) June 30 2011	(Predecessor) June 30 2010
Assets		
Cash and cash equivalents	\$ 5,637	\$ 7,569
Cash - limited use	26,000	-
Restricted cash	2,478	3,026
Accounts receivable, net of allowance for doubtful accounts of \$10,397 and \$11,176 in 2011 and 2010, respectively	46,923	49,241
Investments	61,575	49,248
Beneficial interest in perpetual trusts	10,970	9,589
Deposits with trustee	4,854	4,646
Land, building and equipment, net	138,280	70,288
Other assets	2,344	2,954
Intangible assets	16,648	-
Total assets	<u>\$ 315,709</u>	<u>\$ 196,561</u>
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 21,139	\$ 20,163
Salary and fringe benefits	7,238	13,568
Short-term borrowing	16,388	14,500
Refundable federal student loans	9,120	9,271
Deferred revenue and tuition	26,100	26,747
Long-term debt	52,966	55,091
Total liabilities	<u>132,951</u>	<u>139,340</u>
Contingencies and commitments (Note 11)		
Net assets		
Unrestricted	140,681	32,060
Temporarily restricted	16,072	565
Permanently restricted	26,005	24,596
Total net assets	<u>182,758</u>	<u>57,221</u>
Total liabilities and net assets	<u>\$ 315,709</u>	<u>\$ 196,561</u>

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

New York Medical College

Statements of Activities

(dollars in thousands)

	(Successor)	(Predecessor)	
	Period From May 13, 2011 to June 30, 2011	Period From July 1, 2010 to May 12, 2011	For The Year Ended June 30, 2010
Changes in unrestricted net assets			
Revenues and other support			
Tuition, fees and housing, net of tuition discount	\$ 5,519	\$ 45,017	\$ 49,060
Affiliation contracts	13,155	86,809	100,444
Faculty practice plans	3,258	17,960	22,383
Research and sponsored projects	4,119	24,839	29,438
Private gifts and grants	2,108	1,879	2,437
Investment return - spending rate	152	1,386	3,538
Net assets released from restrictions	108	1,031	-
Other revenue	476	3,547	3,684
Total revenues and other support	<u>28,895</u>	<u>182,468</u>	<u>210,984</u>
Expenses			
Program			
Instructional, research and educational administration	6,723	51,529	60,103
Affiliation contracts	12,187	86,413	98,867
Faculty practice plans	2,877	17,014	21,430
Academic support	547	3,982	4,464
Student services	1,212	6,103	7,672
Institutional support	1,385	19,622	20,439
Total expenses	<u>24,931</u>	<u>184,663</u>	<u>212,975</u>
Change in net assets from operating activities	<u>3,964</u>	<u>(2,195)</u>	<u>(1,991)</u>
Non-operating activities			
Investment (deficiency) return in excess of spending rate	(85)	4,423	2,377
Pension-related changes other than net periodic benefit cost	4,819	1,567	(3,366)
Acquisition contribution	24,000	5,000	-
Acquisition related fair market value adjustments	77,806	-	-
Total non-operating activities	<u>106,540</u>	<u>10,990</u>	<u>(989)</u>
Increase (decrease) in unrestricted net assets before cumulative change in accounting principle	<u>110,504</u>	<u>8,795</u>	<u>(2,980)</u>
Cumulative effect of a change in accounting principle	-	(10,678)	-
Increase (decrease) in unrestricted net assets	<u>110,504</u>	<u>(1,883)</u>	<u>(2,980)</u>
Changes in temporarily restricted net assets			
Contributions	-	5	-
Investment gain in temporarily restricted net assets	63	5,900	10
Net assets released from restrictions	(108)	(1,031)	-
Cumulative effect of a change in accounting principle	-	10,678	-
(Decrease) increase in temporarily restricted net assets	<u>(45)</u>	<u>15,552</u>	<u>10</u>
Changes in permanently restricted net assets			
Contributions	6	10	168
Investment (loss) gain in beneficial interest in perpetual trusts	(49)	1,442	498
(Decrease) increase in permanently restricted net assets	<u>(43)</u>	<u>1,452</u>	<u>666</u>
Change in net assets	110,416	15,121	(2,304)
Net assets			
Net assets at beginning of period	<u>72,342</u>	<u>57,221</u>	<u>59,525</u>
Net assets at end of period	<u>\$ 182,758</u>	<u>\$ 72,342</u>	<u>\$ 57,221</u>

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

New York Medical College

Statements of Cash Flows

(dollars in thousands)

	(Successor)	(Predecessor)	
	Period From May 13, 2011 to June 30, 2011	Period From July 1, 2010 to May 12, 2011	For The Year Ended June 30, 2010
Cash flows from operating activities			
Change in net assets	\$ 110,416	\$ 15,121	\$ (2,304)
Adjustments to reconcile change in net assets to net cash provided by operating activities			
Acquisition related fair market value adjustments	(77,806)	-	-
Depreciation and amortization	674	6,173	7,383
Provision for losses on accounts receivable	(2,059)	1,280	189
Change in value of beneficial interest in perpetual trusts	48	(1,429)	(498)
Unrealized and realized losses (gains) on investments	61	(10,717)	(7,560)
Contributions restricted for long-term use	(6)	(10)	(168)
Disposal of equipment	2	13	281
Pension-related changes other than net periodic benefit cost	154	(1,567)	(3,366)
Changes in operating assets and liabilities			
Accounts receivable	(19,477)	17,553	(187)
Other assets	581	(1,064)	(85)
Intangible assets	152	-	-
Salary and fringe benefits payable	(4,291)	(2,039)	989
Accounts payable and accrued expenses	(5,625)	2,177	4,823
Deferred revenue and tuition	14,612	(15,034)	2,042
Net cash provided by operating activities	<u>17,436</u>	<u>10,457</u>	<u>1,539</u>
Cash flows from investing activities			
Change in cash - limited use	(21,000)	(5,000)	-
Proceeds from sales of investments	3,947	26,917	31,318
Purchase of investments	(4,317)	(28,218)	(27,547)
(Increase) decrease in deposits with trustee	(419)	211	(265)
Expended for plant facilities	(350)	(3,508)	(2,090)
Disbursement of student loans	-	(944)	(1,047)
Collection of student loans	438	2,548	2,258
Net cash (used in) provided by investing activities	<u>(21,701)</u>	<u>(7,994)</u>	<u>2,627</u>
Cash flows from financing activities			
Proceeds from line of credit	5,001	18,500	22,500
Repayment of line of credit	-	(21,613)	(23,500)
Increase (decrease) in government loan programs	20	(5)	109
Repayment of long-term debt	(112)	(2,485)	(2,415)
Contributions restricted for long-term use	6	10	168
Change in restricted cash	(715)	1,263	(1,195)
Net cash provided by (used in) financing activities	<u>4,200</u>	<u>(4,330)</u>	<u>(4,333)</u>
Net decrease in cash and cash equivalents	(65)	(1,867)	(167)
Cash and cash equivalents			
Beginning of year	5,702	7,569	7,736
End of year	<u>\$ 5,637</u>	<u>\$ 5,702</u>	<u>\$ 7,569</u>
Supplemental disclosures			
Noncash gifts of stocks and bonds	\$ -	\$ 13	\$ 12
Interest paid	\$ 336	\$ 2,316	\$ 2,796
Note receivable from acquisition	\$ 3,000	\$ -	\$ -

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

New York Medical College

Notes to Financial Statements

June 30, 2011 and 2010

(dollars in thousands)

1. College Background

New York Medical College (the “College”) is a health sciences university whose enrollment exceeds 1,500 students. The College is committed to educating individuals for careers in the medical, science and health professions.

There are three schools within the College - a School of Medicine, conferring the M.D. degree, and two graduate schools, the Graduate School of Basic Medical Sciences and the School of Health Sciences and Practice, which offer Master of Science (M.S.), Master of Public Health (M.P.H.) and doctoral (Ph.D, Dr. P.H., D.P.T.) degrees in 20 program areas and 6 certification programs.

The College is the only academic biomedical research institution in the Hudson Valley region. Nearly 200 scientists at the College conduct research ranging from fundamental investigations in molecular biology to investigations of potential new drugs used in the treatment of patients. Support for the College’s research programs, from both government and private sources, is significant.

The College’s health care network extends south into New York City and its metropolitan area, north into Westchester County and the mid-Hudson Valley in New York State, and east into Connecticut. Educational resources were provided to the College by 26 affiliated facilities that include large urban medical centers, small suburban hospitals and technologically advanced, regional tertiary care facilities. This network enables the College to offer its medical students diverse patient-care experiences. The College has a national reputation for a strong educational program in primary care. The College has a contractual relationship with an academic medical center, the Westchester Medical Center in Valhalla, responsible for advancing the quality of the nation’s health through their teaching and research activities. The College has other affiliation contracts with other healthcare organizations to provide physician services under these arrangements.

Change of Control

The College is a membership, not-for-profit corporation in the State of New York. Prior to May 13, 2011, the members of the College consisted of members appointed and controlled by the Archdiocese of New York (the “Archdiocese”). On May 13, 2011, a transaction was completed pursuant to the Membership Substitution Agreement (the “Agreement”). NYMC, LLC, a wholly controlled subsidiary of Touro College (“Touro”), a New York State not-for-profit education corporation, acquired 100% of the membership interest in the College from the then current members and thereby the right to exercise the reserved powers and authority as the sole member of the College. All periods commencing on or after May 13, 2011 are referred to as a “Successor” period, while all periods on or prior to May 12, 2011 are referred to as a “Predecessor” period (See Note 12). All amounts reported as of June 30, 2011 are Successor while all amounts reported as of June 30, 2010 are Predecessor.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying financial statements of the College, a 501(c) (3) tax-exempt institution, have been prepared on the accrual basis in all material respects in conformity with accounting principles generally accepted in the United States of America.

New York Medical College
Notes to Financial Statements
June 30, 2011 and 2010

(dollars in thousands)

The College presents its net assets and revenues, expenses, gains, and losses in three categories, based on the existence or absence of donor-imposed restrictions. The categories are permanently restricted, temporarily restricted and unrestricted net assets, as follows:

- Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the College. In accordance with the guidance provided in the New York Prudent Management of Institutional Funds Act (NYPMIFA), the College's Board of Trustees has instructed the College to adopt a methodology designed to avoid spending below 105% of the historical dollar value of donor-restricted (true) endowment funds, absent explicit donor direction to the contrary. As a result, the College classifies as permanently restricted net assets the original gift value of true endowments plus any subsequent gifts and accumulations made in accordance with the directions of the applicable gift instruments. The portion of true endowment funds that is not classified as permanently restricted net assets is classified as temporarily restricted net assets in accordance with accounting standards.

The composition of the permanently restricted net assets as of June 30, 2011 and 2010 is as follows:

	Successor	Predecessor
	2011	2010
Endowment funds	\$ 15,035	\$ 15,007
Beneficial interest in perpetual trusts	10,970	9,589
	<u>\$ 26,005</u>	<u>\$ 24,596</u>

- Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the College and/or the passage of time. Investment income and gains and losses on permanently restricted net assets are reported as temporarily restricted until appropriated for expenditure in accordance with donor-imposed stipulations. Under NYPMIFA, the appropriation and spending of such income is subject to a standard of prudence, as more fully discussed under the accounting policy note for Investments. When a donor restriction expires, that is, when a stipulated time restriction ends or spending restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.
- Unrestricted net assets are all the remaining net assets of the College and include quasi-endowment, the principal of which may be expended at the discretion of the Board of Trustees.

The College receives funding or reimbursement from governmental agencies for various activities, which are subject to audit. Revenues associated with government grants and contracts are recognized as the related direct costs are incurred. Revenue for nonfederal grants and contracts is recognized when earned.

New York Medical College
Notes to Financial Statements
June 30, 2011 and 2010

(dollars in thousands)

Cash and Cash Equivalents

The College considers all cash excluding cash held for reinvestment and highly liquid instruments with original maturities of three months or less at the time of purchase to be cash and cash equivalents. The carrying amount approximates fair value because of the short maturity of those instruments.

The College maintains cash and cash equivalents on deposit primarily with one regional bank which exceed federally insured limits. It is the College's policy to monitor the financial strength of these institutions and funds on an ongoing basis. Management believes the credit risk related to these deposits is minimal.

The College is required to segregate and restrict the use of cash associated with its faculty practice activities at its New York City hospital affiliates. Such restricted cash was \$2,478 and \$3,026 at June 30, 2011 and 2010, respectively. Receivables at June 30, 2011 and 2010 were \$268 and \$669, respectively, from a third-party billing agent and payables of \$2,426 and \$3,352 as of June 30, 2011 and 2010, respectively, were due to the New York City hospital affiliates and to a third-party billing agent.

Cash – Limited Use

On May 13, 2011, in accordance with the Agreement, \$26 million of the cash portion of the purchase price was contributed to the College, which was required to be segregated from other College funds (See Note 12).

Accounts Receivable

Accounts receivable at June 30, consist of the following:

	Successor	Predecessor
	2011	2010
Tuition	\$ 21,763	\$ 21,012
Student loans	14,954	19,806
Grants	2,920	3,079
Affiliation contracts	4,323	4,549
Faculty Practice Plan	7,561	7,161
Other	5,799	4,810
	<u>57,320</u>	<u>60,417</u>
Less, allowance for doubtful accounts	<u>(10,397)</u>	<u>(11,176)</u>
Total accounts receivable, net	<u>\$ 46,923</u>	<u>\$ 49,241</u>

Tuition accounts receivable are recorded when billed to the student. Tuition accounts receivable and other accounts receivable balances are also reduced for allowance for doubtful accounts. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. Historical collection is an integral part of the estimation process related to reserves for uncollectible accounts. Revisions in allowance for doubtful accounts estimates are recorded as an adjustment to the provision for bad debts.

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(dollars in thousands)

Determination of the fair value of student loan receivables, which included federally sponsored student loans with mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, was estimated in connection with the transaction as of May 13, 2011 (see Note 12). These student loans would be classified as Level 3 in the fair value hierarchy since fair value was based on the present value of these loans using market rates. There has not been any significant change in that estimate from May 13, 2011 to June 30, 2011.

Student Loans Receivable Collectability

The College makes uncollateralized loans to students based on financial need. Student loans are funded mainly through Federal government loan programs.

The following is an analysis of gross student loans receivable aging as of June 30:

	Successor	Predecessor
	2011	2010
1-89 days	\$ 1,017	\$ 1,248
Greater than 90 days	2,091	1,724
Collections	426	529
Total past due	3,534	3,501
Current	11,420	16,305
Total gross student loans receivable	\$ 14,954	\$ 19,806

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The College's student loan receivable represents the amounts due from current and former students under the Federal Perkins, Primary Care and College sponsored loan programs. Loans disbursed under the Federal Perkins and Primary Care loan programs are able to be assigned to the Federal Government in certain nonrepayment situations. In these situations the Federal portion of the loan balance is guaranteed.

Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, included, but were not limited to, a detailed review of the aging of the student loan receivable detail and a review of the default rate by loan category in comparison to prior years. The level of the allowance is adjusted based on the results of management's analysis. At June 30, 2011 and 2010, the College recorded an allowance for doubtful accounts on student loans receivable of \$879 and \$710, respectively. The College reports student loans receivable as current if they are being paid in accordance with the loan agreement.

Refundable Federal Student Loans

Funds provided by the United States Government under the Federal Perkins, Nursing and Health Professions Student Loan programs are loaned to qualified students and may be re-loaned after

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cash collections. These funds are ultimately refundable to the government and are recognized as a liability in the accompanying statements of financial position.

Deferred Revenue

Student tuition and fees billed in advance are deferred and recognized as revenue within the fiscal year in which the academic term was predominantly conducted.

Land, Buildings and Equipment

Land, buildings and equipment were recorded at fair value as of May 13, 2011 as a result of the transaction discussed in Note 12. Subsequent additions are recorded at cost at the date of acquisition or fair value at date of donation if gifted to the College.

Depreciation is provided on a straight-line basis over the estimated useful lives, or the terms of the lease for the related plant assets, if shorter, as follows: buildings, 20-50 years; equipment and computer software, 3-20 years; leasehold improvements, 25-30 years and interest in leased properties, 25-50 years. Maintenance and repair costs were charged to operations as incurred. Significant expenditures which extend the useful lives of existing assets are capitalized. Upon retirement or sale, the cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are accounted for in the statements of activities.

Tuitions, Fees and Discount

Tuition and fees are recognized on the accrual basis. The policy of the College has been to award, tuition discount to deserving students in lieu of accepting only students who have the ability to pay full tuition. Scholarships, tuitions grants and aid are netted against tuition and fees.

Student tuition as reported in the statements of activities is net of tuition discounts of \$456, \$2,870 and \$2,997 for the period May 13, 2011 through June 30, 2011, July 1, 2010 through May 12, 2011, and the fiscal year ended June 30, 2010, respectively.

Operating Measure

The operating activities of the College include all income and expenses related to carrying out its mission of educating students. The operating measure also includes amounts related to the spending rate policy and any additional budgeted investment returns on endowment funds as approved by the Board of Trustees to protect inflation adjusted value of the endowment. The operating activities exclude investment return (deficiency) in excess of the spending rate, pension related changes other than net periodic benefit cost, acquisition related fair market value adjustments and acquisition contribution.

Spending Rate Policy

The College's spending policy rate is designed to stabilize annual spending levels and to preserve the real value of the investment portfolio over time. To meet these objectives, the policy limits spending of investment returns to 5% of the moving average of the fair value of endowment investments for the previous twenty quarters. Endowment investments principally consist of permanently restricted net assets including accumulated unspent investment returns and unrestricted net assets designated for endowment by the board of trustees. The revenues from applying this spending rate policy related to accumulated unspent investment returns generated by permanently restricted net assets is included as net assets released from restrictions in the statements of activities. The revenues from applying the spending rate policy related to investment returns generated by unrestricted net assets designated for endowment by the board of trustees is included in investment return - spending rate in the statements of activities. The College's spending

New York Medical College

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(dollars in thousands)

rate policy for all other investments limits the spending of investment returns through operations on an annual basis to 8% of the average of the fair value of these investments for the previous twelve quarters calculated as of the last day of the December prior to the start of the fiscal year. During the period May 13, 2011 through June 30, 2011, July 1, 2010 through May 12, 2011, and the fiscal year ended June 30, 2010, the investment return for other investments amounted to approximately \$81, \$570 and \$740, respectively, which is also included in investment return - spending rate in the statements of activities. All investment returns, including realized and unrealized gains and losses, excluding amounts described above are recorded in the nonoperating section of the statements of activities.

Investments

Investments in securities with readily determinable market values are measured at fair value using quoted market prices. Investment income and realized gains or losses from the disposition of investments or other assets are accounted for according to the ownership of the asset on the basis of average cost. Unrealized gains or losses, determined by comparison of cost to fair value at the beginning and end of the reporting period, are included in the statements of activities in the appropriate net asset category based upon the existence or absence of donor stipulations.

The College's alternative investments, which include real estate partnerships, consist of the College's ownership interest (net asset value or "NAV") in externally managed funds, which may be invested in less liquid investments. For all these investments fair value represents the College's original investment plus the College's allocated share of income, realized gains and losses and unrealized appreciation and depreciation, net of fees and distributions. The College believes that the carrying amount of these alternative investments is a reasonable estimate of fair value as of June 30, 2011 and 2010 (see Note 5). Because alternative investments are not readily marketable, the fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements.

Purchases and sales are reflected on a trade-date basis. Realized gains and losses are determined on the basis of average cost of securities sold and are reflected in the statements of activities. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis. Investments denominated in foreign currency are translated at the year-end spot rate.

Affiliation Contracts

Affiliation Contract revenues and expenses primarily reflect contractual relationships with Westchester Medical Center and Metropolitan Hospital Center for the provision of salaries and fringe benefits for physicians providing services under these arrangements. For the period of May 13, 2011 through June 30, 2011, July 1, 2010 through May 12, 2011, and the fiscal year ended June 30, 2010 revenues from the two hospitals were \$11,676, \$75,653 and \$88,005 respectively.

Beneficial Interest in Perpetual Trusts

The College is the recipient of beneficial interests whereby donors have established and funded perpetual trusts administered and held by financial institutions. The College is entitled to the income earned on the trust assets in perpetuity but has no control over investment decisions regarding these assets, therefore, they are recorded as permanently restricted net assets. The total fair values of these trusts were \$10,970 and \$9,589 at June 30, 2011 and 2010, respectively.

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(dollars in thousands)

Fund-raising

Institutional support expenses included total fund-raising costs of \$86, \$678 and \$969 for the period May 13, 2011 through June 30, 2011, July 1, 2010 through May 12, 2011, and the fiscal year ended June 30, 2010, respectively. Fund-raising activities of the College include salaries and employee benefits of program staff, who develop proposals for fund-raising, solicit contributions, and conduct specific fund-raising events. Fund-raising costs are expensed as incurred.

Impairment of Long-Lived Assets

Long-lived assets and identifiable intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The College measures the recoverability of assets to be held and used by a comparison of the carrying amount of the assets to the expected net future cash flows to be generated by the asset, or, for identifiable intangible with finite useful lives by determining whether the amortization of the intangible asset balance over its remaining life can be recovered through undiscounted future cash flows. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment loss for the years ended June 30, 2011 and 2010.

Intangible Assets

Intangible assets consist of enrolled students, research programs, trade name and accreditation, and library. Intangible assets are amortized based on the estimated useful lives of the assets, and the economic pattern of usage (Note 4).

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting period. The most significant estimates are the allowance for doubtful accounts over accounts receivable, acquisition related fair value adjustments, valuation of investments, certain accrued liabilities for benefits and affiliation related obligations. Actual results could differ from those estimates.

Income Taxes

The College is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code.

Recent Accounting Pronouncements

In May 2011 the Financial Accounting Standards Board ("FASB") issued an update on the fair value measurements which converges accounting principles generally accepted in the United States of America and International Financial Reporting Standards ("IFRS") rules on fair value measurement and requires additional disclosures. The guidance states that disclosures should include sensitivity of measurement to changes in inputs, all transfers between Level 1 and Level 2, and fair value measurements included in the Financial Instruments disclosures, must indicate level and inputs used. The standard is effective for the period beginning after December 15, 2011, which is fiscal 2012 for the College.

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Effective for the fiscal year ended June 30, 2011, the College has included disclosure required by ASU 2010-20: Disclosures about the credit quality of financing receivables and the allowance for credit losses. The new disclosure relates primarily to student loans receivable.

Subsequent Events

The College has performed an evaluation of subsequent events through October 27, 2011, which is the date the financial statements were issued.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements in order to conform with the current year presentation.

3. Land, Buildings and Equipment

At June 30, 2011 and 2010 the College's investment in land, buildings and equipment consisted of the following:

	Successor	Predecessor
	2011	2010
Land	\$ 15,750	\$ 8,360
Buildings	84,021	93,219
Interest in leased properties	28,893	14,083
Equipment and computer software	9,920	36,661
Leasehold improvements	370	27,396
	<u>138,954</u>	<u>179,719</u>
Less, accumulated depreciation and amortization	674	109,431
Land, buildings and equipment, net	<u>\$ 138,280</u>	<u>\$ 70,288</u>

The net book value of interest in leased properties at June 30, 2011 and 2010 was \$28,665 and \$2,948, respectively. Interest in leased properties represents the value of assets exchanged in return for long-term leases on other properties with minimal annual rental commitments. Depreciation and amortization of buildings and equipment for the period May 13, 2011 through June 30, 2011, July 1, 2010 through May 12, 2011, and the fiscal year ended June 30, 2010 amounted to \$674, \$6,173 and \$7,383, respectively.

The College's land, buildings and equipment was adjusted to fair value at May 13, 2011 as a result of appraisals performed for each property owned and leased by the College in conjunction with the transaction described in Note 12. The fair value was derived using a valuation approach developed in accordance with the Uniform Standards of Professional Appraisal Practice ("USPAP"). The three generally accepted approaches available in developing an opinion of value are the sales comparison approach, cost approach, and the income approach. Therefore, the acquisition date fair value measurement of these assets would be classified as Level 3 in the fair value hierarchy.

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4. Intangible Assets

Intangible assets and the estimated useful lives as of June 30, 2011 consist of the following:

	<u>Successor</u> <u>Intangible</u> <u>Assets</u>	<u>Estimated</u> <u>Useful</u> <u>Lives</u>
Enrolled students	\$ 2,400	4
Research programs	1,300	4
Trade name and accreditation	10,200	Indefinite
Library	2,900	10
	<u>16,800</u>	
Less: accumulated amortization	<u>(152)</u>	
	<u>\$ 16,648</u>	

The College's intangible assets were assessed in accordance with purchase accounting guidance and were adjusted to fair value at May 13, 2011 as a result of the preliminary purchase price allocation performed in conjunction with the transaction described in Note 12. The fair value was derived using a valuation approach, such as an income and cost approach, developed in accordance with accounting guidance for intangible assets, business combinations and fair value. Therefore, the acquisition fair value measurement of these assets would be classified as Level 3 in the fair value hierarchy. Amortization expense related to intangible assets for the period May 13, 2011 through June 30, 2011 was approximately \$152.

5. Investments

Investments at June 30, 2011 and 2010 consisted of the following:

	<u>Successor</u>		<u>Predecessor</u>	
	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 2,467	\$ 2,467	\$ 1,738	\$ 1,738
Fixed income securities				
Government & corporate bonds	15,639	16,135	14,200	14,873
Other investment funds	47	48	142	73
Equity securities	24,822	31,346	19,469	20,385
Registered mutual funds	2,880	7,553	6,462	9,144
Real estate partnerships	4,170	3,936	4,003	2,938
Other	90	90	97	97
Total investments	<u>\$ 50,115</u>	<u>\$ 61,575</u>	<u>\$ 46,111</u>	<u>\$ 49,248</u>

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The following schedule summarizes the unrestricted investment return (loss) in the statements of activities for the period May 13, 2011 through June 30, 2011, July 1, 2010 through May 12, 2011, and the fiscal year ended June 30, 2010:

	Successor	Predecessor	
	2011	2011	2010
Dividends and interest, net of management and related fees	\$ 100	\$ 498	\$ 1,121
Net realized and unrealized (losses) gains	(33)	5,311	4,794
Total gains on investments	67	5,809	5,915
Investment return - spending rate	152	1,386	3,538
Investment (deficiency) return in excess of spending rate	\$ (85)	\$ 4,423	\$ 2,377

The fair value of the College's financial assets (including investments, beneficial interest in perpetual trust and deposits with trustee) that are measured on a recurring basis at June 30, 2011 are as follows:

	Successor	Based on			Valuation
		Fair Value at	Quoted Prices	Other	
	June 30,	in Active Markets	Observable	Inputs	Technique
	2011	(Level 1)	Inputs	(Level 3)	(1)
Beneficial interest in trust	\$ 10,970	\$ -	\$ -	\$ 10,970	M
Money market funds	2,439	2,439	-	-	M
Fixed Income securities					
US Government securities					
and corporate bonds	20,989	12,666	8,323	-	M
Other investment funds	48		48	-	M
Equity securities					
Domestic securities	28,446	28,446	-	-	M
Foreign securities	2,900	2,900	-	-	M
Registered mutual funds	7,553	-	7,553	-	M
Publicly traded real estate	2,823	-	2,823	-	M
Real estate partnerships	1,113	-	-	1,113	I
Other	90	-	-	90	I
	\$ 77,371	\$ 46,451	\$ 18,747	\$ 12,173	

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The fair value of the College's financial assets (including investments, beneficial interest in perpetual trust and deposits with trustee) that are measured on a recurring basis at June 30, 2010 are as follows:

	Predecessor Fair Value at June 30, 2010	Based on			Valuation Technique (1)
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Beneficial interest in trust	\$ 9,589	\$ -	\$ -	\$ 9,589	M
Money market funds	1,483	1,483	-	-	M
Fixed Income securities					
US Government securities and corporate bonds	19,519	10,462	9,057	-	M
Other investment funds	73	-	73	-	M
Equity securities					
Domestic securities	20,385	20,385	-	-	M
Foreign securities	2,322	2,322	-	-	M
Registered mutual funds	6,822	-	6,822	-	M
Publicly traded real estate	2,101	-	2,101	-	M
Real estate partnerships	837	-	-	837	I
Other	97	-	-	97	I
	<u>\$ 63,228</u>	<u>\$ 34,652</u>	<u>\$ 18,053</u>	<u>\$ 10,523</u>	

(1) The three valuation techniques are market approach (M), cost approach (C) and income approach (I).

Excluded from the fair value leveling charts above is \$28 and \$255, respectively, of cash and cash equivalents reported on the statements of financial position as of June 30, 2011 and 2010. There were no material transfers of financial assets between Level 1 and Level 2 in the fair leveling charts above as of June 30, 2011 and 2010.

Fair Value Accounting establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between participants on the measurement date. Fair value requires an organization to determine the unit of account, the mechanism of hypothetical transfer, and the appropriate markets for the asset or liability being measured.

This guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

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The three input levels are as follows: at are significant to the fair value of the assets or liabilities.

- Level 1 Quoted prices in active markets that the College has the ability to access for identical assets and liabilities for which significant observable inputs exist. Market price data is generally obtained from exchange or dealer markets. The College does not adjust the quoted price for such assets and liabilities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of assets or liabilities. This includes use of model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.
- Level 3 Unobservable inputs, as they trade infrequently or not at all, that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- Market approach (M) – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach (C) – Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and
- Income approach (I) – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors. The College considers observable data to be that market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the College's perceived risk of that investment.

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Investments included in Level 3 consists of the college's beneficial interest in perpetual trusts held by third parties and ownership of alternative investments, principally real estate partnerships. The value of these alternative investments represents the College's ownership in the net asset value (NAV) of the respective financial asset. The value of the beneficial interest in perpetual trusts is determined utilizing an income valuation approach which uses the current value of the underlying investments as an estimate for fair value. The majority of the underlying investments in these trusts are readily marketable investments. The fair value of the investments held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. The College has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2011 and 2010.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The table below presents the change in fair value measurements that used Level 3 inputs for the:

	Successor	Predecessor
	Period From	Year Ended
	May 13, 2011	June 30, 2010
	to June 30, 2011	
Balance, beginning of period	\$ 12,149	\$ 10,196
Interest and dividends	11	28
Realized gains	5	1
Unrealized gains (losses)	(30)	241
Withdrawals	-	(61)
Fees	(7)	(13)
Capital calls	45	131
Balance, end of period	\$ 12,173	\$ 10,523

All net unrealized losses in the table above are reflected in the accompanying statements of activities relate to those financial instruments held by the College at June 30, 2011 and 2010.

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The College uses NAV to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement policies of an investment company or have the attributes of an investment company. Per the applicable guidance, the following table lists investments in other investment companies (in partnership format) by major category. All percentages are based on NAV as of June 30, 2011.

Category of Investment	Investment Strategy	Successor		Unfunded Commitment	Remaining Life	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
		Fair Value Determined Using NAV at June 30, 2011	# of Funds					
Real Estate Partnership	Global real estate	1,113	2	90	3.5 years	Redemption not permitted during the life of the fund.	N/A	N/A
Other	Various	90	1	-	N/A	N/A	N/A	N/A
		<u>\$ 1,203</u>						
Category of Investment	Investment Strategy	Predecessor		Unfunded Commitment	Remaining Life	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
		Fair Value Determined Using NAV at June 30, 2010	# of Funds					
Real Estate Partnership	Global real estate	736	1	315	3.5 years	Redemption not permitted during the life of the fund.	N/A	N/A
Other	Various	271	5	-	N/A	N/A	N/A	N/A
		<u>\$ 1,007</u>						

6. Endowments

The College's endowment consists of approximately 97 individual funds established for a variety of purposes. The endowment includes both donor restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by Generally Accepted Accounting Principles ("GAAP"), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In September 2010, New York State enacted its version of the Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"). The College has interpreted NYPMIFA as requiring the preservation of the value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts donated 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 remaining portion of the donor-restricted endowment that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by NYPMIFA. All accumulated amounts earned on true endowment funds in excess of appropriation as of July 1, 2010 of approximately \$10.7 million have been reclassified from unrestricted net assets to temporarily restricted net assets and reported as a cumulative effect of a change in accounting principle in the statement of activities for the period July 1, 2010 to May 12, 2011.

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Expenditures from a donor- restricted fund are limited to the uses and purposes for which the endowment fund is established and the use of net appreciation, realized and unrealized gains is limited to the extent that the fair value of a donor-restricted fund exceeds 105% of the historic dollar value of the fund to the extent that such expenditure is prudent, considering the long and short term needs of the College in carrying out its purposes, its present and anticipated financial requirements and expected total return on its investments.

The College's spending policy rate is designed to stabilize annual spending levels and to present the real value of the investment portfolio over time. To meet these objectives, the College Board of Trustees has authorized a spending rate of 5% of the moving average of the fair value of endowment investments for the previous twenty quarters. This spending policy is consistent with the College's objectives to utilize income to support programs while preserving capital and ensuring future endowment growth. (See Note 2 for additional details of the College's spending rate policy).

Endowment funds are invested with Investment Managers charged with meeting or exceeding the representative index, universe or blended market index and universe that most closely corresponds to the Investment Manager's style of investment management. The investment strategy emphasizes long-term appreciation of the assets and consistency of total portfolio returns to support general operations while ensuring the preservation of capital.

The College's endowments consisted of the following at June 30, 2011 and 2010:

Endowment Net Asset Composition by Type of Fund as of June 30, 2011 (Successor)				
	Unrestricted	Temporary Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 15,993	\$ 15,035	\$ 31,028
Board-designated endowment funds	20,838			20,838
Total funds	\$ 20,838	\$ 15,993	\$ 15,035	\$ 51,866

Endowment Net Asset Composition by Type of Fund as of June 30, 2010 (Predecessor)				
	Unrestricted	Temporary Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (538)	\$ 500	\$ 15,007	\$ 14,969
Board-designated endowment funds	27,878	-		27,878
Total funds	\$ 27,340	\$ 500	\$ 15,007	\$ 42,847

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The College's endowment funds had the following changes:

	Changes in Endowment Net Assets			
	For the period May 13, 2011 through June 30, 2011 (Successor)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, May 13, 2011	\$ 20,848	\$ 16,040	\$ 15,030	\$ 51,918
Investment return				
Investment income	78	116	-	194
Net appreciation (realized and unrealized)	(19)	(28)	-	(47)
Total investment return	59	88	-	147
Contributions	-	5	3	8
Appropriation of endowment assets for expenditure	(71)	(108)	-	(179)
Other changes	2	(32)	2	(28)
Endowment funds, June 30, 2011	<u>\$ 20,838</u>	<u>\$ 15,993</u>	<u>\$ 15,035</u>	<u>\$ 51,866</u>

	Changes in Endowment Net Assets			
	For the period July 1, 2010 through May 13, 2011 (Predecessor)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, June 30, 2010	\$ 27,340	\$ 500	\$ 15,007	\$ 42,847
Cumulative effect of change in accounting principle	(10,678)	10,678	-	-
Investment return				
Investment income	388	622	-	1,010
Net appreciation (realized and unrealized)	3,479	5,406	-	8,885
Total investment return	3,867	6,028	-	9,895
Contributions	3	-	23	26
Appropriation of endowment assets for expenditure	(815)	(1,031)	-	(1,846)
Other changes	1,131	(135)	-	996
Endowment funds, May 13, 2011	<u>\$ 20,848</u>	<u>\$ 16,040</u>	<u>\$ 15,030</u>	<u>\$ 51,918</u>

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	Changes in Endowment Net Assets			
	For the Fiscal Year Ended June 30, 2010 (Predecessor)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, June 30, 2009	\$ 22,437	\$ 500	\$ 14,839	\$ 37,776
Investment return				
Investment income (loss)	1,831	-	(691)	1,140
Net appreciation (realized and unrealized)	3,314	-	691	4,005
Total investment return	<u>5,145</u>	<u>-</u>	<u>-</u>	<u>5,145</u>
Contributions	1,860	-	168	2,028
Appropriation of endowment assets for expenditure	(1,866)	-	-	(1,866)
Other changes	<u>(236)</u>	<u>-</u>	<u>-</u>	<u>(236)</u>
Endowment funds, June 30, 2010	<u>\$ 27,340</u>	<u>\$ 500</u>	<u>\$ 15,007</u>	<u>\$ 42,847</u>

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The endowment funds classified as Permanently Restricted, Temporarily Restricted and Unrestricted Net Assets at June 30, 2011 and 2010 consist of the following:

	Successor	Predecessor
	2011	2010
Permanently Restricted Net Assets		
Student support	\$ 3,445	\$ 3,429
Departmental support	8,900	8,900
General operating support	809	809
Research	1,758	1,746
Educational programs	123	123
Total endowment funds classified as permanently restricted net assets	15,035	15,007
Temporarily Restricted Net Assets		
Student support	3,056	-
Departmental support	4,997	-
General operating support	3,783	-
Research	4,007	500
Educational programs	150	-
Total endowment funds classified as temporarily restricted net assets	15,993	500
Unrestricted Net Assets		
Student support	6,411	6,315
Departmental support	2,201	4,780
General operating support	12,226	13,508
Research	-	2,629
Educational programs	-	108
Total endowment funds classified as unrestricted net assets	20,838	27,340
Total endowment funds	\$ 51,866	\$ 42,847

As a result of unfavorable market fluctuations, the fair value of assets associated with certain individual donor-restricted endowment funds has fallen below historic dollar value. The aggregate amounts by which fair value was below historic value for those endowment funds was \$538 as of June 30, 2010. Spending from underwater endowments is prohibited per the College's spending policy until the market appreciation, interest, dividends and other current income restore the underwater endowment to 105% of its original historic value.

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A reconciliation from endowment net assets to investments, at fair value for June 30, 2011 and 2010 is as follows:

	Successor	Predecessor
	2011	2010
Endowment net assets	\$ 51,866	\$ 42,847
Less:		
Cash and receivables	(2,359)	(2,768)
Endowment funds invested	49,507	40,079
College and other funds invested	12,068	9,169
Investments, at fair value	<u>\$ 61,575</u>	<u>\$ 49,248</u>

7. Long-term Debt

Long-term debt at June 30, 2011 and 2010 consisted of the following:

	Successor	Predecessor
	2011	2010
New York Medical College 2004 TELP Lease Loan Payable through January 1, 2015 Interest at 5.32%	\$ 2,670	\$ 3,401
Dormitory Authority of the State of New York Bonds payable through July 1, 2027 (New York Medical College Insured Revenue Bonds, Series 1998 with an effective interest rate of 5%). Face amount \$50,296 and \$52,640 less unamortized discount as of June 30, 2011 and 2010 of \$0 and \$950, respectively.	50,296	51,690
Total long-term debt	<u>\$ 52,966</u>	<u>\$ 55,091</u>

On May 6, 2004, the College concluded a \$6.5 million lease arrangement with the Dormitory Authority of the State of New York under its Tax Exempt Leasing Program (TELP) for the purpose of financing the replacement of its chillers and boilers at its Valhalla campus. Construction commenced in the 2005 fiscal year and was concluded by October 2006.

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With respect to the Series 1998 Bonds, the College pledged the Basic Science Building and the Medical Education Center as collateral. The net book value of the collateralized properties at June 30, 2011 and 2010 was approximately \$47,633 and \$35,832, respectively. In addition, the College pledged revenues, including tuition and fees, in an amount equal in each bond year to the interest, principal and sinking fund requirements due the following July 1 of each year. The Series 1998 bonds are callable by the College beginning July 1, 2010 and thereafter at 100% of the face value of the bonds. There are certain financial covenants required to be maintained by the College. The College was in compliance as of June 30, 2011 and 2010 with these covenants.

Under the Dormitory Authority loan agreements, monthly payments are deposited with a trustee for servicing the debt and capital expenditures related to construction, renovations and improvements to campus buildings. Deposits with trustee at June 30, 2011 and 2010 comprised the following:

	Successor	Predecessor
	2011	2010
Debt service	\$ 3,459	\$ 3,414
Building and equipment reserve	1,395	1,232
	<u>\$ 4,854</u>	<u>\$ 4,646</u>

The fair value of the College's bonds at June 30, 2011 and 2010 was approximately \$54,365 and \$55,934, respectively. The fair value of the Series 1998 bonds was estimated based on the present value of the existing debt service cash flows of each outstanding series using interest rates as of June 30, 2011 and 2010 to calculate a bond yield (which approximates the cost of equivalent bonds issued as of June 30, 2011 and 2010) to be used as a discount rate for the outstanding Series 1998 bonds. The fair value of all other bonds approximated their outstanding balances as of June 30, 2011 and 2010 respectively.

Aggregate long-term debt matures in the fiscal years as follows:

2012	\$ 2,662
2013	2,858
2014	3,003
2015	2,805
2016	2,435
Thereafter	39,675
Less, fair market value adjustment (See Note 12)	<u>(472)</u>
Total long-term debt at June 30, 2011	<u>\$ 52,966</u>

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8. Short-Term Borrowing

The College has a short term note and a line of credit available, both of which bear interest at a fixed rate equal to .70% in excess of the LIBOR rate and .30% for the unused portion of the line of credit and is renewable every year. The amounts outstanding on the short term note at June 30, 2011 and 2010 were \$4,388 and \$4,500, respectively. The amounts outstanding on the line of credit at June 30, 2011 and 2010 were \$12,000 and \$10,000, respectively. The College has pledged part of its investment portfolio as collateral for the short term note and the line of credit.

9. Retirement Plans

The College has a defined contribution retirement plan which covers substantially all its non-union employees, and which is funded through direct payments to qualified carriers. For each eligible employee, the College contributes an average of 7% of the employee's salary. The employee's contribution is discretionary, up to 15% of their salary in accordance with all legal regulations. During the period May 13, 2011 through June 30, 2011, July 1, 2010 through May 12, 2011, and the fiscal year ended June 30, 2010, the College contributed \$1,015, \$8,131 and \$9,191, respectively, to these tax deferred annuity plans for faculty and certain administrative employees. In addition, \$124, \$678 and \$628 were contributed in the period May 13, 2011 through June 30, 2011, July 1, 2010 through May 12, 2011, and the fiscal year ended June 30, 2010, respectively, to a union administered plan for employees belonging to a collective bargaining unit. The College would be responsible for any withdrawal liability under the agreement with the union.

10. Postretirement Benefits Other Than Pensions

The College provides medical and life insurance benefits under its Postretirement Life and Health Insurance Plan for Eligible Employees (the "Plan"). The College's obligation is limited and requires participants to contribute to premiums as determined by the plan's Administrator. The College reserves the right to amend or terminate the plan at its discretion. These benefits are partially funded through a voluntary employees' beneficiary association ("VEBA") trust.

On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 was signed into law. The Act allows employers who offer actuarially equivalent prescription drug benefits to retirees to receive a federal subsidy starting in 2006. Actuarial equivalence of the program's prescription drug benefit is determined based on a two-prong test. The actuarial values of the prescription drug coverage are based on national statistics and then adjusted to reflect drug utilization for the Plan. Based on these values, it is assumed that the prescription drug benefit for the unfunded plan will be actuarially equivalent in 2006 and for all years thereafter.

For those employees who had already retired at the time the VEBA was established, the College pays actual benefits from its general assets. For subsequent retirees, the College's funding policy is to contribute an amount up to the annual expense in years when the Present Value of Future Benefits (PVFB) exceeds assets. Since assets are less than PVFB, the College may elect to make a contribution in fiscal year 2012. At this time, management has not determined if a contribution will be made in fiscal year 2012.

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Under pension guidance, the College recognizes in the statements of financial position the difference between the benefit obligations and any plan assets of the College's defined postretirement plans. In addition, pension guidance requires the unrecognized amount (e.g., net actuarial gains or losses and prior service costs or credits) to be recognized as changes to unrestricted net assets and that these amounts be adjusted as they are subsequently recognized as components of the net periodic benefit cost.

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over a two-year period ended June 30, 2011 and a statement of the funded status for both years (included in accounts payable and accrued expenses in the statements of financial position)

	(Successor)	(Predecessor)	
	Period From May 13, 2011 to June 30, 2011	Period From July 1, 2010 to May 12, 2011	For The Year Ended June 30, 2010
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 9,675	\$ 10,237	\$ 6,470
Service cost	12	78	87
Interest cost	67	450	584
Plan participants' contributions	111	723	536
Actuarial gain (loss)	128	(485)	4,183
Benefits paid	(161)	(1,328)	(1,670)
Medicare Part D program reimbursement	-	-	47
Benefit obligation at end of year	<u>\$ 9,832</u>	<u>\$ 9,675</u>	<u>\$ 10,237</u>
Change in plan assets			
Fair value of plan assets at beginning of year	\$ 4,066	\$ 3,549	\$ 3,570
Actual return on plan assets	14	648	435
Employer contributions	44	473	468
Plan participants' contributions	110	724	537
Benefits paid	(161)	(1,328)	(1,508)
Medicare Part D program reimbursement	-	-	47
Fair value of plan assets at end of year	<u>\$ 4,073</u>	<u>\$ 4,066</u>	<u>\$ 3,549</u>
Funded status as of measurement date, end of year			
Fair value of plan assets at June 30	\$ 4,073	\$ 4,066	\$ 3,549
Benefit obligations	9,832	9,675	10,237
Funded status at June 30	<u>\$ (5,759)</u>	<u>\$ (5,609)</u>	<u>\$ (6,688)</u>
Amounts recognized in accumulated unrestricted net assets			
Net actuarial loss	\$ 154	\$ 4,075	\$ 5,356
Prior service cost	-	460	567
Transition obligation	-	438	617
	<u>\$ 154</u>	<u>\$ 4,973</u>	<u>\$ 6,540</u>
Weighted-average assumptions used to determine benefit obligations, end of year:			
Discount rate - funded	5.75%	6.00%	6.00%
- unfunded	4.75%	4.75%	5.00%
Rate of compensation increase	4.00%	4.00%	4.00%
Healthcare cost trend			
Increase from current to next fiscal year	8.00%	8.00%	8.50%
Ultimate rate of increase	4.50%	4.50%	4.50%
Year that the ultimate rate is attained	2019	2019	2019

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(dollars in thousands)

A one-percent change in assumed health care cost trend rates would have the following effects as of June 30, 2011:

	One-Percent Point Increase	One-Percent Point Decrease
Effects on accumulated postretirement benefit obligation	\$ 845	\$ (722)

	(Successor)	(Predecessor)	
	Period From May 13, 2011 to June 30, 2011	Period From July 1, 2010 to May 12, 2011	For The Year Ended June 30, 2010
Components of net periodic benefit cost:			
Service cost	\$ 11	\$ 78	\$ 87
Interest cost	67	450	584
Expected return on plan assets	(40)	(278)	(310)
Amortization of prior service cost	460	107	123
Amortization of transition obligation	438	178	206
Amortization of net actuarial loss	4,075	426	363
Net periodic benefit cost	\$ 5,011	\$ 961	\$ 1,053

Included in the chart above, as a result of the transaction discussed in footnote 12, the College recognized \$4,973 in the Successor period for the amortization of accumulated unrestricted net assets, which is reported as acquisition related fair value adjustments in the statement of activities.

	(Successor)	(Predecessor)	
	Period From May 13, 2011 to June 30, 2011	Period From July 1, 2010 to May 12, 2011	For The Year Ended June 30, 2010
Weighted-average assumptions used to determine net periodic benefit cost, beginning of year:			
Discount rate - funded	6.00%	6.00%	7.25%
- unfunded	5.00%	6.50%	6.50%
Expected return on plan assets	7.50%	7.50%	7.50%
Rate of compensation increase	4.00%	4.00%	4.00%
Healthcare cost trend			
Increase from current to next fiscal year	8.50%	8.50%	8.00%
Ultimate rate of increase	4.50%	4.50%	5.00%
Year that the ultimate rate is attained	2019	2019	2016

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A one-percent change in assumed health care cost trend rates would have the following effects as of June 30, 2011:

	One-Percent Point Decrease	One-Percent Point Increase
Effects on total service and interest cost component	<u>\$ (6)</u>	<u>\$ 7</u>

Plan assets	Target Allocation	Percentage of Plan Assets	
	Successor 2012	Successor 2011	Predecessor 2010
Asset category			
Equity securities	61.0%	66.0%	61.9%
Debt securities	31.0%	31.0%	0.0%
Other	8.0%	3.0%	38.1%
Total assets		<u>\$ 4,073</u>	<u>\$ 3,549</u>

The investment policy statement of the College, established by the Board of Trustees, has as its investment objective, the long term appreciation of assets and the consistency of total portfolio returns with reasonable efforts to control risk and preserve capital. The policy establishes a goal of an annual return of eight percent.

Estimated benefit payments	Postretirement Benefits	Federal Subsidy Under MMA
Fiscal year		
2012	\$ 741	\$ 48
2013	748	46
2014	757	45
2015	761	43
2016	758	41
2017 - 2021	3,651	169

Expected benefit payments is the total amount expected to be paid from the plan's or the College's assets. For postretirement benefits, the amounts shown are net of plan participant contributions, but before deducting the expected federal subsidy under the Medicare Modernization Act of 2003 (MMA).

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Within the fair value hierarchy, the pension plan's investments at fair value by level at June 30, 2011 are as follows:

	<u>Successor</u> Fair Value at June 30, 2011	<u>Based on</u>			Valuation Technique (1)
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Money market funds	\$ 116	\$ 116	\$ -	\$ -	M
Registered mutual funds	2,708	2,708	-	-	M
Fixed Income Securities	1,249	690	559	-	M
	<u>\$ 4,073</u>	<u>\$ 3,514</u>	<u>\$ 559</u>	<u>\$ -</u>	

	<u>Predecessor</u> Fair Value at June 30, 2010	<u>Based on</u>			Valuation Technique (1)
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Money market funds	\$ 1,352	\$ 1,352	\$ -	\$ -	M
Registered mutual funds	2,197	2,197	-	-	M
	<u>\$ 3,549</u>	<u>\$ 3,549</u>	<u>\$ -</u>	<u>\$ -</u>	

(1) The three valuation techniques are market approach (M), cost approach (C) and income approach (I).

11. Other Contingencies and Commitments

The College maintains medical professional liability insurance coverage with specified limits.

Over the past few years three affiliate hospitals have experienced financial difficulties and have filed for bankruptcy. As an unsecured creditor the College has reserved against the receivables for these organizations. The outcome of the bankruptcy proceedings will not have an effect on the educational programs at the College.

The College is involved in various other legal actions, arising in the normal course of operations. The College is of the opinion that the resolution of these matters will not have a significant effect upon the financial condition of the College.

Effective July 1, 2011, the College will continue its academic affiliation with the New York City Health and Hospitals Corporation but will not be the clinical service provider at Metropolitan Hospital Center ("Metropolitan"). Consequently, the College will not be the employer of the clinical service providers at Metropolitan, will not bill for the professional medical and dental services through its Faculty Practice Plan and will not have responsibility for the patient care services at Metropolitan. As a result, annual Affiliation Contract revenues will decrease by approximately \$56,704 and annual Faculty Practice Plan revenues will decrease by approximately \$6,535, and expenses will decrease by an equivalent level, beginning July 1, 2011 based on fiscal 2011 amounts. The College will continue its sponsorship and administration of the graduate medical education residency and fellowship programs at Metropolitan. Metropolitan's participation in the College's undergraduate medical education programs for its medical students and its academic

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activities at Metropolitan will also continue. An Academic Affiliation Agreement is under negotiation with the New York City Health and Hospital Corporation.

The College has elected to participate in the U.S. Department of Education (DOE) Zone Alternative cash monitoring program for payment of Title IV funds pending the DOE's review of the College's financial statements and report on federal awards in accordance with OMB Circular A-133 for the fiscal year ended on June 30, 2011.

12. Business Combination

On May 13, 2011, NYMC, LLC, a wholly controlled subsidiary of Touro, acquired 100% of the membership interest in the College from the previous members and thereby the right to exercise the reserved powers and authority as the sole member of the College. Pursuant to the transaction Touro paid \$60 million to the Archdiocese, of which \$29 million was contributed to the College consisting of \$21 million in cash – limited use, the assignment of 50% of a \$6 million promissory note from an unrelated third party payable over three years and a previous nonrefundable deposit of \$5 million cash – limited use. According to the transaction, the funds contributed to the College, constituting the “NYMC Fund” are to be used for working capital or for general corporate purposes of the College, to fund the College's operating costs, to pay the College's operating deficits or working capital shortfalls, to fund capital expenditures of the College, to effect repayment of principal, interest, and any other amounts outstanding with respect to any indebtedness, liabilities or obligations of the College, or to fund any acquisitions or other transactions undertaken by the College in each case, associated with or relating to the business, operations or programs of the College at or conducted by its Westchester, New York campus. The use of these funds during the first three years following the closing of the transaction are to conform with the operating guidelines that were agreed upon by the Archdiocese and Touro, which provide that the Managing Board of the NYMC Fund consists of two Touro designees, two designees by the representatives on behalf of the Archdiocese, and a fifth independent member as mutually agreed by the other NYMC Fund designees. Approval by the College's Board of Trustees is required prior to consideration of any funds by the Management Board of the NYMC Fund.

As discussed above, \$29 million of the purchase price was contributed by the Archdiocese to College pursuant to the Agreement. Assets and liabilities were recorded at their estimated fair values on the Agreement date (May 13, 2011) in accordance with purchase accounting guidance. On June 30, 2011, the preliminary allocation of fair value for this business combination is subject to revision based on the final determination of fair values, including the values assigned to the specifically-identifiable intangible assets acquired.

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Fair value adjustments as of May 13, 2011, made as a result of purchase accounting were:

Student loans receivable	\$	(2,979)
Land, building and equipment, net		70,996
Other assets		(1,093)
Intangible assets		16,800
Assets retirement obligation		(864)
Refundable federal student loans		166
Deferred revenue		225
Long term debt		(472)
Amortization of post-retirement benefit cost		<u>(4,973)</u>
	\$	<u>77,806</u>

In fiscal 2011, the College has recognized in the Successor period of the statement of activities approximately \$77.8 million and \$24.0 million, respectively, related to acquisition related fair market value adjustments and acquisition contribution. In fiscal 2011, the College recognized in the Predecessor period of the statement of activities approximately \$5.0 million related to acquisition contribution for the non refundable deposit discussed above.