NEW YORK MEDICAL COLLEGE

Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
New York Medical College:

We have audited the accompanying financial statements of New York Medical College (the College), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the 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 U.S. generally accepted accounting principles; 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.

Auditors' 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 auditors' 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 entity'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 entity'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 New York Medical College 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 U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2(s) to the financial statements, the College adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

KPMG LLP

October 28, 2019

NEW YORK MEDICAL COLLEGE

Statements of Financial Position

June 30, 2019 and 2018

(Dollars in thousands)

Assets		**2019**	**2018**
Cash and cash equivalents	$	1,564	5,268
Receivables (note 4):			
Student tuition and fees, net		1,045	2,525
Student loans, net		7,268	8,268
Other, net		14,493	13,133
Investments (notes 5 and 12)		82,107	81,432
Deposits with bond trustee (notes 6 and 9)		10,795	11,874
Property and equipment, net (note 10)		180,361	181,404
Intangible and other assets, net (note 11)		11,591	11,575
Beneficial interest in perpetual trusts (notes 2(j) and 6)		12,368	12,441
Total assets	$	321,592	327,920
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	16,313	20,474
Accrued payroll and related benefits payable (note 15)		10,624	11,004
Deferred revenue		14,147	14,634
Short-term debt (note 12)		17,663	18,885
Long-term debt (note 13)		77,599	79,741
Refundable federal student loans (note 2(e))		5,231	6,335
Other liabilities		2,314	1,441
Total liabilities		143,891	152,514
Contingencies and commitments (notes 12, 13, 14, 15, and 17)			
Net assets (notes 7 and 8):			
Without donor restrictions		115,568	113,503
With donor restrictions		62,133	61,903
Total net assets		177,701	175,406
Total liabilities and net assets	$	321,592	327,920

See accompanying notes to financial statements.

NEW YORK MEDICAL COLLEGE

Statements of Activities

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Changes in operating activities:						
Operating revenue:						
Tuition and fees, net of scholarships and grants ($5,469 and $5,237 as of June 30, 2019 and 2018, respectively)	$ 59,171	—	59,171	59,798	—	59,798
Affiliation contracts and faculty practice	17,617	—	17,617	21,719	—	21,719
Government grants for research and sponsored projects	23,145	—	23,145	19,300	—	19,300
Contributions and private grants	4,340	429	4,769	2,178	841	3,019
Investment return appropriated for operations	4,618	—	4,618	4,258	—	4,258
Auxiliary enterprises	5,432	—	5,432	5,722	—	5,722
Other	6,846	77	6,923	6,219	87	6,306
Released from restrictions	246	(246)	—	492	(492)	—
Total operating revenue	121,415	260	121,675	119,686	436	120,122
Operating expenses (note 16):						
Instruction and research	56,147	—	56,147	53,192	—	53,192
Academic support	12,306	—	12,306	12,287	—	12,287
Affiliation contracts and faculty practice	16,548	—	16,548	20,824	—	20,824
Student services	7,352	—	7,352	6,133	—	6,133
Institutional support	24,412	—	24,412	28,154	—	28,154
Auxiliary enterprises	3,427	—	3,427	3,024	—	3,024
Total operating expenses	120,192	—	120,192	123,614	—	123,614
Change in net assets from operating activities	1,223	260	1,483	(3,928)	436	(3,492)
Nonoperating activities:						
Investment return in excess of amount appropriated for operations	463	43	506	1,469	1,420	2,889
Postretirement-related changes other than net periodic benefit cost (note 15)	379	—	379	(428)	—	(428)
Change in fair value of beneficial interest in perpetual trusts (note 6)	—	(73)	(73)	—	360	360
Other	—	—	—	—	(484)	(484)
Total nonoperating activities	842	(30)	812	1,041	1,296	2,337
Change in net assets	2,065	230	2,295	(2,887)	1,732	(1,155)
Net assets at beginning of year	113,503	61,903	175,406	116,390	60,171	176,561
Net assets at end of year	$ 115,568	62,133	177,701	113,503	61,903	175,406

See accompanying notes to financial statements.

NEW YORK MEDICAL COLLEGE

Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Dollars in thousands)

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	2,295	(1,155)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		10,204	9,942
Amortization of bond premium, net		(90)	(90)
Provision for doubtful receivables		648	508
Postretirement-related changes other than net periodic benefit cost		(379)	428
Amortization of deferred financing costs		107	108
Accretion of imputed interest		98	118
Net change in fair value of investments		(2,009)	(4,665)
Loss on disposal of property and equipment		67	31
Contributions for long-term use		(362)	(495)
Appreciation in fair value of beneficial interest in perpetual trusts		(398)	(730)
Changes in operating assets and liabilities:			
Student tuition and fees, net		1,480	(2,076)
Other receivables		(2,088)	546
Other assets		(16)	201
Beneficial interest in perpetual trusts		471	370
Accounts payable and accrued expenses		(4,991)	2,642
Accrued payroll and related benefits payable		(1)	(2,362)
Deferred revenue		(487)	312
Other liabilities, net		873	(1,001)
Net cash provided by operating activities		5,422	2,632
Cash flows from investing activities:			
Purchases of property and equipment		(8,543)	(12,861)
Change in accounts payable for capital		830	—
Disbursement of student loans		(862)	(1,064)
Collection of student loans		2,274	2,846
Sales of investments		29,954	21,750
Purchases of investments		(28,620)	(25,024)
Net cash used in investing activities		(4,967)	(14,353)
Cash flows from financing activities:			
Proceeds from short-term debt		22,604	22,400
Repayment of short-term debt		(23,826)	(23,015)
Decrease in deposits with bond trustee		1,079	6,768
Repayment of long-term debt		(3,274)	(3,041)
Repayment of refundable federal student loans		(1,104)	(1,843)
Contributions for long-term use		362	495
Net cash (used in) provided by financing activities		(4,159)	1,764
Net decrease in cash and cash equivalents		(3,704)	(9,957)
Cash and cash equivalents, beginning of year		5,268	15,225
Cash and cash equivalents, end of year	$	1,564	5,268
Supplemental disclosures:			
Interest paid	$	4,730	4,749
Capital lease additions		1,017	1,115

See accompanying notes to financial statements.

(1) Description of Organization

New York Medical College (the College), a member of the Touro College and University System, is a health sciences university whose enrollment approximates 1,480 students. The College is committed to educating individuals for careers in the medical, science, and health professions. The College is a not-for-profit organization exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code.

The College is a membership, not-for-profit corporation in the State of New York. On May 13, 2011, NYMC, LLC, a wholly controlled subsidiary of Touro College (Touro), a New York-based institution of higher and professional education, 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.

There are three schools within the College – a School of Medicine, conferring the MD 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 (MS), Master of Public Health (MPH), and doctoral (PhD, Dr. PH, DPT) degrees in 28 program areas and 9 certification programs.

The College is the only academic biomedical research institution in the Hudson Valley region. Nearly 230 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 is the sole corporate member of The Biotechnology incubator at NYMC (BioInc@NYMC), a not-for-profit organization as described in section 501(c)(3) of the Internal Revenue Code. BioInc@NYMC is a transformative biotechnology incubator located on the College's campus and stimulates the establishment and growth of numerous biotechnology start-up companies. Intercompany balances are eliminated upon consolidation.

The College's healthcare network extends south into New York City and its metropolitan area, north into Westchester County and the mid-Hudson Valley in New York State, east into Connecticut, and west into New Jersey. Educational resources are provided to the College by 22 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 Westchester Medical Center (WMC), an academic medical center in Valhalla, New York, responsible for advancing the quality of the nation's health through its teaching and research activities. The College has other affiliation contracts with other healthcare organizations to provide physician services under these arrangements.

(2) Summary of Significant Accounting Policies

(a) Financial Statement Presentation

The accompanying financial statements of the College have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP) and with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

Based on the existence or absence of donor-imposed restrictions, the College classifies net assets into two categories:

- Net assets without donor restrictions are derived from institutional resources and gifts that are not subject to explicit donor-imposed restrictions. This category also includes income and gains on these funds. Certain net assets classified as without donor restrictions are board-designated for specific or general purposes or uses by the College.
- Net assets with donor restrictions are subject to donor-imposed restrictions that will be met either by actions of the College or the passage of time. These net assets relate to donor-restricted endowments, unconditional pledges and interests in perpetual trusts held by others. Generally, the donor-imposed restrictions of these assets permit the College to use all or part of the income earned on related investments only for certain general or specific purposes.

Revenue and gains and losses on investments and other assets are reported as increases or decreases in net assets without donor restrictions unless their use is limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Contributions and investment return subject to donor-imposed restrictions that are met in the same reporting period as received are reported as net assets without donor restrictions. Expiration of restrictions on prior year net assets with donor restrictions are reported as net assets released from restrictions.

(b) Cash and Cash Equivalents

The College considers all highly liquid debt instruments with original maturities of three months or less to be cash and cash equivalents, except those cash and cash equivalents held for investment as part of the College's long-term investment strategy.

(c) Student Tuition and Fees

Student tuition and fees and scholarships are recognized over the respective academic terms. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Receivables balances are reduced by an allowance for doubtful accounts. The allowance for doubtful accounts is management's best estimate of the probable loss based on historical collection experience. Management regularly assesses the collectability of student tuition and fees receivable. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. Revisions in the allowance for doubtful accounts estimate are recorded as adjustments to the provision for bad debts.

Collection of a significant portion of tuition and fees is reliant on government-sponsored student financial assistance programs.

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(d) Student Loans Receivable

The College makes uncollateralized loans to students based on financial need. Student loans are funded mainly through federal government loan programs. The College's student loan receivables represent 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.

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including consideration of 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, the aging of loans, loan default rate, and, where applicable, the existence of any guarantees or indemnifications. The amount of the allowance is adjusted based on the results of management's analysis.

(e) Refundable Federal Student Loans

Funds provided by the federal government under federal loan programs are loaned to qualified students and may be loaned again after cash collections. These funds are ultimately refundable to the government and are recognized as a liability in the accompanying statements of financial position.

In 2016, the College entered into a repayment agreement with the Department of Health and Human Services in regard to repaying the Federal Capital Contribution Primary Care Loan – Allopathic Medicine program. The College makes monthly payments of $92. The total amount outstanding is $2,345 and $3,449 as of June 30, 2019 and 2018, respectively.

(f) Pledges Receivable

Unconditional promises to give (pledges) are recorded as revenue at fair value in the period pledged. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discount is recorded as additional contribution revenue. Conditional pledges and pledges subject to a substantial risk of forfeiture are not recorded until the conditions are substantially met or the risks eliminated.

(g) Operating Measure

The operating activities in the statement of activities of the College (change in net assets from operating activities) include all revenue and expenses related to carrying out its mission of education and research. The operating measure includes amounts related to the spending rate policy and any additional budgeted investment returns on endowment funds as approved by the Board of Trustees of the College to protect the inflation-adjusted value of the endowment. The operating activities exclude investment return greater than (less than) the spending rate, postretirement-related changes other than net periodic benefit cost, change in fair value of beneficial interest in perpetual trusts, and other nonrecurring items.

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(h) Investments

Investments with readily determinable fair values are reported at fair value based upon quoted market prices or published net asset value for alternative investments in funds similar to mutual funds. Alternative investments, including equity and fixed income funds, which are not deemed to have a readily determinable fair value are reported at estimated fair value based on, as a practical expedient, net asset values provided by investment managers. These values are reviewed and evaluated by College management for reasonableness. The reported values may differ from the values that would have been reported had a ready market for these investments existed.

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 on the statements of activities. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis.

Investments are exposed to various risks, such as interest rate, market, credit, and other risks. Due to such risks and the level of uncertainty related to changes in the value of investment securities, it is at least possible that changes in the values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

(i) Fair Value Measurements

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 market participants on the measurement date. The College employs the three-tiered fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, defined as follows:

- Level 1 inputs are quoted prices or published net asset values (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than Level 1 that are observable, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement.

In accordance with FASB ASC Topic 820, *Fair Value Measurement*, the College excludes from the fair value hierarchy investments for which fair value is measured using the net asset value per share practical expedient.

(j) 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; therefore, they are recorded as net assets with donor restrictions. The College has no control over investment decisions regarding these assets. The beneficial interests in perpetual trusts are categorized as Level 3 in the fair value hierarchy due to the

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lack of control of the trust assets. The fair value of the assets of perpetual trusts is based upon quoted market prices at year-end. As of June 30, 2019 and 2018, the fair value of the perpetual trusts is $12,368 and $12,441, respectively.

(k) Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or fair value as of the date of acquisition or receipt from a donor. Additions and improvements or betterments having a useful life of more than one year are capitalized. Repairs and maintenance costs are expensed when incurred. Upon retirement or sale, the cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are reported on the statements of activities.

Depreciation and amortization is provided on a straight-line basis over the estimated useful lives, or the terms of the lease for the applicable plant assets, if shorter, as follows: buildings and building improvements, 25–43 years; library holdings, 10–20 years; equipment and computer software, 3–15 years; leasehold improvements, 25–30 years; and interest in leased properties, 20–30 years.

(l) Long-Lived Assets

Long-lived 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. 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, 2019 and 2018.

(m) Affiliation Contracts and Faculty Practice

Revenue and expenses from affiliation contracts primarily reflect the contractual relationship with WMC for the provision of salaries and fringe benefits and allowable overhead for physicians providing services under the arrangement. For the years ended June 30, 2019 and 2018, revenue from WMC totaled $13,227 and $16,276, respectively. Additionally, faculty practice revenue totaled $2,356 and $3,677 for the years ended June 30, 2019 and 2018, respectively.

(n) Intangible Assets

Intangible assets consist of trade name and accreditation status, which is indefinite lived and evaluated for impairment on an annual basis.

(o) Grants and Contributions

The College receives grants and contributions from a number of sources, including the federal and state government, private foundations, and individuals. Each contract or gift instrument is evaluated as to whether the transaction qualifies as an exchange transaction or a contribution. Government grants are generally considered conditional contributions; however, the College has adopted a policy of simultaneous release of the net assets, and related income is included in government grants for

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research and sponsored projects in the statements of activities. Grants that are treated as exchange transactions are reported in net assets without donor restrictions when expenses are incurred in accordance with contractual terms. The excess of amounts received in exchange transactions over the amount of expenditures incurred are classified in deferred revenue on the statements of financial position.

A contribution, gift or grant is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The presence of both a barrier and a right of return or right of release indicates that a recipient promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are overcome.

Receipts qualifying as contributions, including unconditional promises to give (pledges), are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are met.

Outstanding amounts related to conditional federal grants as of June 30, 2019 were approximately $16,450.

(p) Fundraising

Institutional support expenses included total fundraising expenses of $1,038 and $1,200, respectively, for the years ended June 30, 2019 and 2018. Fundraising activities of the College include the salaries and employee benefits of program staff that develop proposals for fundraising, solicit contributions, and conduct specific fundraising events. Fundraising costs are expensed as incurred.

(q) Use of Estimates

The preparation of financial statements in conformity with GAAP principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingencies as of the date of the financial statements and the reported amounts of revenue, expenses, gains, and losses during the reporting period. The most significant estimates are the allowance for doubtful accounts, fair value of investments, postretirement benefit obligation, and the allocation of expenses to their functional categories. Actual results may differ from those estimates.

(r) Accounting for Uncertainty in Income Taxes

The College prescribes to a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. As of June 30, 2019 and 2018, the College does not have any uncertain tax positions or any unrelated business income tax liability, which would have a material impact upon its financial statements.

(s) New Accounting Pronouncements

In May 2014, the FASB issued *Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods or services. Additional disclosure is

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required to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The College adopted ASU 2014-09 in fiscal year 2019 and elected the full retrospective application of the adoption of the guidance to all contracts under the scope of the guidance and there was no material impact to the College related to existing revenue streams.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires recognition of rights and obligations arising from lease contracts as assets and liabilities on the balance sheet and also requires expanded qualitative and quantitative disclosures. ASU 2016-02 is effective for fiscal year 2020. The College is continuing to evaluate the impact of adopting this ASU on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. ASU 2016-14 reduces the number of net asset classes from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets of $21,481 and permanently restricted net assets of $40,422. Additionally, it increases the quantitative and qualitative disclosures regarding liquidity and availability of resources, and requires expenses to be reported by both their natural and functional classification in one location. The College adopted ASU 2016-14 in fiscal 2019, and applied the changes retrospectively.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The College has elected to adopt this standard on a modified prospective basis in fiscal year 2019. The amendments in the update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The application of this guidance did not have a material impact on the financial statements.

(t) Reclassifications

There were reclassifications made to certain 2018 amounts to conform with the current year presentation.

(Dollars in thousands)

(3) Liquidity

The College's financial assets available within one year of the statement of financial position for general expenditures such as operating expenses, interest and principal on debt, and capital expenditures not financed with debt are as follows:

Total assets	$	321,592
Less:		
Endowment funds		(40,023)
Annuities and trusts		(12,474)
Deposits held by bond trustees		(7,587)
Student loan receivable		(6,462)
Property and equipment, net		(180,361)
Pledges receivable and other assets		(13,630)
Investments collateralized for debt inclusive of board-designated endowments of $30,652		(33,308)
Total financial assets available within one year		27,747
Available line of credit		4,337
Investment appropriated for spending in the following year		3,376
Total financial assets and resources available within one year	$	35,460

The College manages its financial assets to be available as its operating expenditures, liabilities, and other obligations come due. In addition to these available financial assets, a significant portion of the College's annual expenditures will be funded by current year operating revenues including tuition, contributions, grant, and other income.

(Dollars in thousands)

(4) Receivables

Receivables at June 30 consist of the following:

		2019		
		Receivable	Allowance for doubtful accounts	Net receivable
Student tuition and fees	$	1,080	(35)	1,045
Student loans		7,984	(716)	7,268
Other:				
Government and other grants	$	6,901	—	6,901
Affiliation contracts		1,104	(100)	1,004
Faculty practice plans		853	(153)	700
Pledges receivable, net of discount		2,039	—	2,039
Miscellaneous		4,992	(1,143)	3,849
Total other	$	15,889	(1,396)	14,493

		2018		
		Receivable	Allowance for doubtful accounts	Net receivable
Student tuition and fees	$	2,583	(58)	2,525
Student loans		9,396	(1,128)	8,268
Other:				
Government and other grants	$	4,435	—	4,435
Affiliation contracts		2,983	(352)	2,631
Faculty practice plans		188	(7)	181
Pledges receivable, net of discount		2,322	—	2,322
Miscellaneous		4,797	(1,233)	3,564
Total other	$	14,725	(1,592)	13,133

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(Dollars in thousands)

The following tables provide an analysis of the aging of certain receivables as of June 30:

		2019					
		1–30 days past due	31–60 days past due	Greater than 60 days past due	Total past due	Current	Total
Student loans	$	89	33	1,029	1,151	6,833	7,984
Affiliation contracts		6	12	351	369	735	1,104
Faculty practice plans		29	294	500	823	30	853
Pledges		75	75	479	629	1,410	2,039
Miscellaneous		—	9	1,353	1,362	3,630	4,992

		2018					
		1–30 days past due	31–60 days past due	Greater than 60 days past due	Total past due	Current	Total
Student loans	$	34	—	1,242	1,276	8,120	9,396
Affiliation contracts		—	46	1,600	1,646	1,337	2,983
Faculty practice plans		3	—	185	188	—	188
Pledges		115	5	258	378	1,944	2,322
Miscellaneous		52	125	2,285	2,462	2,335	4,797

Pledges receivable as of June 30, 2019 and 2018 consists of the following:

		2019	2018
Amounts due in less than one year	$	1,419	1,278
Amounts due in one to five years		938	1,375
		2,357	2,653
Less discount to net present value (discount rates between 3.25% and 5.00%)		(318)	(331)
	$	2,039	2,322

(Dollars in thousands)

(5) Investments

Investments, at fair value, as of June 30 consist of the following:

		2019	2018
Level 1 investments:			
Cash and cash equivalents	$	835	802
Equity securities		7,289	4,769
Fixed income securities:			
U.S. government obligations		103	106
Mutual funds		52,334	55,961
Level 2 investments:			
Fixed income securities:			
Corporate bonds		15,742	14,482
Investments measured at net asset value as a practical expedient for fair value:			
Alternative investments:			
Hedge fund strategies:			
Global hedged equity funds (a)		3,654	3,105
Real estate partnership (b)		329	613
Other		1,821	1,594
Total investments measured at net asset value as a practical expedient for fair value		5,804	5,312
Total investments	$	82,107	81,432

(a) Funds that invest in long and short positions on equity securities primarily issued by international companies.

(b) Investments in real estate funds invested in office, multifamily, industrial, and other commercial real estate properties or other commercial real estate investments located primarily in the United States. The objective of the partnership is to achieve long-term gross returns while focusing on the preservation of capital. The partnerships do not permit redemptions.

Hedge fund strategies may be redeemed once a month with approximately two weeks’ notice required.

Certain investments have been pledged as security for its outstanding debt obligations (notes 12 and 13).

(Dollars in thousands)

(6) Fair Value Measurements

The fair value of financial assets other than investments that are measured at fair value at June 30, 2019 and 2018 is as follows:

		2019			
		Total	**Level 1**	**Level 2**	**Level 3**
Beneficial interest in perpetual trusts	$	12,368	—	—	12,368
Deposits with bond trustee:					
Cash and cash equivalents		9,395	9,395	—	—
U.S. government obligations		1,400	1,400	—	—

		2018			
		Total	**Level 1**	**Level 2**	**Level 3**
Beneficial interest in perpetual trusts	$	12,441	—	—	12,441
Deposits with bond trustee:					
Cash and cash equivalents		9,664	9,664	—	—
U.S. government obligations		2,210	2,210	—	—

The activity with respect to the College's beneficial interest in perpetual trusts, which are Level 3, is as follows:

		2019	**2018**
Balance at beginning of year	$	12,441	12,081
Investment income, net		191	49
Distributions		(662)	(522)
Net appreciation in fair value of investments		398	833
Balance at end of year	$	12,368	12,441

(Dollars in thousands)

(7) Net Assets

Net assets consisted of the following at June 30:

	2019		
	Without donor restrictions	With donor restrictions	Total net assets
Operating	$ (44,993)	—	(44,993)
Endowment:			
Student support	14,783	8,210	22,993
Departmental support	2,305	19,039	21,344
General operating support	13,564	5,329	18,893
Research	—	6,762	6,762
Educational programs	—	683	683
Other:			
Gifts	25,747	7,703	33,450
Pledges	—	2,039	2,039
Investment in plant	104,162	—	104,162
Beneficial interest in perpetual trusts	—	12,368	12,368
	$ 115,568	62,133	177,701

	2018		
	Without donor restrictions	With donor restrictions	Total net assets
Operating	$ (42,103)	—	(42,103)
Endowment:			
Student support	14,657	8,395	23,052
Departmental support	2,307	19,382	21,689
General operating support	13,567	4,748	18,315
Research	—	6,726	6,726
Educational programs	—	563	563
Other:			
Gifts	21,201	7,326	28,527
Pledges	—	2,322	2,322
Investment in plant	103,874	—	103,874
Beneficial interest in perpetual trusts	—	12,441	12,441
	$ 113,503	61,903	175,406

(Continued)

(8) Endowments

The College's endowment consists of approximately 114 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.

The Board has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as allowing the College to appropriate for expenditure or accumulate so much of an endowment as the College determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, the College classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of income to the permanent endowment made in accordance with the direction of the applicable donor gift instruments.

In accordance with NYPMIFA, the Board of Trustees considers the following factors in making a determination to appropriate or accumulate endowment funds:

(a) The duration and preservation of the endowment fund

(b) The purposes of the College and the endowment fund

(c) General economic conditions

(d) The possible effect of inflation and deflation

(e) The expected total return from income and the appreciation of investments

(f) Other resources of the College

(g) Alternatives to expenditure of the endowment fund

(h) The investment policies of the College

Expenditures from a donor-restricted fund are limited to the uses and purposes for which the endowment fund was established. The College has limited the use of realized and unrealized gains unless the fair value of a donor-restricted fund exceeds 105% of its historic dollar value.

The College's spending policy rate is designed to stabilize annual spending levels and to preserve the real value of endowment investments over time. To meet these objectives, the 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.

The College maintains investment pools for substantially all of its investments. The pools are managed to achieve the maximum prudent long-term total return while providing a predictable stream of funding to programs supported by the endowment.

(Dollars in thousands)

Included in donor-restricted endowment net assets at June 30, 2019 and 2018 is accumulated earnings of $19,094 and $19,081, respectively.

Changes in the College's endowment net assets were as follows:

		Without donor restriction	With donor restriction	Total
Endowment funds, June 30, 2017	$	28,388	37,896	66,284
Investment return, net		2,265	3,066	5,331
Contributions and transfers		1,193	495	1,688
Appropriation for expenditure		(1,315)	(1,643)	(2,958)
Endowment funds, June 30, 2018		30,531	39,814	70,345
Investment return, net		1,475	1,966	3,441
Contributions and transfers		29	172	201
Appropriation for expenditure		(1,383)	(1,929)	(3,312)
Endowment funds, June 30, 2019	$	30,652	40,023	70,675

(9) Deposits with Trustee

Under loan agreements related to bonds issued by the Dormitory Authority of the State of New York (DASNY), a portion of the bond proceeds were deposited with the trustee for capital expenditures related to construction, renovations, and improvements to campus buildings, for debt service reserve funds and for capitalized interest. Monthly payments are deposited with the trustee for servicing the debt. Deposits with bond trustee as of June 30 consist of the following:

		2019	2018
Construction fund	$	1,400	2,211
Debt service		3,208	3,410
Debt service reserve fund		6,187	6,253
	$	10,795	11,874

(Continued)

(Dollars in thousands)

(10) Property and Equipment, Net

At June 30, the College's property and equipment consists of the following:

		2019	2018
Land and land improvements	$	23,975	23,791
Buildings and improvements		145,082	142,357
Interest in leased properties		30,660	30,660
Equipment and computer software		25,611	23,224
Library holdings		21,008	19,092
Leasehold improvements		390	390
Construction in progress		2,473	237
		249,199	239,751
Less accumulated depreciation and amortization		(68,838)	(58,347)
Property and equipment, net	$	180,361	181,404

Interest in leased properties represents the fair value of the College's long-term leases under which the rental commitment is one dollar per annum.

(11) Intangible and Other Assets

Intangible and other assets as of June 30 consist of the following:

		2019	2018
Intangible assets	$	10,200	10,200
Restricted cash		274	274
Prepaid expenses		937	921
Other		180	180
Total	$	11,591	11,575

(12) Short-Term Debt

At June 30, 2019 and 2018, NYMC has a $22,000 line of credit with a bank of which $17,663 and $18,885 is outstanding as of June 30, 2019 and 2018, respectively. Interest is calculated at the 30 day London Interbank Offered Rate (LIBOR) plus 1.25% (3.651% and 3.347% as of June 30, 2019 and 2018, respectively). Investments with a value of $31,507 and $31,346 as of June 30, 2019 and 2018, respectively, serve as collateral for the line of credit.

(Continued)

(Dollars in thousands)

NYMC also has a letter of credit with a bank in the amount of $2,000 and $3,042 at June 30, 2019 and 2018 that secures a long term note payable in the amount of $1,741 and $2,143 as of June 30, 2019 and 2018, respectively (note 13(b)). The letter of credit is secured by additional investments of $1,801 and $1,691 at June 30, 2019 and 2018, respectively, and is guaranteed by Touro College.

Interest expense on short-term debt for the years ended June 30, 2019 and 2018 totaled $581 and $514, respectively.

(13) Long-Term Debt

Long-term debt outstanding at June 30 is as follows:

Description	Maturity date	Interest rate		2019	2018
Long-term debt:					
Dormitory Authority of the State of New York, Revenue Bonds, Series 2014A Bonds (a)	January 2044	4.65 %	$	44,855	45,005
Deferred financing costs				(888)	(922)
Net premium				2,653	2,759
Total				46,620	46,842
Dormitory Authority of the State of New York, Revenue Bonds, Series 2014B Bonds (a)	January 2029	5.75 %		28,085	30,240
Deferred financing costs				(723)	(796)
Net discount				(162)	(178)
Total				27,200	29,266
Note payable (b)	April 2023	5.00% imputed		1,741	2,143
Capital lease obligations (c)	2021–2024	4.16%–5.98%		2,038	1,490
Long-term debt			$	77,599	79,741

(a) Pursuant to a Master Trust Indenture (MTI) by and among the College, Touro College, Touro University Nevada, and Touro University (collectively, the Obligated Group) and the Bank of New York Mellon as Master Trustee, on June 26, 2014, 30-year tax-exempt serial and term bonds with an aggregate principal amount of $45,155 (Series 2014A Bonds) and 15-year federally taxable serial and term bonds with an aggregate principal amount of $38,325 (Series 2014B Bonds) were issued on behalf of the College by the Dormitory Authority of the State of New York (DASNY) (together, the DASNY Bonds). The Series 2014A Bonds were issued with a net premium of $3,183, and the Series 2014B Bonds were issued at a discount of $243. The College has granted a mortgage on its properties located at 19 Skyline Drive, 7 Dana Road, and 30 Sunshine Cottage Road. The net book value of the properties was approximately $95,863 and $88,848, respectively, at June 30, 2019 and 2018. Deposits with bond trustee (note 9) represent additional collateral until utilized for their designated purposes.

 (Continued)

(Dollars in thousands)

In addition to the DASNY Bonds listed in the table above, bonds with an aggregate principal amount of $139,600 ($132,820 and $134,390, respectively, outstanding as of June 30, 2019 and 2018), were issued on behalf of other members of the Obligated Group all of whose members are jointly and severally liable for the bond obligations described herein. In addition, a security interest is pledged for substantially all revenue of the Obligated Group, provided that this revenue pledge for Touro College is limited to its healthcare related programs, and excludes donations restricted by the donors for uses other than debt service.

In addition to the aforementioned mortgaged properties, the other members of the Obligated Group have granted mortgages on other properties with an aggregate book value of approximately $149,262 and $136,191, respectively, as of June 30, 2019 and 2018, to secure all of the bonds described herein. In connection with the MTI, the Obligated Group is required to maintain certain financial and nonfinancial covenants. As of June 30, 2019 and 2018, these covenants have been met.

(b) In connection with the 2013 acquisition of an office building at 19 Skyline Drive, Hawthorne, New York, the seller of the property provided a $5,000 interest free 10-year note, which was discounted to net present value. The note is secured by a letter of credit, which is secured by a portion of the College's investment portfolio and a guarantee of Touro (note 12). The note requires monthly installments of $42.

(c) Capital lease obligations – Certain equipment is leased under noncancelable capital leases payable monthly.

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

		Principal	Interest
2020	$	3,406	3,982
2021		3,469	3,836
2022		3,481	3,677
2023		3,417	3,507
2024		2,950	3,352
Thereafter		59,996	34,340
		76,719	52,694
Deferred financing costs		(1,611)	—
Net premium		2,491	—
	$	77,599	52,694

Interest expense on long-term debt for the years ended June 30, 2019 and 2018 totaled $4,135 and $4,183, respectively.

(Dollars in thousands)

(14) Retirement Plans

The College has a defined contribution retirement plan which covers substantially all of its nonunion 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 years ended June 30, 2019 and 2018, the College contributed $3,597 and $3,928, respectively, to its defined contribution retirement plan.

In addition, $595 and $421, respectively, were contributed during the years ended June 30, 2019 and 2018, 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.

The College's participation in the union administered plan is outlined below. Unless otherwise noted, the Pension Protection Act (PPA) zone status below is for the plan years beginning January 1, 2018, 2017, and 2016, respectively. The zone status is certified by the plans' actuaries. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective-bargaining agreements to which the plan is subject.

Pension fund	EIN/pension plan number	PPA zone status	FIP/RP status pending/ implemented	Surcharge imposed	Expiration date of collective-bargaining agreement
1199 SEIU Health Care Employee Pension Fund	13-3604862/001	Green	*RP Implemented	No	September 30, 2021

* The 1199 Health Care Employee Pension Fund has implemented a rehabilitation plan for the period January 1, 2012 through December 31, 2024.

(15) 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 (the Act) 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.

(Dollars in thousands)

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 2020.

Under the accounting guidance for postretirement benefits, the College recognizes on the statements of financial position the difference between the benefit obligations and any related plan assets. In addition, the accounting guidance requires the unrecognized amount (e.g., net actuarial gains or losses and prior service costs or credits) to be recognized as changes in net assets without donor restrictions 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 Plan's benefit obligations and fair value of assets for the years ended June 30:

		2019	2018
Change in benefit obligation:			
Benefit obligation at beginning of year	$	8,495	8,726
Service cost		48	68
Interest cost		317	340
Plan participants' contributions		624	687
Actuarial (gain) loss		(473)	473
Benefits paid		(1,277)	(2,060)
Medicare Part D program reimbursement		303	261
Benefit obligation at end of year		8,037	8,495
Change in plan assets:			
Fair value of plan assets at beginning of year		3,594	3,867
Actual return on plan assets		80	252
Employer contributions		98	587
Plan participants' contributions		624	687
Benefits paid		(1,277)	(2,060)
Medicare Part D program reimbursement		303	261
Fair value of plan assets at end of year		3,422	3,594
Unfunded status at end of year, included in accrued payroll and related benefits payable	$	4,615	4,901

(Dollars in thousands)

		2019	2018
Components of net periodic benefit cost:			
Service cost	$	48	68
Interest cost		317	340
Expected return on plan assets		(266)	(286)
Amortization of prior service credit		(46)	(206)
Amortization of net actuarial loss		139	285
Net periodic benefit cost	$	192	201

		2019	2018
Postretirement-related changes other than net periodic benefit cost:			
Amortization of prior service credit	$	46	206
Amortization of net actuarial loss		(139)	(285)
Net (gain) loss		(286)	507
	$	(379)	428
Amounts not yet recognized in net periodic benefit cost:			
Net actuarial loss	$	1,774	2,199
Prior service credit		—	(46)
	$	1,774	2,153

	2019	2018
Weighted average assumptions used to determine benefit obligations as of June 30, 2019 and 2018:		
Discount rate – funded portion	3.75 %	4.50 %
Discount rate – unfunded portion	3.00	4.00
Rate of compensation increase	4.00	4.00
Weighted average assumptions used to determine net periodic benefit cost for the years ended June 30, 2019 and 2018:		
Discount rate:		
Discount rate – funded portion	4.50 %	4.00 %
Discount rate – unfunded portion	4.00	3.25
Healthcare cost trend:		
Increase from current to next fiscal year	7.50 %	7.75 %
Ultimate rate of increase	4.50	4.50
Year that the ultimate rate is attained	2031	2031

(Continued)

(Dollars in thousands)

The healthcare cost trend assumption has a significant effect on the amounts reported. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects as of and for the years ended June 30:

		2019		2018	
		One-percent-point increase	**One-percent-point decrease**	**One-percent-point increase**	**One-percent-point decrease**
Effect on total service and interest cost component	$	24	(20)	35	(29)
Effect on postretirement benefit obligation		642	(535)	694	(585)

The College is not expecting to contribute to the Plan in 2020.

The estimated actuarial net loss that will be amortized from net assets without donor restrictions into net periodic benefit cost in fiscal year 2020 is $194.

Expected benefit payments are the total amount expected to be paid from the Plan’s or the College’s assets. The expected benefit payments, net of plan participant contributions, are as follows:

		Estimated benefits payments
Fiscal year(s):		
2020	$	516
2021		518
2022		514
2023		516
2024		505
2025–2029		2,343

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. The Plan’s target and actual asset allocations as of June 30 are as follows:

(Dollars in thousands)

Plan assets	Target allocation	Percentage of plan assets 2019	Percentage of plan assets 2018
Asset category:			
Equity securities	61.0 %	69.1 %	70.5 %
Debt securities	31.0	27.4	26.6
Other	8.0	3.5	2.9

The Plan’s investments at fair value, all of which are Level 1 in the fair value hierarchy at June 30 are as follows:

	Total 2019	Total 2018
Cash and cash equivalents	$ 121	103
Alternative investments:		
Equity and fixed income funds:		
Global equity	2,316	1,830
Global fixed income	937	957
Hedge fund strategies:		
Diversifying funds	48	411
Real estate investment trusts	—	79
Public natural resources	—	214
Total assets	$ 3,422	3,594

(16) Functional Reporting of Expenses

The costs of the College’s activities have been presented on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the activities benefited. The College allocates occupancy and related costs, depreciation, and interest expense based on direct expenditures in the other functional categories. Expenses presented by natural classification and function are as follows:

(Dollars in thousands)

	2019						
	Instruction and research	Academic support	Affiliation contracts and faculty practice	Student services	Institutional support	Auxiliary enterprises	Total
Salaries and benefits	$ 36,652	8,624	16,280	4,616	13,800	444	80,416
Occupancy and related expenses	4,024	742	—	471	1,658	315	7,210
Professional services	362	175	14	235	1,957	311	3,054
Depreciation	5,927	1,194	—	712	2,371	332	10,536
Interest	2,661	536	—	319	1,065	149	4,730
Other expense	6,521	1,035	254	999	3,561	1,876	14,246
Total	$ 56,147	12,306	16,548	7,352	24,412	3,427	120,192

	2018						
	Instruction and research	Academic support	Affiliation contracts and faculty practice	Student services	Institutional support	Auxiliary enterprises	Total
Salaries and benefits	$ 35,721	8,924	20,616	3,975	14,623	469	84,328
Occupancy and related expenses	3,523	621	—	358	2,152	254	6,908
Professional services	361	141	6	116	1,940	218	2,782
Depreciation	5,398	1,090	—	567	2,922	279	10,256
Interest	2,474	500	—	260	1,339	128	4,701
Other expense	5,715	1,011	202	857	5,178	1,676	14,639
Total	$ 53,192	12,287	20,824	6,133	28,154	3,024	123,614

(Continued)

(17) Other Contingencies and Commitments

The College is involved in various 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.

Certain potential compliance matters have been identified as part of the review of the College's 403(b) plan that are being researched. Plan management does not believe the matters and potential amounts involved are material to the College's financial statements.

Certain funding that the College receives from governmental agencies is subject to audit.

(18) Subsequent Events

The College performed an evaluation of subsequent events that occurred after June 30, 2019 through October 28, 2019, the date the financial statements were issued. Events identified that are required to be disclosed are included in applicable notes above.