



**Board of Trustees of The City University of New York**

**RESOLUTION TO  
Approval of the FY 2020 Audited Financial Statements**

**March 1, 2021**

**WHEREAS**, The University is required annually to prepare consolidated financial statements, that have been subject to audit; and

**WHEREAS**, The University's external auditor, Grant Thornton, LLC, has independently audited the financial statements; and

**WHEREAS**, The City University of New York Board Audit Committee Charter, Section 4.01, requires the Audit Committee to review with management and external auditors the results of the annual independent financial statement audit and accept the University's independently audited basic financial statements; and

**WHEREAS**, On October 29, 2020, the Board of Trustees Committee on Audit approved the University Fiscal Year FY 2020 preliminary financial statements; and

**WHEREAS**, Those statements were complete with the exception of identifying refunds and expenses made in FY 2020 that were eligible to be funded through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Higher Education Emergency Relief Fund (HEERF), and accounting for revenues to be received from the U.S. Department of Education as reimbursement for those eligible expenditures and refunds; and

**WHEREAS**, The FY 2020 Financial Statements have now been updated to reflect the CARES HEERF expenses, grants and refunds incurred in FY 2020; and

**WHEREAS**, For FY 2020, Grant Thornton, LLC plans to issue an unmodified, or "clean", opinion of the University's financial statements.

**NOW, THEREFORE, BE IT**

**RESOLVED**, That the Audit Committee of the Board of Trustees of The City University of New York approves the University's FY 2020 audited financial statements.

**EXPLANATION:** On October 29, 2020, the University's FY 2020 financial statements were substantially completed, however the identification and accounting for the CARES HEERF was still outstanding and, therefore, the FY 2020 financial statements were considered preliminary at the time.

The University's FY 2020 financial statements have now been updated to reflect the emergency grants, expenses and refunds incurred in FY 2020 from the CARES HEERF and Grant Thornton has audited those amounts.

**THE CITY UNIVERSITY OF NEW YORK**

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

June 30, 2020

(With Independent Auditors' Report Thereon)

# THE CITY UNIVERSITY OF NEW YORK

## Table of Contents

	<b>Page</b>
Report of Independent Certified Public Accountants	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Statement of Net Position as of June 30, 2020	19
Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2020	20
Statement of Cash Flows for the year ended June 30, 2020	21
Notes to Financial Statements	23
Required Supplementary Information (Unaudited):	
Schedule of Employer Contributions	67
Schedule of Proportionate Share of the Net Pension Liability	68
Schedule of Changes in Total OPEB Liability and Related Ratios	69
Supplementary Information:	
Schedule of Net Position - Senior and Community Colleges as of June 30, 2020	70
Schedule of Revenues, Expenses, and Changes in Net Position - Senior and Community Colleges for the year ended June 30, 2020	71
Schedule of Cash Flows - Senior and Community Colleges as of June 30, 2020	72

**GRANT THORNTON LLP**

757 Third Ave., 9<sup>th</sup> Floor  
New York, NY 10017-2013

**D** +1 212 599 0100

**F** +1 212 370 4520

**S** [linkd.in/grantthorntonus](https://www.linkedin.com/company/grantthornton-us)

[twitter.com/grantthorntonus](https://twitter.com/grantthorntonus)

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

The Board of Trustees of  
The City University of New York:

**Report on the financial statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of The City University of New York (the "University") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

**Management's responsibility for the financial statements**

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

**Auditor's responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of one of the two blended component units, which represent 1%, 1%, and 1% of the assets, net position, and revenues, respectively, of the business-type activities and 27 of the 86 discretely presented component units, which represent 53%, 53%, and 56% of the assets, net position, and revenues, respectively, of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the one blended component unit and 27 discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University'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 University'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 opinions.

### **Opinions**

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of The City University of New York as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other matters**

#### *Required supplementary information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 18, and the schedules of employer contributions, proportionate share of the net pension liability and changes in total OPEB liability and the related ratios as of June 30, 2020 on pages 67, 68, and 69, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedule of Net Position Information – Senior and Community Colleges as of June 30, 2020, the Schedule of Revenues, Expenses, and Changes in Net Position Information – Senior and Community Colleges for the year ended June 30, 2020, and the Schedule of Cash Flow Information – Senior and Community Colleges for the year ended June 30, 2020 included on pages 70, 71, and 72, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Report on 2019 summarized comparative information*

We have previously audited the University's 2019 basic financial statements (not presented herein), and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units in our report dated December 13, 2019. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

GRANT THORNTON LLP

New York, New York  
Date

DRAFT

# THE CITY UNIVERSITY OF NEW YORK

## Management's Discussion and Analysis

June 30, 2020

### Introduction

The objective of Management's Discussion and Analysis (MD&A) is to provide readers with an overview of The City University of New York's (CUNY) financial condition as of and for the years ended June 30, 2020 and 2019, the results of its operations for the years then ended, and significant changes from the previous year. Prior year balances have been reclassified or restated to conform to the current year presentation. This discussion has been prepared by management and should be read in conjunction with the accompanying audited financial statements and the notes to the financial statements.

The University's financial report communicates financial information for 25 colleges and schools including: eleven senior colleges, seven community colleges, the William E. Macaulay Honors College, the Graduate School and University Center, the Craig Newmark Graduate School of Journalism at CUNY, the CUNY School of Law, the CUNY School of Professional Studies, the CUNY Graduate School of Public Health and Health Policy, and the CUNY School of Labor and Urban Studies. The University's financial statements also include the financial activity of the following related organizations: the Research Foundation of the City University of New York (RF-CUNY), and its subsidiary, 230 West 41st Street LLC, and the City University Construction Fund (CUCF).

The financial statements also present twenty-eight (28) college foundations, twenty-five (25) auxiliary enterprise corporations and other component units, twenty-one (21) student association organizations and eleven (11) child care centers of the individual colleges as discretely presented component units. The financial activities of these organizations are not included in the discussion presented below. The basis for determining which University related organizations are considered part of the University's reporting entity and therefore presented blended within the University's financial statements, is included in note 1 of the financial statements.

### The City University of New York

The City University of New York provides high-quality, accessible education to undergraduate and graduate students at 25 colleges and schools across New York City, and its facilities include 300 buildings comprised of approximately 29 million square feet of classrooms, computer centers, science and language labs, theaters, gymnasiums, greenhouses, astronomy observatories and spaces for many other purposes. From certificate courses to PhD programs, CUNY offers post-secondary education to students of all backgrounds. It provides New York City with graduates trained for high-demand positions in the sciences, technology, mathematics, teaching, nursing, and other fields.

**THE CITY UNIVERSITY OF NEW YORK**  
Management's Discussion and Analysis  
June 30, 2020

**The University's Financial Position**

The major components of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30 are as follows:

	<u>2020</u>	<u>2019</u>
	(in thousands)	(in thousands)
Current assets	\$ 1,987,722	\$ 1,912,233
Other noncurrent assets	460,861	752,254
Capital assets	<u>6,199,376</u>	<u>6,188,084</u>
Total assets	<u>8,647,959</u>	<u>8,852,571</u>
Deferred outflows of resources	<u>526,508</u>	<u>408,202</u>
Current liabilities	1,543,411	1,342,955
Noncurrent liabilities	<u>8,300,577</u>	<u>8,442,868</u>
Total liabilities	<u>9,843,988</u>	<u>9,785,823</u>
Deferred inflows of resources	<u>482,556</u>	<u>401,002</u>
Net position:		
Net investment in capital assets	719,003	766,644
Restricted		
Nonexpendable	67,190	67,608
Expendable	330,517	453,996
Unrestricted	<u>(2,268,787)</u>	<u>(2,214,300)</u>
Total net deficit	<u>\$ (1,152,077)</u>	<u>\$ (926,052)</u>

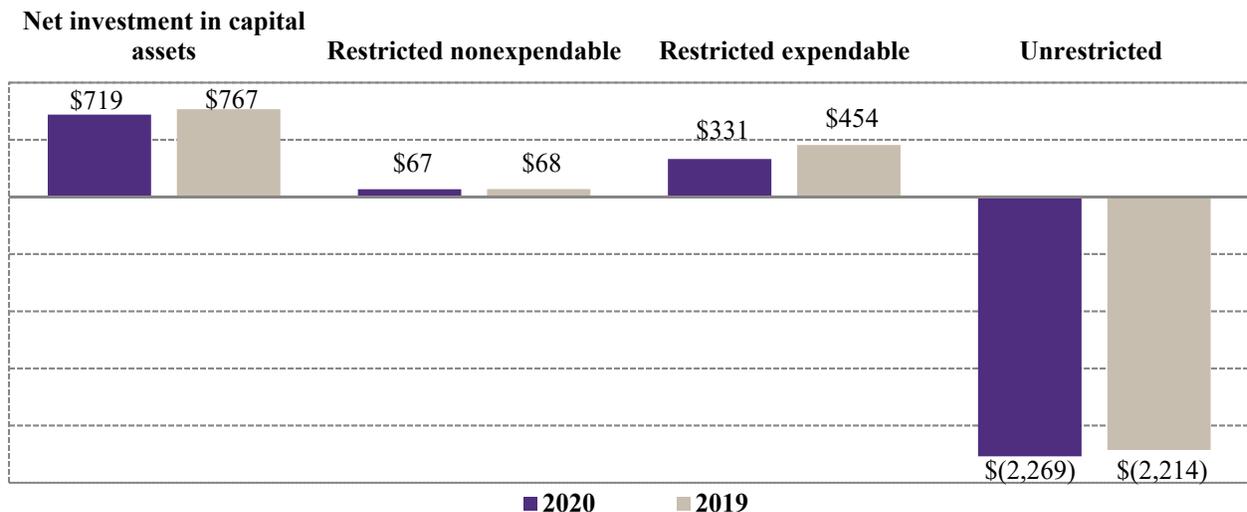
**Net Position (deficit)**

CUNY's net deficit was \$1,152.1 billion and \$926.1 billion at June 30, 2020 and 2019, respectively.

**THE CITY UNIVERSITY OF NEW YORK**  
 Management's Discussion and Analysis  
 June 30, 2020

**Net Position (deficit)**

(in millions)



CUNY's total net deficit increased by \$226.0 million between June 30, 2019 and June 30, 2020. The change is primarily attributable to an increase in restricted expendable net position of \$123.5 million, an increase in unrestricted net deficit of \$54.5 million and an increase in net investment in capital assets of \$47.6 million.

Net investment in capital assets represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt related to the acquisition, construction, or improvement of those assets.

Restricted nonexpendable net position primarily represents gifts from donors that have been permanently restricted (endowment).

Restricted expendable net position includes the net position restricted for operations, facilities, scholarships, student loan programs, and other activities.

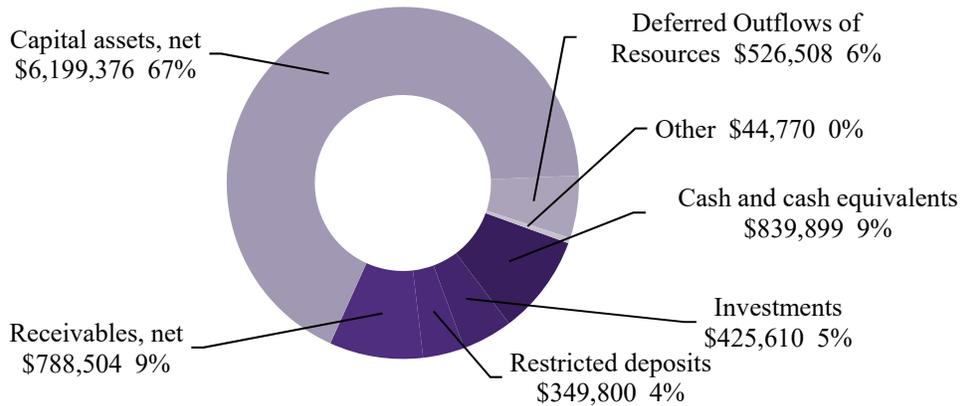
The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. A deficit represents the excess of liabilities and deferred inflows over assets and deferred outflows. In the case of CUNY, the deficit is primarily due to the recognition of pension and other post-employment benefit obligations.

**THE CITY UNIVERSITY OF NEW YORK**  
 Management's Discussion and Analysis  
 June 30, 2020

**Assets and Deferred Outflows of Resources**

At June 30, 2020, the University's total assets and deferred outflows of resources decreased by \$86.3 million, or 0.1%, as compared to the June 30, 2019 balance. The variance is primarily attributable to a decrease in restricted deposits held by the University's bond trustees and the Dormitory Authority of the State of New York (DASNY) on behalf of the University of \$440.2 million; offset by increases in cash and cash equivalents of \$89.5 million; accounts receivable of \$114.5 million; deferred outflows on debt refundings of \$64.2; and deferred outflows of resources related to total pension liability of \$52.0 million.

**2020 Assets and Deferred Outflows of Resources (in thousands)**  
**\$9,174,467**



**2019 Assets and Deferred Outflows of Resources (in thousands)**  
**\$9,260,773**



## THE CITY UNIVERSITY OF NEW YORK

### Management's Discussion and Analysis

June 30, 2020

The most significant fluctuations are discussed below:

**Restricted deposits** includes deposits held by bond trustees and amounts held by the Dormitory Authority of the State of New York (DASNY), the independent state agency authorized to issue debt on behalf of the University. Deposits held by bond trustees are bond proceeds not yet expended for construction projects and related accumulated investment income. Restricted amounts held by DASNY represent funds that have been remitted to DASNY to be used for rehabilitation of capital assets or held for general operating purposes on behalf of CUNY.

Restricted deposits were \$349.8 million and \$790.0 million in fiscal years 2020 and 2019, respectively. The decrease of \$440.2 million is attributable to expenditures on the University's construction and rehabilitation projects over the course of the fiscal year. Restricted deposits held by bond trustees will fund CUNY's capital construction program, which includes ongoing maintenance and a program of rehabilitation.

**Accounts Receivable** increased by \$114.5 million from June 30, 2019, primarily due to timing of receipt of payments from New York State Higher Education Services Corporation (HESC) for the Tuition Assistance Program (TAP) and the Excelsior Scholarship totaling \$52.6 million. Additionally, \$48.3 million was due to timing of appropriations received. A partial payment of \$32.0 million from the amounts due from HESC for fiscal year 2020 was received after year end.

**Cash and cash equivalents** increased by \$89.5 million between June 30, 2019 and June 30, 2020 primarily due to timing of cash transfers to New York State and New York City. In fiscal year 2019, the majority of transfers related to the fiscal year were made prior to June 30, 2019. In fiscal 2020, some transfers related to the current fiscal year were made after June 30, 2020.

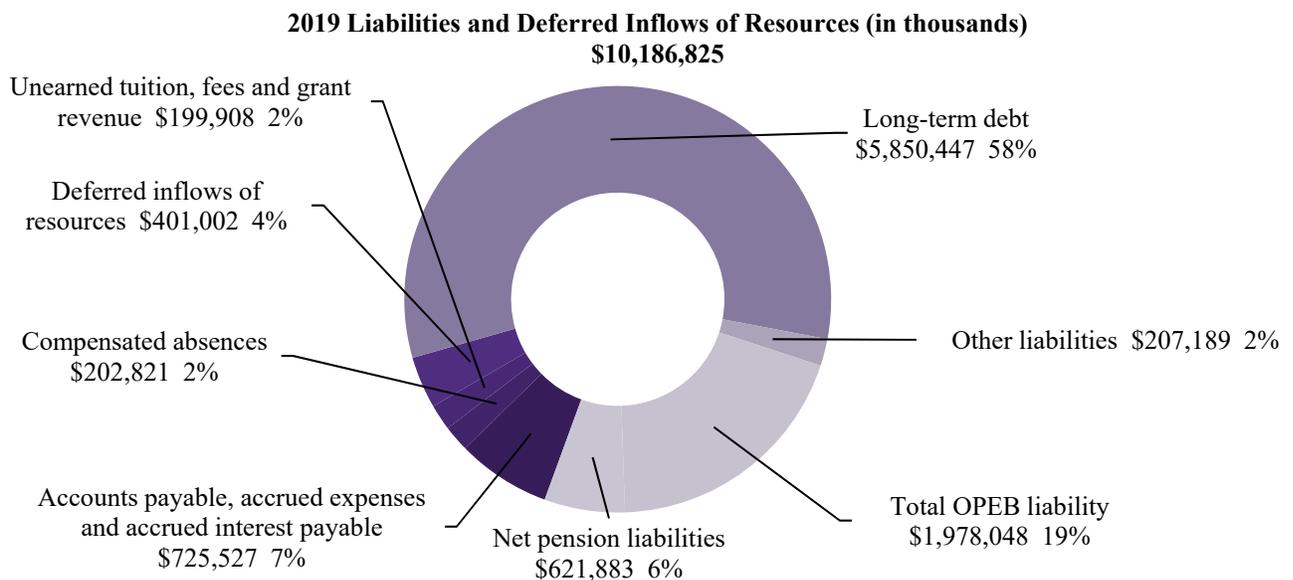
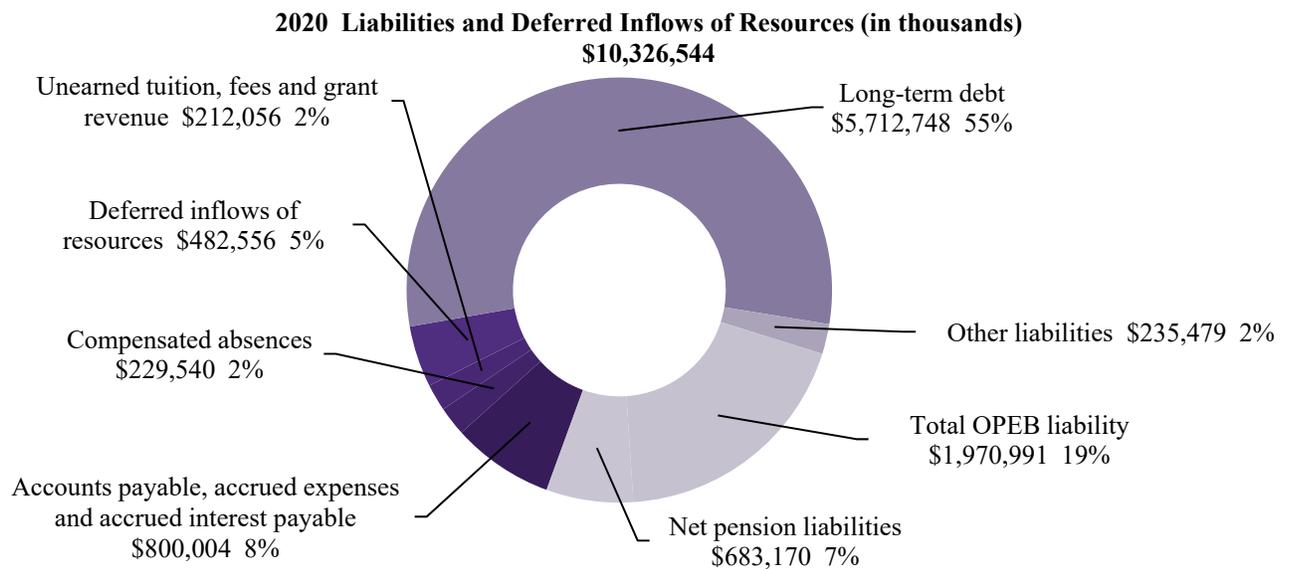
**Deferred outflows on debt refunding** increased by \$64.2 million between June 30, 2019 and June 30, 2020. In fiscal 2020 there was an increase in bond refundings on the University's debt in reaction to market conditions and interest rate fluctuations.

**Deferred outflows of resources – pension related** increased by \$52.0 million between June 30, 2019 and June 30, 2020 primarily due to changes in actual versus expected activity by pensioners and projected versus actual investment earnings on pension assets.

**THE CITY UNIVERSITY OF NEW YORK**  
 Management's Discussion and Analysis  
 June 30, 2020

**Liabilities and Deferred Inflows of Resources**

At June 30, 2020, the University's total liabilities and deferred inflows increased by \$139.7 million, or 1.4%, from June 30, 2019. The variance was mostly attributable to a \$81.6 million increase in deferred inflows of resources, a \$74.5 million increase in accounts payable and accrued expenses, and a \$61.3 million increase in net pension liability. This is partially offset by a \$137.7 million decrease in long-term debt.



## THE CITY UNIVERSITY OF NEW YORK

### Management's Discussion and Analysis

June 30, 2020

The most significant fluctuations are discussed below:

**Deferred inflows of resources** increased by \$81.6 million. This variance was primarily due to an increase in Other Post-Employment Benefits (OPEB)-related deferred inflows of \$137.1 million which is driven by changes in assumptions related to health care savings initiatives, repeal of the Cadillac tax act and the change in discount rate. This was offset by a decrease in deferred inflows related to pension of \$55.5 million which is primarily attributable to differences between projected and actual earnings on plan investments as well as changes in assumptions.

**Accounts payable and accrued expenses** increased by \$7.5 million between fiscal years 2019 and 2020 primarily due to timing of payments.

**Net pension liability** increased \$61.3 million between fiscal years 2019 and 2020 mainly due to the increase in the University's proportionate share of the net pension liability.

**Long term debt** decreased by \$137.7 million and is mostly attributable to \$566.7 million in debt retirement which was offset by \$432.6 million in new debt issued through DASNY.

**THE CITY UNIVERSITY OF NEW YORK**  
Management's Discussion and Analysis  
June 30, 2020

**The University's Results of Operations**

*Statement of Revenues, Expenses, and Changes in Net Position*

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's results of operations, as well as nonoperating activities. In accordance with GASB requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the University are required to be recorded as nonoperating revenues, including state educational appropriations, federal nonoperating grant revenues, private gifts, and investment income. A summarized comparison of the results for the years ended June 30 including operating and nonoperating components are presented below:

	2020 <u>(in thousands)</u>	2019 <u>(in thousands)</u>
Revenues:		
Total operating revenues	\$ 1,752,261	\$ 1,772,588
Total nonoperating and other revenues	<u>3,491,878</u>	<u>3,438,368</u>
Total revenues	<u>5,244,139</u>	<u>5,210,956</u>
Expenses:		
Total operating expenses	5,258,645	5,045,661
Total nonoperating expenses	<u>211,519</u>	<u>267,532</u>
Total expenses	<u>5,470,164</u>	<u>5,313,193</u>
Decrease in net position	<u>(226,025)</u>	<u>(102,237)</u>
Net deficit at beginning of year	<u>(926,052)</u>	<u>(823,815)</u>
Net deficit at end of year	<u>\$ (1,152,077)</u>	<u>\$ (926,052)</u>

**THE CITY UNIVERSITY OF NEW YORK**

Management's Discussion and Analysis

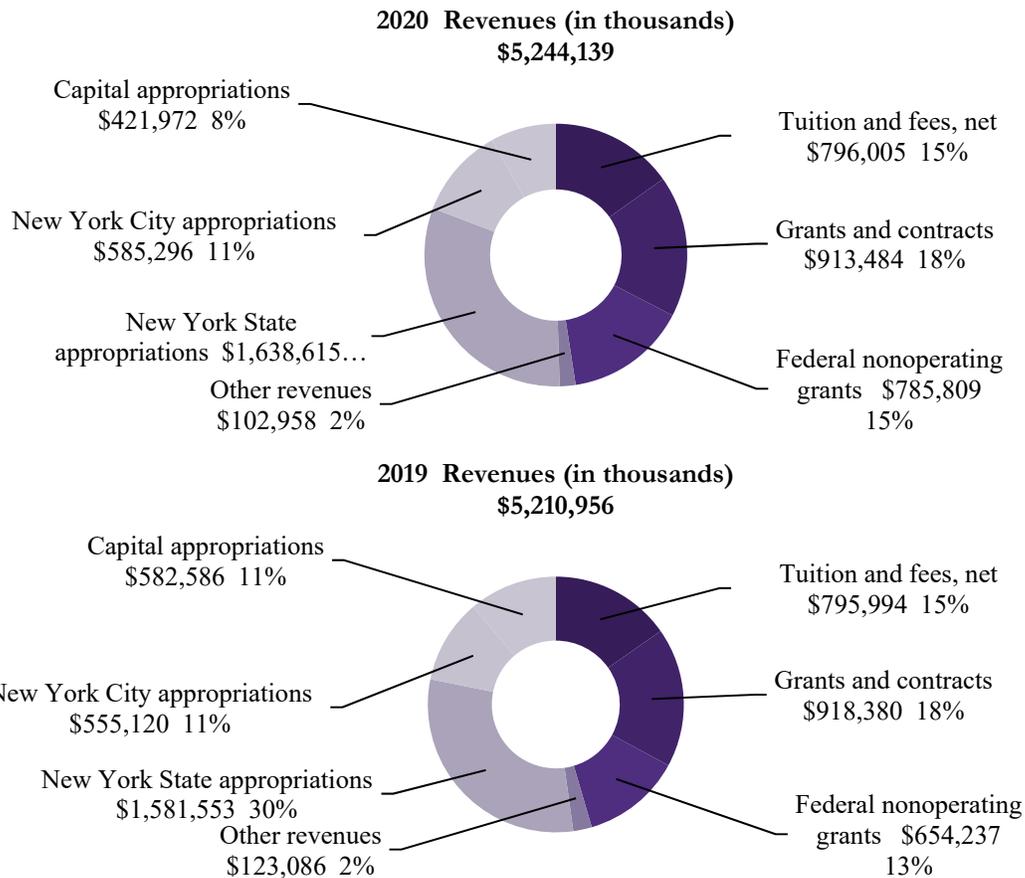
June 30, 2020

*Revenues*

The University's revenues for the years ended June 30 are presented below:

	<u>2020</u>	<u>2019</u>
	(in thousands)	(in thousands)
Revenues:		
Operating revenues:		
Tuition and fees, net	\$ 796,005	\$ 795,994
Grants and contracts	913,484	918,380
Auxiliary enterprises	5,321	6,946
Other operating revenues	37,451	51,268
	<u>1,752,261</u>	<u>1,772,588</u>
Total operating revenues		
Nonoperating and other revenues:		
New York State appropriations	1,638,615	1,581,553
New York City appropriations	585,296	555,120
Capital appropriations	421,972	582,586
Federal nonoperating grants	785,809	654,237
Gifts and grants	5,694	4,481
Net appreciation in fair value of investments	8,062	27,581
Investment income, net	27,173	10,383
Other nonoperating revenues, net	16,412	20,561
Transfer from Foundations	2,845	1,866
	<u>3,491,878</u>	<u>3,438,368</u>
Total nonoperating and other revenues		
Total revenues	<u>\$ 5,244,139</u>	<u>\$ 5,210,956</u>

**THE CITY UNIVERSITY OF NEW YORK**  
 Management's Discussion and Analysis  
 June 30, 2020



The University's total revenues were \$5.2 billion for the year ended June 30, 2020 which represents a decrease of \$33.2 million, or 0.6%. The variance was primarily attributed to a decrease in capital appropriations of \$160.6 million. This decrease was partially offset by an increase in federal nonoperating grants of \$131.6 million, and New York State appropriations of \$57.1 million.

**Capital appropriations** decreased by \$160.6 million primarily due to a decrease in required debt service during fiscal year 2020.

**Federal nonoperating grants** increased \$131.6 million primarily due to the University being a recipient of grant aid under the Higher Education Emergency Relief Fund of the Coronavirus Aid Relief and Economic Security Act ("CARES Act"). As of June 30, 2020 the University distributed \$107.4 million directly to students to assist them in covering expenses related to the disruption of their educational pursuits due to coronavirus as well as \$28.8 million in reimbursement to offset costs incurred with the significant change in delivery of instruction due to the coronavirus.

**New York state appropriations** increased by \$57.1 million primarily due to the State of New York providing funding for the University's fringe benefit cost increases.

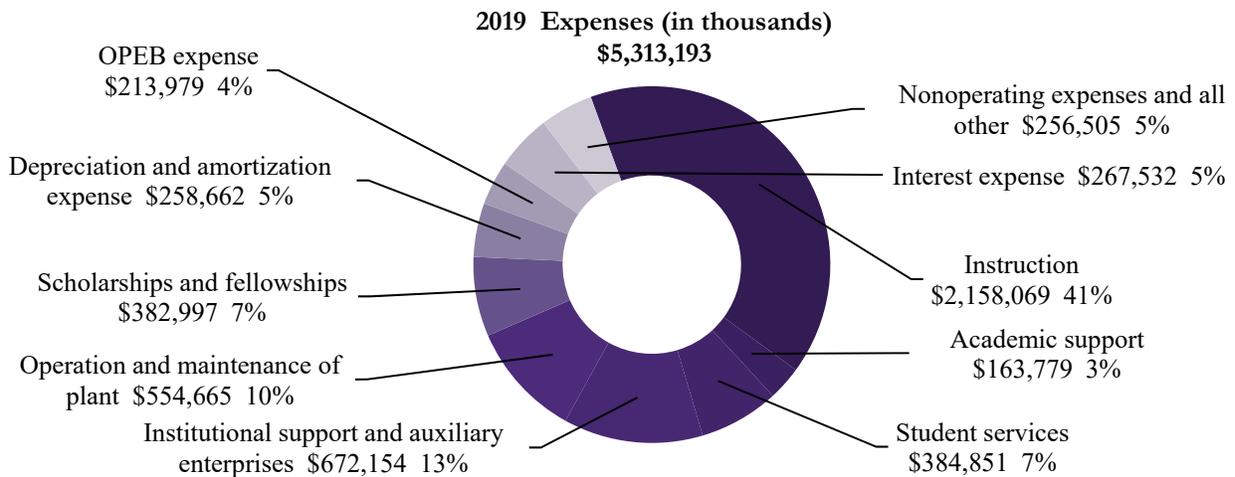
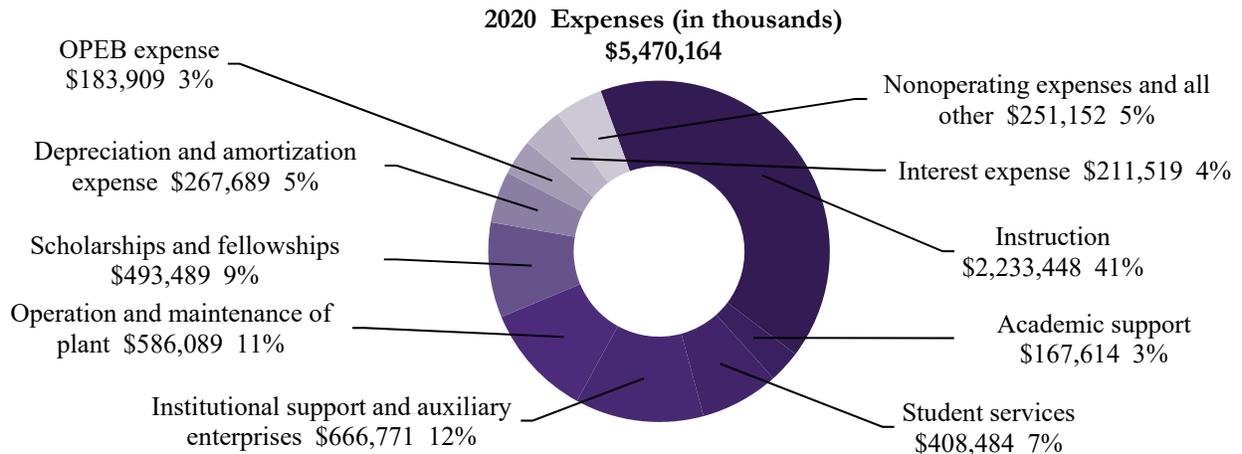
**THE CITY UNIVERSITY OF NEW YORK**  
Management's Discussion and Analysis  
June 30, 2020

*Expenses*

The University's expenses for the years ended June 30 are presented below:

	<b>2020</b>	<b>2019</b>
	(in thousands)	(in thousands)
Expenses:		
Operating expenses:		
Instruction	\$ 2,233,448	\$ 2,158,069
Research	168,174	177,551
Public service	82,978	78,954
Academic support	167,614	163,779
Student services	408,484	384,851
Institutional support and auxiliary enterprises	666,771	672,154
Operating and maintenance of plant	586,089	554,665
Scholarship and fellowships	493,489	382,997
Depreciation and amortization expense	267,689	258,662
OPEB expense	183,909	213,979
Total operating expenses	5,258,645	5,045,661
Nonoperating expenses:		
Interest expense	211,519	267,532
Total nonoperating expenses	211,519	267,532
Total expenses	\$ 5,470,164	\$ 5,313,193

**THE CITY UNIVERSITY OF NEW YORK**  
 Management's Discussion and Analysis  
 June 30, 2020



Total expenses for the period ended June 30, 2020 were \$5.5 billion, which reflected an increase of \$157.0 million, or 3.0%. This variance was primarily attributable to an increase in Instruction and Scholarship and Fellowship expenses.

During the 2020 fiscal year, instructional expenses increased by \$75.4 million mostly due to an increase of \$68.9 million in personnel service costs. In fiscal year 2020, the University finalized collective bargaining agreements which provided retroactive increases for certain union members, including faculty.

Scholarship and fellowship expenses increased by \$110.5 million, primarily due to CARES grants provided directly to students to assist them in covering expenses related to the disruption of their educational pursuits due to coronavirus.

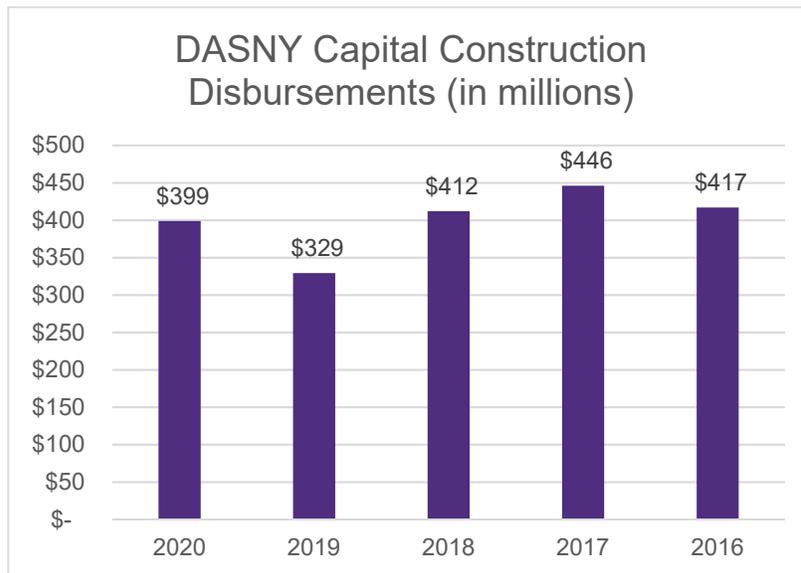
**THE CITY UNIVERSITY OF NEW YORK**  
Management's Discussion and Analysis  
June 30, 2020

*Capital Assets*

At June 30, 2020, the University had \$6.2 billion in capital assets which is net of accumulated depreciation of \$5.1 billion. Annual depreciation expense totaled \$267.2 million for the year ended June 30, 2020.

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

The following depicts disbursements made by DASNY for the University's capital construction projects since 2016:



Capital construction disbursements increased from prior year by \$69.5 million. Funding for capital construction and rehabilitation of educational facilities is provided principally through the issuance of bonds authorized by CUCF and funded through DASNY. Some rehabilitation projects are also funded through City of New York and State of New York appropriations.

## THE CITY UNIVERSITY OF NEW YORK

### Management's Discussion and Analysis

June 30, 2020

#### *Economic Factors That Will Affect the Future*

CUNY continues to navigate the uncertainty that the coronavirus pandemic has caused in New York City and New York State as well as higher education in general. CUNY conducted its summer 2020 semester via distance learning as well as most of fall 2020 and spring 2021 classes are being administered through distance learning. CUNY's expenses have shifted in order to respond to the coronavirus pandemic to support distance learning and the health and safety of our students, faculty and staff. Certain costs of transitioning to the distance learning modality were and continue to be covered by grants provided to the University under the Higher Education Emergency Relief Fund of the Coronavirus Aid Relief and Economic Security Act ("CARES Act").

#### *Public Support and Fiscal Year 2021 Fiscal Condition*

A crucial element to the University's future continues to be a strong relationship with the State of New York and the City of New York. New York State appropriations remain the largest single source of revenues to the University. For fiscal year 2020, State operating appropriations totaled \$1.6 billion, while the City provided over \$513.0 million.

The current enacted State Operating Budget for fiscal year 2021 added \$60.5 million for senior colleges, a 1.5% increase. This increase includes the State providing for additional fringe benefit expenses (\$50.7 million) offset by an overall baselined decrease in State support (\$26.2 million) that was announced in January 2021. Included in the State's budget agreement is authorization to increase tuition rates by \$200. The University has not yet acted on that authorization. Although the State base aid rate per community college student remains the same as the prior year, overall State funding for community colleges is projected to decrease by \$7.4 million due to enrollment losses.

The current enacted City Budget for fiscal year 2021 called for \$4.7 million in additional funding for community colleges. The budget includes funding of \$13.5 million for collective bargaining increases, \$11.5 million towards fringe benefits, \$5.0 million for building rentals and energy increases, and a reduction of \$25.3 million in general operating funding above prior year savings targets. In fiscal year 2020, the City savings target for CUNY was \$21.0 million, thus the cumulative reduction in fiscal year 2021 is \$46.3 million.

On the capital side, the University received \$728.9 million in new capital appropriations for fiscal year 2021, \$685.0 million from New York State of which \$300.0 million is a matching program which requires CUNY provide \$100.0 million in non-State funds to access the State's \$200.0 million; and \$43.9 million from the City of New York.

The University has taken several actions to manage its finances and support its students, faculty and staff through the financial challenges brought on by the pandemic. In April 2020, the University implemented a hiring and spending freeze, and created a University-wide Vacancy Review Board to maintain vacant positions and consolidate the responsibilities of existing positions. The University has also reduced costs through the consolidation of campus space; reduced the headcount and hours of the part-time workforce; eliminated travel, and enhanced energy savings as a result of the transition to distance learning. The increase in Summer Session enrollment generated additional revenue that has helped defray costs incurred as a result of the public health crisis.

## THE CITY UNIVERSITY OF NEW YORK

### Management's Discussion and Analysis

June 30, 2020

#### *Tuition and Enrollment*

The City University of New York is the largest public urban university in the nation, with preliminary headcount enrollment of 257,530 for Fall 2020 (fiscal year 2021) representing a 5.1% decrease from Fall 2019. This decline was offset by a record enrollment increase for Summer 2020 term (fiscal year 2021) of 90,124, representing a 15.5% increase from Summer 2019. For Fall 2020, undergraduate enrollment at the senior colleges was stable, graduate-degree programs are experiencing an increase, and community college enrollment has declined from Fall 2019 levels. The University's student population is directly influenced by New York City demographics, as the majority of students attending CUNY are New York City residents. CUNY is closely monitoring the enrollment outlook in light of the coronavirus pandemic which has had a direct impact on the University.

#### *Risks*

The City University of New York is influenced by many factors that are difficult to predict, and that involve uncertainties that may materially affect actual operating results, cash flows, and financial conditions.

In higher education, risk drivers include fierce competition for faculty, students, staff, and financial resources; pressure for increased productivity, responsiveness, and accountability, while reducing costs; increased scrutiny from government, the public, and governing boards; and technological innovation which continues to transform education delivery systems.

Several other factors are also relevant to the University's financial health. These include changes in the number of full-time faculty, student retention, graduation rates, building conditions, and campus safety.

**THE CITY UNIVERSITY OF NEW YORK**

Statement of Net Position

June 30, 2020

(In thousands)

	<b>Business-type activities University</b>	<b>Discretely presented component units Supporting organizations</b>	<b>Total</b>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents (note 3)	\$ 839,899	111,182	951,081
Short-term investments (note 3)	76,462	100,040	176,502
Restricted deposits held by bond trustees (note 8)	163,911	1	163,912
Restricted amounts held by the Dormitory Authority of the State of New York (note 8)	107,650	—	107,650
Receivables, net (note 4)	781,421	45,400	826,821
Prepaid expenses and other current assets	18,379	47,599	65,978
<b>Total current assets</b>	<b>1,987,722</b>	<b>304,222</b>	<b>2,291,944</b>
<b>Noncurrent assets:</b>			
Restricted cash (note 3)	12,625	—	12,625
Long-term investments, unrestricted (note 3)	144,191	66,299	210,490
Long-term investments, restricted (note 3)	204,957	777,924	982,881
Restricted deposits held by bond trustees (note 8)	78,239	6,532	84,771
Long-term receivables, net (note 4)	7,083	28,231	35,314
Capital assets, net (note 5)	6,199,376	153,034	6,352,410
OPEB assets (note 10)	3,066	—	3,066
Other noncurrent assets	10,700	502	11,202
<b>Total noncurrent assets</b>	<b>6,660,237</b>	<b>1,032,522</b>	<b>7,692,759</b>
<b>Total assets</b>	<b>8,647,959</b>	<b>1,336,744</b>	<b>9,984,703</b>
<b>Deferred outflows of resources:</b>			
OPEB related (note 10)	338,037	—	338,037
Pension related (note 9)	55,066	—	55,066
Interest rate swap agreements (note 7)	58,386	—	58,386
Deferred amount on debt refundings	75,019	4,005	79,024
<b>Total deferred outflows of resources</b>	<b>526,508</b>	<b>4,005</b>	<b>530,513</b>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses (note 6)	709,828	17,896	727,724
Compensated absences (note 7)	142,233	412	142,645
Unearned tuition and fees revenue	81,436	3,354	84,790
Accrued interest payable	90,176	1,216	91,392
Current portion of long-term debt (note 7)	296,086	10,052	306,138
Unearned grant revenue	130,620	1,004	131,624
Other current liabilities	59,004	13,223	72,227
Deposits held in custody for others	34,028	2,351	36,379
<b>Total current liabilities</b>	<b>1,543,411</b>	<b>49,508</b>	<b>1,592,919</b>
<b>Noncurrent liabilities:</b>			
Compensated absences (note 7)	87,307	—	87,307
Total OPEB liability (note 10)	1,970,991	—	1,970,991
Long-term debt (note 7)	5,416,662	140,222	5,556,884
Federal refundable loans (note 7)	4,744	—	4,744
Net pension liabilities (note 9)	683,170	—	683,170
Interest rate swap agreements (note 7)	58,386	—	58,386
Other noncurrent liabilities	79,317	739	80,056
<b>Total noncurrent liabilities</b>	<b>8,300,577</b>	<b>140,961</b>	<b>8,441,538</b>
<b>Total liabilities</b>	<b>9,843,988</b>	<b>190,469</b>	<b>10,034,457</b>
<b>Deferred inflows of resources:</b>			
OPEB related (note 10)	306,050	—	306,050
Pension related (note 9)	176,506	—	176,506
<b>Total deferred inflows of resources</b>	<b>482,556</b>	<b>—</b>	<b>482,556</b>
<b>Net (deficit) position:</b>			
Net investment in capital assets	719,003	2,021	721,024
<b>Restricted:</b>			
Nonexpendable	67,190	492,760	559,950
<b>Expendable:</b>			
Debt service	77,219	—	77,219
Scholarships and general educational support	141,197	312,505	453,702
Loans	7,245	15	7,260
Other	104,856	131,928	236,784
Unrestricted	(2,268,787)	211,051	(2,057,736)
<b>Total net (deficit) position</b>	<b>\$ (1,152,077)</b>	<b>1,150,280</b>	<b>(1,797)</b>

**THE CITY UNIVERSITY OF NEW YORK**  
Statement of Revenues, Expenses, and Changes in Net Position  
For the year ended June 30, 2020  
(In thousands)

	<u>Business-type activities University</u>	<u>Discretely presented component units Supporting organizations</u>	<u>Eliminations</u>	<u>Total</u>
<b>Revenues:</b>				
Operating revenues:				
Tuition and fees (net of scholarship allowance of \$999,687) \$	796,005	29,799	(191)	825,613
Grants and contracts:				
Federal	140,505	3,552	(841)	143,216
New York State	400,773	3,291	(11)	404,053
New York City	212,663	3,936	(192)	216,407
Private	159,543	799	(5,427)	154,915
Total grants and contracts	913,484	11,578	(6,471)	918,591
Sales and services of auxiliary enterprises	5,321	29,212	—	34,533
Other operating revenues	37,451	77,858	(40,636)	74,673
Total operating revenues	1,752,261	148,447	(47,298)	1,853,410
<b>Expenses:</b>				
Operating expenses:				
Instruction	2,233,448	1,140	—	2,234,588
Research	168,174	—	—	168,174
Public service	82,978	1,220	(59)	84,139
Academic support	167,614	68,309	(2,539)	233,384
Student services	408,484	40,843	(14,860)	434,467
Institutional support	665,684	38,393	(14,581)	689,496
Operation and maintenance of plant	586,089	35	—	586,124
Scholarships and fellowships	493,489	29,952	—	523,441
Auxiliary enterprises	1,087	64,529	(15,288)	50,328
Depreciation and amortization expense	267,689	4,992	—	272,681
OPEB expense	183,909	—	—	183,909
Total operating expenses	5,258,645	249,413	(47,327)	5,460,731
Operating loss	(3,506,384)	(100,966)	29	(3,607,321)
<b>Nonoperating revenues (expenses):</b>				
Government appropriations/transfers:				
New York State	1,638,615	—	—	1,638,615
New York City	585,296	—	—	585,296
Federal financial aid	785,809	—	—	785,809
Gifts and grants	5,694	73,360	(30)	79,024
Investment income, net	27,173	19,096	—	46,269
Interest expense	(211,519)	(5,757)	—	(217,276)
Net appreciation (depreciation) in fair value of investments	8,062	(1,151)	—	6,911
Other nonoperating revenues (expenses), net	16,412	10,938	—	27,350
Total nonoperating revenues, net	2,855,542	96,486	(30)	2,951,998
Loss before other revenues	(650,842)	(4,480)	(1)	(655,323)
Capital appropriations	421,972	—	—	421,972
Additions to permanent endowments	—	11,540	—	11,540
Transfer to University (from Foundation)	2,845	(2,845)	—	—
Total other revenues	424,817	8,695	—	433,512
Change in net deficit	(226,025)	4,215	—	(221,810)
Net (deficit) position, beginning of year	(926,052)	1,146,065	—	220,013
Net (deficit) position, end of year	\$ (1,152,077)	1,150,280	—	(1,797)

See accompanying notes to financial statements.

**THE CITY UNIVERSITY OF NEW YORK**

Statement of Cash Flows

For the year ended June 30, 2020

(In thousands)

**Business-type  
activities**

**University**

Cash flows from operating activities:	
Collection of tuition and fees	\$ 752,325
Collection of grants and contracts	907,319
Sales and services of auxiliary enterprises	5,321
Collection of other operating revenues	35,203
Payments to suppliers	(145,386)
Payments for utilities	(94,808)
Payments to employees	(2,763,106)
Payments for benefits	(865,741)
Payments for pensions	(365,070)
Payments for scholarships and fellowships	(493,489)
Payments for OPEB	(48,203)
	<hr/>
Net cash flows used by operating activities	(3,075,635)
	<hr/>
Cash flows from noncapital financing activities:	
New York State and New York City appropriations/transfers	2,175,582
Federal financial aid	780,995
Gifts and grants for other than capital purposes	5,694
Increase in deposits held in custody for others	336
Collections on federal loan funds and related	1,807
Collections from third parties	18,832
	<hr/>
Net cash flows provided by noncapital financing activities	2,983,246
	<hr/>
Cash flows from capital and related financing activities:	
Proceeds from capital debt	432,637
Capital appropriations	421,972
Purchases of capital assets	(289,967)
Principal paid on capital debt	(203,833)
Principal amount refunded	(336,882)
Interest paid on capital debt	(304,354)
Amounts paid for bond issuance costs	(5,604)
Decrease in restricted deposits held by bond trustees	423,904
Decrease in restricted amounts held by the Dormitory Authority of the State of New York	16,270
Transfer to University (from Foundations)	2,845
	<hr/>
Net cash flows provided by capital and related financing activities	156,988
	<hr/>
Cash flows from investing activities:	
Investment income	27,173
Proceeds from sales and maturities of investments	467,896
Purchases of investments	(474,775)
Change in restricted cash	4,573
	<hr/>
Net cash flows provided by investing activities	24,867
	<hr/>
Increase in cash and cash equivalents	89,466
	<hr/>
Cash and cash equivalents at beginning of year	750,433
	<hr/>
Cash and cash equivalents at end of year	\$ 839,899
	<hr/> <hr/>

**THE CITY UNIVERSITY OF NEW YORK**  
Statement of Cash Flows  
For the year ended June 30, 2020  
(In thousands)

	<b>Business-type activities</b>
	<b>University</b>
Reconciliation of operating loss to net cash flows used by operating activities:	
Operating loss	\$ (3,506,384)
Adjustments to reconcile operating loss to net cash flows used by operating activities:	
Depreciation and amortization expense	267,689
Bad debt expense	44,407
Change in operating assets and liabilities:	
Receivables	(109,424)
Prepaid expenses and other assets	(83)
Accounts payable and accrued expenses	74,296
Unearned tuition and fees revenue	4,781
Compensated absences	26,719
Total OPEB liability	137,560
Net pension liabilities	(46,234)
Unearned grant revenue	8,143
Other liabilities	22,895
Net cash flows used by operating activities	\$ (3,075,635)
Noncash transactions:	
Net appreciation in fair value of investments	\$ 8,062
Change in accounts payable attributable to capital assets	9,031

See accompanying notes to financial statements.

# THE CITY UNIVERSITY OF NEW YORK

Notes to Financial Statements

June 30, 2020

## (1) Organization and Reporting Entity

The City University of New York (the University or CUNY) is a public urban university located in the City of New York and founded in 1847 as the Free Academy. On April 11, 1961, Governor Nelson A. Rockefeller signed the legislation to formally establish CUNY, uniting seven public urban colleges into a formally integrated system. The following colleges comprise the University:

### Senior Colleges

Bernard M. Baruch College

Brooklyn College

The City College

The College of Staten Island

Hunter College

John Jay College of Criminal Justice

Herbert H. Lehman College

Medgar Evers College

New York City College of Technology

Queens College

York College

### Graduate and Professional Schools

The Graduate School and University Center

CUNY School of Law

Craig Newmark Graduate School of Journalism

The CUNY School of Professional Studies

The CUNY Graduate School of Public Health and Health Policy

The CUNY School of Labor and Urban Studies

### Other Schools

The William E. Macaulay Honors College

### Community Colleges

Borough of Manhattan Community College

Bronx Community College

Eugenio María de Hostos Community College

Kingsborough Community College

Fiorello H. LaGuardia Community College

Queensborough Community College

Stella and Charles Guttman Community College

## THE CITY UNIVERSITY OF NEW YORK

### Notes to Financial Statements

June 30, 2020

In addition to the colleges and schools listed above, two related organizations, the Research Foundation of The City University of New York (RF-CUNY) and its subsidiary, 230 West 41<sup>st</sup> Street LLC, and the City University Construction Fund (CUCF), are included in the University's Business-Type Activities as blended component units. The key elements for inclusion in the reporting entity as blended component units are based primarily on fiscal dependency and a relationship of financial benefit/burden. The University may also be financially accountable for governmental organizations that are fiscally dependent on it.

The State of New York presents the Senior Colleges and Graduate and Professional Schools, which includes RF-CUNY and a portion of CUCF, as part of the primary government of the State of New York, in its Comprehensive Annual Financial Report. In addition, the Community Colleges are reported as part of the primary government of the City of New York in those annual financial statements.

Separate legal entities meeting the criteria for inclusion as blended component units of the Business-Type Activities are further described below:

#### **(a) RF-CUNY**

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

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

The University has a financial benefit/burden relationship with RF-CUNY, which is fiscally dependent on the University.

#### **(b) CUCF**

CUCF is a public benefit corporation, which has the authority to design, construct, reconstruct, and rehabilitate facilities of the University pursuant to an approved master plan. CUCF carries out operations which are integrally related and for the exclusive benefit of the University. The University has a financial benefit/burden relationship with CUCF, which is fiscally dependent on the University.

## THE CITY UNIVERSITY OF NEW YORK

### Notes to Financial Statements

June 30, 2020

#### **(c) Discretely Presented Component Units**

The majority of the University's colleges maintain auxiliary service corporations, student association organizations and child care centers. These entities are typically legally separate, nonprofit corporations, which operate, manage and promote educationally related services for the benefit of the campus community. Almost all of the University's colleges also maintain foundations, which are legally separate, nonprofit, affiliated organizations that receive and hold economic resources that are significant to, and that are entirely for the benefit of the colleges, and are required to be included in the reporting entity using discrete presentation requirements. As a result, the combined totals of the campus related auxiliary services corporations, student association organizations, child care centers and foundations are separately presented as discretely presented component units in the University's financial statements in accordance with presentation requirements prescribed by Governmental Accounting Standards Board (GASB). All of the discretely presented component units (which are collectively called Supporting Organizations) listed below have a June 30th year-end.

Separate financial statements are issued for each of these organizations and may be obtained from the individual colleges or The City University of New York, Office of the University Controller, 230 West 41st Street, 5th floor, New York, New York 10036.

#### *Foundations*

##### Senior College and Graduate and Professional Schools Foundations:

- The Baruch College Fund
- The Brooklyn College Foundation, Inc.
- The City College 21st Century Foundation, Inc.
- The City College Fund
- The City University School of Law Foundation, Inc.
- The College of Staten Island Foundation, Inc.
- CUNY Graduate School of Journalism Foundation, Inc.
- CUNY TV Foundation
- Friends of the John D. Calandra Italian American Institute Foundation
- The Graduate Center Foundation, Inc.
- The Hunter College Foundation, Inc.
- John Jay College Foundation, Inc.
- Herbert H. Lehman College Foundation, Inc.
- Macaulay Honors College Foundation
- Medgar Evers Educational Foundation, Inc.
- New York City College of Technology Foundation, Inc.
- Queens College Foundation, Inc.

## THE CITY UNIVERSITY OF NEW YORK

### Notes to Financial Statements

June 30, 2020

- School of Professional Studies Foundation, Inc.
- York College Foundation
- CUNY Graduate School of Public Health and Health Policy Foundation
- CUNY School of Labor and Urban Studies Foundation

#### Community College Foundations:

- Borough of Manhattan Community College Foundation, Inc.
- Bronx Community College Foundation, Inc.
- Eugenio María de Hostos Community College Foundation
- Kingsborough Community College Foundation, Inc.
- Fiorello H. LaGuardia Community College Foundation, Inc.
- Queensborough Community College Fund, Inc.
- Stella and Charles Guttman Community College Foundation, Inc.

#### *Auxiliary Enterprise Corporations*

##### Senior College Auxiliary Corporations:

- Bernard M. Baruch College Auxiliary Enterprises Corporation
- Brooklyn College Auxiliary Enterprise Corporation
- The City College Auxiliary Enterprises Corporation
- Auxiliary Enterprises of the City University of New York – Graduate School and University Fiduciary Accounts
- Hunter College Auxiliary Enterprises Corporation
- John Jay College of Criminal Justice Auxiliary Services Corporation, Inc.
- CUNY School of Law Justice & Auxiliary Services Corporation
- Herbert H. Lehman College Auxiliary Enterprises Corporation, Inc.
- Medgar Evers College Auxiliary Enterprises Corporation
- Auxiliary Enterprise Board of New York City College of Technology, Inc.
- Queens College Auxiliary Enterprises Association
- The College of Staten Island Auxiliary Services Corporation, Inc. and Subsidiary
- York College Auxiliary Enterprises Corporation

## THE CITY UNIVERSITY OF NEW YORK

### Notes to Financial Statements

June 30, 2020

#### Community College Auxiliary Corporations:

- Borough of Manhattan Community College Auxiliary Enterprise Corporation
- Bronx Community College Auxiliary Enterprises Corporation
- Eugenio Maria De Hostos Community College Auxiliary Enterprises Corporation
- Kingsborough Community College Auxiliary Enterprises Corporation
- Fiorello H. LaGuardia Community College Auxiliary Enterprises Corporation
- Queensborough Community College Auxiliary Enterprise Association, Inc.
- Stella and Charles Guttman Community College Auxiliary Enterprise Corporation

#### *Student Association Organizations*

##### Senior College Association Organizations:

- Bernard M. Baruch College Association, Inc.
- Brooklyn College Student Services Corporation
- Brooklyn College Association, Inc.
- College of Staten Island Association, Inc.
- The City College Student Services Corporation
- John Jay College of Criminal Justice Student Activities Association, Inc.
- Herbert H. Lehman College Association for Campus Activities, Inc.
- Medgar Evers College Student Faculty Association, Inc.
- College Association of the New York City College of Technology, Inc.
- Queens College Association
- Queens College Student Services Corporation
- Queens College Special Projects Fund
- Q Student Residences, LLC
- York College Association, Inc.

##### Community College Association Organizations:

- Borough of Manhattan Community College Association, Inc.
- Bronx Community College Association, Inc.
- Eugenio Maria De Hostos Community College Association, Inc.
- Kingsborough Community College Association, Inc.
- Fiorello H. LaGuardia Community College Association, Inc.
- Queensborough Community College Student Activity Association
- Stella and Charles Guttman Community College Association, Inc.

## THE CITY UNIVERSITY OF NEW YORK

### Notes to Financial Statements

June 30, 2020

#### *Child Care Centers*

##### Senior College Child Care Centers:

- Baruch College Early Learning Center, Inc.
- GSUC Child Development and Learning Center, Inc.
- The Children's Learning Center at Hunter College, Inc.
- Children's Center of John Jay College of Criminal Justice, Inc.
- The Lehman College Student Child Care Center, Inc.
- Ella Baker/Charles Romain Child Development Center of Medgar Evers College
- Child Development Center at Queens College, Inc.
- York College Child and Family Center, Inc.

##### Community College Child Care Centers:

- Borough of Manhattan Community College Early Childhood Center, Inc.
- Hostos Community College Children's Center, Inc.
- Fiorello H. LaGuardia Community College Early Childhood Learning Center Programs, Inc.

#### *Other Component Units*

##### Senior College Other Component Units:

- City College Research Foundation
- The City College Center for the Arts, Inc.
- Lehman College Art Gallery, Inc.
- Lehman College Center for the Performing Arts, Inc.

##### Community College Other Component Units:

- LaGuardia Education Fund, Inc.

The above organizations are discretely presented to allow the financial statement users to distinguish between the University and the supporting organizations. None of the supporting organizations are considered individually significant compared to the University and the aggregate discretely presented component units. All significant inter-entity transactions have been eliminated.

## **(2) Summary of Significant Accounting Policies**

### ***(a) Measurement Focus and Basis of Accounting***

For financial reporting purposes, the University is considered a special-purpose government engaged in business-type activities. Accordingly, the University's basic financial statements have been prepared

## THE CITY UNIVERSITY OF NEW YORK

### Notes to Financial Statements

June 30, 2020

using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP), as promulgated by GASB. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized when incurred, if measurable.

#### **(b) Use of Estimates**

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

#### **(c) Cash Equivalents**

Cash equivalents are composed of highly liquid assets such as money market funds, and certificate of deposits with original maturities of 90 days or less.

#### **(d) Investments and Restricted Deposits Held by Bond Trustees**

Debt and equity securities, investments held as restricted deposits held by bond trustees and certain other investments with readily determinable fair values are reported at fair value, which is based upon values provided by the University's custodian or current market quotations and assessed by the University for reasonableness, in the accompanying statement of net position. Nonmarketable investments such as hedge funds or other investment funds are carried at estimated fair value based on the net asset values reported by the fund managers. All investment income, including changes in the fair value of investments, is recognized as gain (loss) in the accompanying statement of revenues, expenses, and changes in net position.

In September 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA). The University has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of the donor restricted nonexpendable endowments as is prudent for the uses, benefits, purposes, and duration for which the nonexpendable endowment funds are established.

#### **(e) Noncurrent Assets**

Noncurrent assets include: (1) assets or resources commonly identified as those that are expected to be realized in cash or sold or consumed beyond the normal operating cycle (12 months or more); (2) restricted assets (primarily cash and cash equivalents), which should be reported when restrictions on assets change the nature or normal understanding of the availability of the asset; and (3) investments purchased with a long-term objective, which should not be reported as current assets, even though they are within one year of maturity, as the managerial intent is that the resources are not available for current uses or needs. (4) Investments that relate to an endowment or are externally restricted are reported as restricted long-term investments. Cash and investments that are externally restricted to make debt service payments or long-term loans to students, or to purchase capital or other noncurrent assets, are classified as noncurrent assets in the accompanying statement of net position.

#### **(f) Capital Assets**

Land, land improvements, buildings, building improvements, leasehold improvements, software, infrastructure, and infrastructure improvements are stated at cost or appraisal values. Subsequent

## THE CITY UNIVERSITY OF NEW YORK

### Notes to Financial Statements

June 30, 2020

additions are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. Software, equipment, and works of art and historical treasures are recorded at cost at date of acquisition or appraised value at date of donation.

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

#### **(g) Unearned Revenue**

Unearned revenue primarily consists of tuition and fees paid for future terms and payments of grant and contracts that have not yet been earned.

#### **(h) Noncurrent Liabilities**

Noncurrent liabilities include: (1) principal and interest amounts of debt obligations with contractual maturities greater than one year; (2) federal refundable loans; (3) estimated amounts of compensated absences and other liabilities that are not expected to be paid within the next fiscal year; (4) total OPEB liability; (5) net pension liability; and (6) fair value of interest rate swap agreements with contractual periods in excess of one year.

If a derivative's hedge is effective in significantly reducing an identified risk of rising or falling cash flows or fair values, then its fair value changes are deferred on the statement of net position until the hedged transaction occurs or the derivative ceases to be effective.

#### **(i) Net Position**

The University classifies its net position into the following three categories:

##### *Net investment in capital assets*

Net investment in capital assets consists of the University's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in this component of net position. Included in this component are also restricted deposits held by bond trustees and DASNY on the University's behalf.

##### *Restricted*

The restricted component of net position consists of restricted assets reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

## THE CITY UNIVERSITY OF NEW YORK

### Notes to Financial Statements

June 30, 2020

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

Expendable restricted net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

#### *Unrestricted*

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Unrestricted net position represent resources derived primarily from student tuition and fees, State and City appropriations/transfers (appropriations), grants and contracts, and sales and services of auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and used at the discretion of the governing board to meet current expenses for any purpose.

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

#### **(j) Revenue Recognition**

Revenues are recognized in the period earned. Appropriations from New York State and City are recognized as the related expenses are incurred.

New York State and City appropriations remain available provided the expense has been incurred at June 30, 2020 and a liability has been established at September 30, 2020. Accordingly, an appropriation receivable and a corresponding liability for activity that occurs during the period is recorded.

#### **(k) Classification of Revenues**

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

## THE CITY UNIVERSITY OF NEW YORK

### Notes to Financial Statements

June 30, 2020

#### **(l) Scholarship Allowances**

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

#### **(m) Income Tax Status**

The University is exempt from Federal income taxes on related income pursuant to federal and state tax laws as an instrumentality of both the State of New York and City of New York.

#### **(n) Summary of Significant Accounting Policies Related to Blended Component Units**

##### *Purchase Accounting for Acquisition of Real Estate*

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

#### **(o) Adoption of new accounting standards**

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations (AROs) (GASB 83)*, which will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. GASB 83 is effective for fiscal years beginning after June 15, 2018. The University adopted this statement as of June 30, 2020 and there was not a significant impact on the financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities (GASB 84)*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. GASB 84 was supposed to be effective date for fiscal years beginning after December 15, 2018; GASB Statement No. 95 postponed the effective date by one year. The following statement has not yet been implemented, and the University's evaluation of its impact is ongoing.

In June 2017, the GASB issued Statement No. 87, *Leases (GASB 87)*, which addresses information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 was originally effective for fiscal years beginning after December 15, 2019; GASB Statement No. 95 postponed the effective date of GASB 87 by one year. The following statement has not yet been implemented, and the University's evaluation of its impact is ongoing.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (GASB 88)*. The primary objective of this Statement is to improve

## THE CITY UNIVERSITY OF NEW YORK

### Notes to Financial Statements

June 30, 2020

the information that is disclosed in government financial statements related to debt, including direct borrowings and direct placements. It will also clarify which liabilities government entities should include when disclosing information related to debt. The University adopted this statement as of June 30, 2020 and there was no significant impact on the accompanying financial statements as a result of adopting this statement.

### **(3) Cash, Cash Equivalents, and Investments**

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, establishes disclosure requirements related to the following investment and deposit risks:

#### **(a) Custodial Credit Risk – Deposits**

At June 30, 2020, cash and cash equivalents and restricted cash were held by depositories and amounted to approximately \$858,694, of which \$204,740 was insured and \$653,954 was uninsured and uncollateralized, or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the University's name. The carrying value of such funds amounted to approximately \$852,524 at June 30, 2020.

#### **(b) Investments**

The University invests in various types of investments prudently in order to generate investment income so that it may provide continuous support to University operations.

Investments of the University are held within the University's investments pool (\$361 million), at the Research Foundation of the City University of New York (RF-CUNY) (\$50 million), The City University Construction Fund (\$6 million), and to a lesser extent, locally at the individual colleges.

The Research Foundation maintains a diverse investment portfolio and follows an investment policy and asset guidelines approved and monitored by its board of directors. The portfolio is mainly comprised of US Treasury Bills, US Corporate bonds, mutual funds and exchange-traded funds of high quality and liquidity.

The investments of City University Construction Fund consists of investments in United States Treasury Bills which are collateralized by obligations guaranteed by the United States of America. Investments are made in accordance with the applicable guidance from the New York City Comptroller's Office and are held by the City of New York as custodian in the Construction Fund's name.

The University categorizes assets measured at fair value using valuation hierarchy. The valuation techniques employed are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

**Level 1:** Investments include cash and money market funds, equity and fixed income securities with observable market prices. Fair value is readily determinable based on quoted market prices in active markets for those securities at the measurement date.

## THE CITY UNIVERSITY OF NEW YORK

### Notes to Financial Statements

June 30, 2020

**Level 2:** Investments whose inputs are other than quoted prices in active markets that are observable either directly or indirectly and fair value is determined through the use of models or other valuation methodologies.

**Level 3:** Investments have significant unobservable inputs. The inputs into the determination of fair value are based on the best information available. The University had no level 3 investments in fiscal year 2020.

If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period.

As a practical expedient to estimate the fair value of the University's interests, certain investments in hedge funds, private equity, and limited partnerships are reported at the net asset value (NAV) determined by the fund managers, without adjustment when assessed as reasonable by the University, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. Because these investments are not readily marketable, their estimated fair values may differ from the values that would have been assigned had a ready market for such investment existed, and such differences could be material. The investments measured at NAV are not categorized within the fair value hierarchy. As of June 30, 2020, the University had no plans or intentions to sell such investments at amounts different from NAV.

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

At June 30, 2020, the University's investments were valued as follows (in thousands):

<u>Investment type</u>	<u>Total fair value</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable (Level 2)</u>
Cash and cash equivalents	\$ 61,645	\$ 61,645	\$ —
Certificates of deposits	2,332	—	2,332
Commingled funds:			
Global equity funds	44,405	—	44,405
U.S. money market fund	21,980	21,980	—
Equities			
Global equities	15,287	15,287	—
U.S. equities	28,470	28,470	—
Fixed income	90,329	90,329	—
International bonds	1,789	—	1,789
Mutual funds:			
Equity fund	30,729	30,729	—
Fixed income	24,532	24,532	—
Treasury inflation-protected securities	4,959	4,959	—
U.S. corporate bonds	13,788	—	13,788
U.S. treasury bills	35,757	29,989	5,768
	<u>376,002</u>	<u>307,920</u>	<u>68,082</u>
Investment measured at net asset value (NAV):			
Global equity long/short hedge funds	7,750		
Global macro hedge funds	7,456		
Limited partnerships	19,175		
Multi-strategy funds	7,538		
Systematic trading hedge fund	7,689		
	<u>425,610</u>		
Less short-term investments	<u>76,462</u>		
	349,148		
Long-term investments, unrestricted	<u>144,191</u>		
Long-term investments, restricted	<u>\$ 204,957</u>		

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

The following table presents unfunded commitments, redemption terms, restrictions and notice period for investments that have been valued using NAV as a practical expedient as of June 30, 2020 (\$ in thousands):

<u>Description</u>	<u>Net Asset Value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
Global equity long/short hedge funds	\$ 7,750	\$ —	Monthly	30 days
Global macro hedge funds	7,456	—	Quarterly	90 days
Limited partnerships	19,175	27,005	Illiquid, Monthly	N/A, 90 days
Multi-strategy funds	7,538	—	Quarterly	60 days
Systematic trading hedge fund	7,689	—	Daily	1 day
Investment measured at net asset value	\$ <u>49,608</u>	\$ <u>27,005</u>		

- 1) *Global equity long/short hedge funds* – utilizes over-the-counter (OTC) long dated options as well as short options for investment purposes across several asset classes such as equities, interest rates, commodities, and currencies.
- 2) *Global macro hedge funds* – funds focus to capitalize on macro trends from rapid change/price movement and investments in non-U.S. emerging and frontier markets.
- 3) *Limited partnerships* – private real assets funds, including private limited partnership investments in several funds that are diverse by sector (transportation, energy, metal/mining, commodities, and financial assets) type/structure and geography (North America, Western Europe, Australia).
- 4) *Multi-strategy funds* – Includes funds which invest in a diversified group of investment strategies utilizing both long and short positions in an unlimited range of financial instruments throughout the world.
- 5) *Systematic trading hedge funds* – invests in various security instruments which include futures and foreign exchange contracts.

**(c) Risk Management**

As risk and return are related, the University considers risk along with returns in evaluating each portfolio, asset class or investment manager and shall ensure that risk, in its various forms, is monitored, evaluated and discussed on a regular basis.

- i. Custodial credit risk: The University mitigates this risk by completing an annual review of the custodian bank, their credit rating, and their insurance policies.
- ii. Credit risk:

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

At June 30, 2020, the University's investments in debt securities were rated as follows (in thousands):

<u>Type of debt security</u>	<u>Fair value</u>	<u>S&amp;P credit rating</u>
Fixed income	\$ 6,143	AAA
Fixed income	84,186	AA
Total fixed income securities	<u>90,329</u>	
International bonds	580	A-
International bonds	605	BBB+
International bonds	604	BBB
Total international bonds	<u>1,789</u>	
U.S. corporate bonds	548	AA-
U.S. corporate bonds	557	A+
U.S. corporate bonds	1,101	A-
U.S. corporate bonds	4,714	BBB+
U.S. corporate bonds	6,868	BBB
Total U.S. corporate bonds	<u>13,788</u>	
Treasury inflation-protected securities	<u>4,959</u>	AAA
U.S. Treasury bills	<u>35,757</u>	AA+
Total	<u>\$ 146,622</u>	

The University's Investment Policy for the CUNY Investment Pool includes a target allocation to fixed income, as well as reference to specific guidelines for each investment manager.

- iii. Interest rate risk: The University invests in a diversified portfolio comprised of assets that respond differently to changes in interest rates in order to mitigate market fluctuations.

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

At June 30, 2020, the University's investments in certificates of deposits and fixed income securities had the following maturities (in thousands):

Investment type	Fair value	Less than 1 year	1–5 years	6–10 years	More than 10 years
Certificates of deposits	\$ 2,332	\$ 2,332	\$ —	\$ —	\$ —
Fixed income	90,329	11,699	20,569	22,678	35,383
International bonds	1,789	1,789	—	—	—
Mutual funds - Fixed income	24,532	5,129	2,782	2,856	13,765
Treasury inflation-protected securities	4,959	185	2,168	1,699	907
U.S. corporate bonds	13,788	7,188	6,600	—	—
U.S. Treasury bills	35,757	35,757	—	—	—
	<u>\$ 173,486</u>	<u>\$ 64,079</u>	<u>\$ 32,119</u>	<u>\$ 27,233</u>	<u>\$ 50,055</u>

- iv. Foreign currency risk: The University mitigates this risk by investing in only a limited portion of foreign-currency-denominated assets. The University's exposure to this risk is not significant.

**(4) Receivables, Net**

Receivables consist of the following at June 30, 2020 (in thousands):

Current:

Appropriations receivable	\$ 431,063
Students and financial aid receivable	310,966
Grants and contracts receivable	186,808
Student loans receivable and accrued interest receivable	32,664
Deferred rent receivable	18,669
Other receivables	15,356
Total receivables	<u>995,526</u>
Less allowance for doubtful accounts	<u>(214,105)</u>
Total short-term receivables, net	<u>\$ 781,421</u>

Noncurrent:

Student loans receivable and accrued interest receivable	\$ 7,576
Other receivables	587
Total long-term receivables	8,163
Less allowance for doubtful accounts	<u>(1,080)</u>
Total long-term receivables, net	<u>\$ 7,083</u>

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

**(5) Capital Assets, Net**

Capital assets consist of the following at June 30, 2020 (in thousands):

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>
Buildings	\$ 4,403,394	\$ 7,111	\$ —	\$ 4,410,505
Building improvements	3,230,432	384,905	625	3,614,712
Construction in progress	1,799,601	274,712	401,074	1,673,239
Equipment and software	813,414	26,584	22,271	817,727
Infrastructure and infrastructure improvements	187,649	793	335	188,107
Land	410,897	—	—	410,897
Land improvements	83,234	—	—	83,234
Leasehold improvements	46,636	—	—	46,636
Works of art and historical treasures	18,618	326	103	18,841
Total capital assets	<u>10,993,875</u>	<u>694,431</u>	<u>424,408</u>	<u>11,263,898</u>
Less accumulated depreciation:				
Building	1,966,941	95,031	—	2,061,972
Building improvements	2,061,207	113,804	581	2,174,430
Equipment and software	586,829	45,827	17,941	614,715
Infrastructure and infrastructure improvements	104,066	9,313	20	113,359
Land improvements	76,225	1,592	—	77,817
Leasehold improvements	20,740	1,489	—	22,229
Total accumulated depreciation	<u>4,816,008</u>	<u>267,056</u>	<u>18,542</u>	<u>5,064,522</u>
Total capital assets, net	<u>\$ 6,177,867</u>	<u>\$ 427,375</u>	<u>\$ 405,866</u>	<u>\$ 6,199,376</u>

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

**(6) Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consist of the following at June 30, 2020 (in thousands):

<u>Accounts payable and accrued expenses</u>	<u>Amount</u>
Personnel services	\$ 196,064
Fringe benefits	78,161
Capital projects	25,581
Due to City of New York	38,912
Due to State of New York	90,996
Vendors and other	280,114
Total accounts payable and accrued expenses	<u>\$ 709,828</u>

**(7) Noncurrent Liabilities**

Noncurrent liabilities at June 30, 2020 consist of the following (in thousands):

<u>Noncurrent liabilities</u>	<u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>Current portion</u>
Long-term debt:					
Mortgage loan payable	\$ 62,965	\$ —	\$ 1,325	\$ 61,640	\$ 1,436
Capital lease agreements with DASNY	5,706,770	432,636	566,688	5,572,718	292,230
Capital lease obligation for 42nd St Condominium	40,385	—	73	40,312	80
Capital lease obligation for 79th St Condominium	36,293	—	260	36,033	295
Certificate of Participation	4,034	—	1,989	2,045	2,045
Total long-term debt	<u>5,850,447</u>	<u>432,636</u>	<u>570,335</u>	<u>5,712,748</u>	<u>296,086</u>
Other liabilities:					
Compensated absences	202,821	26,719	—	229,540	142,233
Federal refundable loans	9,368	913	5,537	4,744	—
Other noncurrent liabilities	70,452	13,761	4,896	79,317	—
Interest rate swap agreements	48,703	9,683	—	58,386	—
Total other liabilities	<u>331,344</u>	<u>51,076</u>	<u>10,433</u>	<u>371,987</u>	<u>142,233</u>
Total noncurrent liabilities	<u>\$ 6,181,791</u>	<u>\$ 483,712</u>	<u>\$ 580,768</u>	<u>\$ 6,084,735</u>	<u>\$ 438,319</u>

The table above excludes liabilities related to University pension plans and postemployment benefits which are discussed in Notes 9 and 10, respectively.

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

**(a) Mortgage Loan Payable**

On May 12, 2014, the 41st Street LLC (LLC), a blended component unit of the University, entered into a mortgage loan (the Loan) on existing property with a principal amount of \$70 million, which matures on June 1, 2044.

The Loan bears interest at a rate of 4.75%. The monthly principal and interest payments of \$365,153 began on July 1, 2014. The mortgage is amortized over 30 years with options to be called by the bank in 10 years and then every 5 years thereafter until the mortgage matures. The Loan is collateralized by the property and assignment of rents and other payments from the tenants and is guaranteed by the University. The LLC incurred \$1,307,121 of financing costs in connection with obtaining the new loan, which are being amortized over the life of the loan.

At June 30, 2020, future minimum principal payments are as follows (in thousands):

Fiscal year	Amount due
2021	\$ 1,436
2022	1,505
2023	1,578
2024	1,655
2025	1,735
Thereafter	54,771
	62,680
Less unamortized balance of financing costs	(1,040)
Total mortgage loan payable	\$ 61,640

**(b) Capital Lease Agreements with the Dormitory Authority of the State of New York**

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

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

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

The following is a schedule by year of future minimum lease payments by the University to DASNY under these capital leases, together with the net swap amount, assuming current interest rates remain the same, and the present value of the minimum lease payments at June 30, 2020 (in thousands):

<b>Capital lease agreements with DASNY</b>	<b>Principal</b>	<b>Interest</b>	<b>Swap, net</b>	<b>Total</b>
Fiscal year:				
2021	\$ 292,230	\$ 237,405	\$ 11,019	\$ 540,654
2022	185,115	225,119	9,575	419,809
2023	111,435	216,741	9,436	337,612
2024	222,740	211,452	8,775	442,967
2025	180,425	201,270	6,953	388,648
2026-2030	998,735	870,669	15,384	1,884,788
2031-2035	1,108,715	636,927	527	1,746,169
2036-2040	957,945	387,799	—	1,345,744
2041-2045	858,035	142,944	—	1,000,979
2046-2049	167,515	9,686	—	177,201
Total minimum lease payment	\$ <u>5,082,890</u>	\$ <u>3,140,012</u>	\$ <u>61,669</u>	8,284,571
Less amount representing interest				(3,140,012)
Less swap, net				<u>(61,669)</u>
Present value of net minimum lease payments				5,082,890
Plus unamortized original issue premium, net				<u>489,828</u>
Carrying amount of obligation				\$ <u><u>5,572,718</u></u>

Interest rates on DASNY obligations range from 2.0% to 6.1%.

During fiscal year 2020, DASNY issued refunding bonds with a par value of \$427,895,000 and original issued premium of \$4,742,000. Bond proceeds of \$397,033,000 were used to defease \$356,450,000 of existing debt. Under the terms of the resolutions for the defeased bonds, bond proceeds were paid directly to the bondholders of the defeased bonds. As a result, the refunded debt is defeased. The remaining unamortized premium and discount of \$19,568,000 associated with the original debt is deferred and amortized in a systematic and rational manner over the remaining life of the old debt or new debt, whichever is shorter. There were no remaining unamortized bond issue costs, underwriter discounts, or any other related costs affiliated with the refunded debt.

As of June 30, 2020, a total of \$348,570,000 of previously outstanding debt was defeased.

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

(i) *Interest Swaps*

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, at various times, DASNY issued certain variable interest rate bonds, and concurrently entered into pay-fixed, receive-variable interest swaps with three counterparties. The swaps are undertaken as a part of the State's overall debt management program. The notional amounts of the swaps match the principal amounts of the associated debt. The swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bond payable" category. The terms, including the fair values and credit ratings of the counter party associated with the outstanding swaps at June 30, 2020, were as follows (in thousands):

Pay-fixed, receive-variable swaps								
Counterparty	Notional amount	Termination date	Swap fixed rate paid	a Variable swap rate received	Swap fair value	b Counterparty credit rating	Swap insured	Change in fair value
City University System								
Consolidated Revenue								
Bonds, Series 2008C								
and 2008D:								
Hedging derivatives:								
Citibank	\$ 175,784	1/1/25 to 7/1/31	3.36%	65% of LIBOR	\$ (27,018)	Aa3/A+/A+	Yes	\$ (4,477)
Merrill Lynch	102,055	1/1/25 to 7/1/31	3.36	65 of LIBOR	(15,684)	Aa3/AA/NR	Yes	(2,603)
UBS	<u>102,055</u>	1/1/25 to 7/1/31	3.36	65 of LIBOR	<u>(15,684)</u>	Aa3/A+/AA-	Yes	<u>(2,603)</u>
Total pay-fixed swap					<u>\$ (58,386)</u>			<u>\$ (9,683)</u>

a London Interbank Offered Rate

b Moody's/S&P/Fitch, respectively

The fixed swap payment rate is higher than current comparable fixed rates (which is used to measure fair value of the swaps at June 30, 2020), resulting in the swap fair value liability of \$58,386,000. The swap fair values were estimated using the zero coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swaps. These swaps are recorded net of a credit valuation adjustment that reflect the credit risk of the parties to the agreements. These swaps are classified in Level 2 of the fair value hierarchy. These derivative instruments meet the criteria for effective hedges and therefore the accumulated change in fair value is reported as a deferral in the statement of net position as deferred outflows of resources.

**Market Access Risk.** The swap agreements are exposed to market access risk. There is risk that DASNY will not be able to enter the credit markets or that credit will become more costly. If that occurs, expected cost savings from the swap may not be realized.

## THE CITY UNIVERSITY OF NEW YORK

### Notes to Financial Statements

June 30, 2020

*Credit Risk.* At June 30, 2020, the swap agreements were not exposed to credit risk on those swaps with negative fair values. However, should interest rates change and the fair values of those swaps become positive, then the swap agreements would be exposed to credit risk in the amount of the swaps' fair value.

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

*Interest Rate Risk.* The pay-variable, receive-fixed interest rate swaps increase the exposure to interest rate risk. The variable interest rate to the counterparties is based on the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA). As SIFMA increases, the net payment on the swaps increases.

*Basis Risk.* The pay-fixed, receive-variable swap agreements are exposed to basis risk. DASNY is paying a fixed rate of interest to the counterparties and the counterparties are paying a variable rate representing 65% of the one-month LIBOR. The amount of the variable rate swap payments received from the counterparties does not necessarily exactly equal the actual variable rate payable to the bondholders. Should the relationship between LIBOR and actual variable rate payments converge, the expected cost savings may not materialize.

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

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

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

**(c) Capital Lease Obligation for 42<sup>nd</sup> St Condominium**

The University entered into a condominium agreement for space in a building located at 205 East 42nd Street to relocate CUNY's central headquarters, previously located at 535 East 80th Street. The agreement is for a 30-year "leasehold condominium" ownership structure with the Durst Organization for several floors in the building — approximately 165,000 rentable square feet of space, including a storefront. The leasehold condominium ownership structure provides the University with an ownership interest in its floors for the 30-year term of the transaction. The interest rate on this agreement is fixed at 7.0%.

The following is a summary of future minimum payments required under this agreement at June 30, 2020 (in thousands):

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Fiscal year:			
2021	\$ 80	\$ 1,313	\$ 1,393
2022	86	1,307	1,393
2023	92	1,544	1,636
2024	99	2,126	2,225
2025-2029	610	11,693	12,303
2030-2034	4,866	12,108	16,974
2035-2039	16,789	5,149	21,938
2040-2043	17,690	1,311	19,001
Total minimum lease payment	\$ 40,312	\$ 36,551	76,863
Less amount representing interest			(36,551)
Carrying amount of obligation			\$ 40,312

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

**(d) Capital Lease Obligation for 79th St Condominium**

The University entered into a condominium agreement for a building located at 334 East 79th Street for students attending Hunter College. The agreement is for a 30 year “leasehold condominium” with Hawkins Way Capital for approximately 27,144 gross square feet. The interest rate on this agreement is fixed at 5.0%.

The following is a summary of future minimum payments required under this agreement at June 30, 2020 (in thousands):

	Principal	Interest	Total
Fiscal year:			
2021	\$ 295	\$ 1,795	\$ 2,090
2022	332	1,779	2,111
2023	371	1,762	2,133
2024	413	1,742	2,155
2025-2029	2,784	8,340	11,124
2030-2034	4,278	7,469	11,747
2035-2039	6,270	6,167	12,437
2040-2044	8,908	4,290	13,198
2044-2049+	12,382	1,656	14,038
Total minimum lease payment	\$ 36,033	\$ 35,000	71,033
Less amount representing interest			(35,000)
Carrying amount of obligation			\$ 36,033

**(e) Compensated Absences**

Employees accrue vacation leave based upon time employed, with the maximum accumulation generally ranging from 45 to 50 days. The recorded liability for accrued vacation leave, including the University’s share of fringe benefits, is \$229.5 million at June 30, 2020. Employees also earn sick leave credits, which are considered termination payments and may be accumulated up to a maximum of 160 days. Accumulated sick leave credits are payable up to 50% of the accumulated amount as of the date of retirement. The recorded liability for sick leave credits is \$79.7 million at June 30, 2020.

**(8) Restricted Deposits Held by Bond Trustees and Restricted Amounts Held by the Dormitory Authority of the State of New York**

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

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

Restricted amounts held by DASNY represent funds that have been remitted to DASNY to be used for rehabilitation of capital assets or held for general operating purposes for DASNY on behalf of the University.

Restricted deposits held by bond trustee and restricted amounts held by DASNY by type at June 30, 2020 are as follows (in thousands):

<b>Deposits held by trustee and amounts held by DASNY</b>	<b>Fair value</b>	<b>Significant other observable (Level 2)</b>
Type:		
Cash and cash equivalents	\$ 265,239	\$ —
U.S. Treasury notes and bonds	87	87
U.S. Treasury bills	84,474	84,474
Total	<u>\$ 349,800</u>	<u>\$ 84,561</u>

\* The financial instruments are not rated

Restricted deposits held by bond trustee and restricted amounts held by DASNY are subject to the following risks:

**(a) Custodial Credit Risk**

Custodial credit risk for restricted deposits held by bond trustee and restricted amounts held by DASNY is the risk that in the event of a bank failure or counterparty failure, the University will not be able to recover the value of its cash and investments in the possession of an outside party. At June 30, 2020, all of the \$349,800 are held by DASNY or the bond trustee, not in the University's name.

**(b) Credit Risk**

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

**(c) Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. During fiscal year 2020, restricted deposits held by bond trustee and restricted amounts held by DASNY were not exposed to concentration of credit risk.

## THE CITY UNIVERSITY OF NEW YORK

### Notes to Financial Statements

June 30, 2020

#### **(d) Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments primarily consist of obligations of the U.S. government and are reported at fair value with maturities of one year or less.

#### **(9) Pension Plans**

##### **Defined Benefit Plans – NYCERS and NYCTRS**

The University participates in both the New York City Employees Retirement System (NYCERS) and the Teachers Retirement System of the City of New York (NYCTRS), which are cost sharing, multiple employer public employees' retirement system.

NYCERS provides defined pension benefits to approximately 191,500 active municipal employees and 157,150 pensioners through \$79.5 billion in assets. Classified employees who receive permanent appointment to a competitive position and have completed six months of service are required to participate in NYCERS, and all other employees are eligible to participate in NYCERS. NYCERS provides pay related retirement benefits, as well as death and disability benefits. The total amount of the University's employees' covered payroll related to NYCERS for the year ended June 30, 2020 is approximately \$268.8 million.

NYCTRS provides defined pension benefits to approximately 123,340 active teachers and 88,510 pensioners through \$91.8 billion in assets. Instructional full time staff employees (teaching and non-teaching) are required to choose either NYCTRS or the Optional Retirement Plan (ORP) administered by Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA) within 30 days of their initial permanent appointment. If an active selection is not made, the employee will be placed into NYCTRS. The pension system election (NYCTRS or the ORP) is irrevocable as long as the employee remains continuously employed in any position within CUNY. Adjuncts may participate in NYCTRS on a voluntary basis. NYCTRS provides pay related retirement benefits, as well as death and disability benefits. The total amount of the University's employees' covered payroll related to NYCTRS for the year ended June 30, 2020 is approximately \$282.9 million.

Both NYCERS and NYCTRS issue a financial report that includes financial statements and required supplementary information, which may be obtained by writing to NYCERS at 335 Adams Street, Brooklyn, New York 11201 or NYCTRS at TRS at 55 Water Street, New York, New York 10041.

Contribution requirements of the active employees and the participating New York City agencies are established and may be amended by the NYCERS and NYCTRS Board. Employees' contributions are determined by their Tier and number of years of service. They may range between 0.00% and 9.10% of their annual pay.

Statutorily required contributions (Statutory Contributions) to NYCERS and NYCTRS, determined by the New York City Office of the Actuary in accordance with State statutes and City laws, are funded by the employer within the appropriate fiscal year. The University made its contractually required contributions to both NYCERS and NYCTRS in fiscal year 2020 of \$46.2 million and \$95.8 million, respectively.

NYCERS and NYCTRS provide three main types of retirement benefits: service retirements, ordinary disability retirements (non-job related disabilities), and accident disability retirements (job related disabilities) to members who are in different "Tiers." The members' Tier is determined by the date of

# THE CITY UNIVERSITY OF NEW YORK

## Notes to Financial Statements

June 30, 2020

membership. Subject to certain conditions, members generally become fully vested as to benefits upon the completion of 5 years of service. Annual pension benefits can be calculated as a percentage of final average salary multiplied by the number of years of service and changes with the number of years of membership within the plan. Benefits for members can be amended under the State Retirement and Social Security Law.

The University's respective net pension liability, deferred outflow of resources, deferred inflows of resources, and pension expense related to the Senior Colleges and Graduate and Professional Schools for NYCERS and NYCTRS are calculated by the Office of the Actuary, City of New York. At June 30, 2020, the University reported a liability of \$261.5 million and \$421.7 million for NYCERS and NYCTRS, respectively, for its proportionate share of the respective NYCERS and NYCTRS net pension liabilities. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward to the University's measurement date of June 30, 2020 for both NYCERS and NYCTRS. The University's proportionate share of the respective net pension liabilities for the fiscal year was based on the University's actual contributions to NYCERS and NYCTRS relative to the total contributions of participating employers for each plan for fiscal 2020, which was 1.240% and 2.669% for NYCERS and NYCTRS, respectively. The proportionate share of the NYCERS and NYCTRS net pension liability, deferred outflow of resources, deferred inflows of resources, and pension expense for the University's community colleges is included in the financial statements of the City of New York.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the NYCERS and NYCTRS, and additions to/deductions from NYCERS' and NYCTRS' respective fiduciary net position have been determined on the same basis as they are reported by NYCERS and NYCTRS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about NYCERS and NYCTRS, please refer to the respective plan's Comprehensive Annual Financial Report (CAFR), which can be found at [www.nycers.org](http://www.nycers.org) and [www.trsnyc.org](http://www.trsnyc.org), respectively.

### **(a) Actuarial Assumptions**

The total pension liability in the June 30, 2020 actuarial valuation for both NYCERS and NYCTRS was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	In general, merit and promotion increases plus assumed general wage increase of 3.0% per annum.
Investment rate of return	7.0% net of pension plan investment expense. Actual return for variable funds.
Cost of living adjustment	1.5% and 2.5% for various Tiers

Mortality rates and methods used in determination of the total pension liability for both NYCERS and NYCTRS were adopted by the New York City Retirement System (NYCRS) Boards of Trustees during

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

fiscal year 2020. Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially funded NYCERS are conducted every two years.

Mortality tables for service and disability pensioners were developed from an experience study of the Plan. The mortality tables for beneficiaries were developed from an experience review. For more details, see the reports entitled "Proposed Changes in Actuarial Assumptions and Methods Used In Determining Employer Contributions for Fiscal Years Beginning on and After July 1, 2018" available on the Office of the Actuary website (<https://www1.nyc.gov/site/actuary/reports/reports.page>).

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

**(b) Expected Rate of Return on Investments**

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected real rates of return are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for both NYCERS and NYCTRS are summarized in the following tables:

<b>NYCERS</b>		
<b>Asset class</b>	<b>Target asset allocation</b>	<b>Long-term expected real rate of return</b>
<b>Public Markets:</b>		
U.S. public market equities	27.00 %	7.60 %
Developed public market equities	12.00	7.70
Emerging public market equities	5.00	10.60
Fixed income	30.50	3.10
<b>Private Markets (Alternative Investments):</b>		
Private equity	8.00	11.20
Private real estate	7.50	7.00
Infrastructure	4.00	6.80
Opportunistic fixed income	6.00	6.50
Total	100.00 %	

<b>NYCTRS</b>		
<b>Asset class</b>	<b>Target asset allocation</b>	<b>Long-term expected real rate of return</b>
<b>Public Markets:</b>		
U.S. public market equities	25.00 %	5.70 %
Developed public market equities	10.00	7.50
Emerging public market equities	9.50	10.20
Fixed income	32.50	1.60
<b>Private Markets (Alternative Investments):</b>		
Private equity	7.00	10.60
Private real estate	7.00	6.70
Infrastructure	4.00	5.10
Opportunistic fixed income	5.00	6.30
Total	100.00 %	

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

**(c) Discount Rate**

The discount rate used to measure the total pension liability as of June 30, 2020 for both NYCERS and NYCTRS was 7.0%. The projection of cash flow used to determine the discount rate assumed that employee contributions will be made at the rates applicable to the current Tier for each member and that employer contributions will be made based on rates determined by the Actuary. Based on those assumptions, the NYCERS and NYCTRS respective fiduciary net position was projected to be available to make all projected future benefit payments of current active and nonactive NYCERS and NYCTRS members. Therefore, the long-term expected rate of return on NYCERS and NYCTRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the University's proportionate share of the net pension liabilities calculated using the discount rate of 7.0%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate (in millions):

	<u>1% Decrease (6.0%)</u>	<u>Discount rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
University's proportionate share of the net pension liability:			
NYCERS	\$ 390.9	\$ 261.5	\$ 152.2
NYCTRS	651.1	421.7	229.6

**(d) Deferred Outflows of Resources and Deferred Inflows of Resources**

The following presents a summary of the components of deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2020 (in thousands):

	<u>NYCERS</u>	<u>NYCTRS</u>	<u>Total</u>
Deferred outflows of resources:			
Differences between actual and expected experience	\$ 26,337	\$ 11,962	\$ 38,299
Difference between projected and actual investment earnings on pension plan investments	12,418	—	12,418
Changes in proportionate share	(141)	4,380	4,239
Changes in assumptions	110	—	110
Total	<u>\$ 38,724</u>	<u>\$ 16,342</u>	<u>\$ 55,066</u>

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

	NYCERS		NYCTRS		Total
Deferred inflows of resources:					
Differences between actual and expected experience	\$ 11,794	\$	61,217	\$	73,011
Difference between projected and actual investment earnings on pension plan investments	—		87,131		87,131
Changes in proportionate share	(434)		(7,410)		(7,844)
Changes in assumptions	7,745		16,463		24,208
Total	\$ 19,105	\$	157,401	\$	176,506

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

	NYCERS		NYCTRS		Total
Fiscal years ending June 30:					
2021	\$ (4,276)	\$	(65,534)	\$	(69,810)
2022	4,936		(41,009)		(36,073)
2023	9,309		(27,602)		(18,293)
2024	7,005		(4,063)		2,942
2025	2,462		(925)		1,537
2026	183		(4,625)		(4,442)
2027	—		2,699		2,699
	\$ 19,619	\$	(141,059)	\$	(121,440)

**(e) Annual Pension Expense**

The University's annual pension expense for NYCERS and NYCTRS for the fiscal year ended June 30, 2020 was \$37.7 million and \$59.8 million for NYCERS and NYCTRS, respectively.

**Defined Contribution Plan – TIAA**

The University also provides a defined contribution plan for its employees with TIAA. TIAA is a privately operated, multi-employer defined contribution retirement plan. TIAA obligations of employers and employees to contribute and of employees to receive benefits are governed by the New York State Education Law and City laws.

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

*Funding Policy*

Employer and employee contribution requirements to TIAA are determined by the New York State Retirement and Social Security Law.

## THE CITY UNIVERSITY OF NEW YORK

### Notes to Financial Statements

June 30, 2020

Participating University employees in Tiers I-IV do not contribute while Tier V with less than 10 years of service contribute 3%.

Employer contributions range from 12.0 - 15.0% for Tiers I-IV, depending upon the employee's compensation, and 10.0 - 13.0% of salary for Tier V, depending upon the employee's years of service.

Employee contributions for fiscal year 2020 amounted to \$105.9 million.

The required University contributions recognized as expenses for fiscal 2020 was \$124.8 million.

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

#### **(10) Postemployment Benefits**

##### **(a) Plan Description**

CUNY retirees receive retiree healthcare benefits through the New York City Health Benefits Program (the Plan), which is a single-employer defined benefit healthcare plan that is not administered through a trust. The Plan covers former CUNY employees who were originally employed by CUNY Senior Colleges or by CUNY Community Colleges. The Plan covers individuals who receive pensions from one of the following three pension plans within the New York City Retirement System (NYCRS):

- NYCERS
- NYCTRS
- New York City Board of Education Retirement System (BERS)

In addition, the program covers individuals under alternate retirement arrangements. The most significant alternate retirement arrangement is coverage under the TIAA – College Retirement Equities Fund rather than through the NYCRS.

*Benefits.* Basic Coverage is provided to retirees by CUNY through the New York City Health Benefits Program (NYCHBP). The NYCHBP currently provides Basic Coverage at no cost if a non-Medicare-eligible retiree participates in HIP HMO or an indemnity arrangement covered by a combination of Empire Blue Cross/Blue Shield for hospital coverage, and GHI for other medical benefits (referred to in this report as "GHI/EBCBS"). The NYC Basic Coverage provides Medicare-eligible retirees free coverage in the HIP HMO or in a GHI/EBCBS combination Medicare supplement called Senior Care. Basic Coverage includes hospital and physician coverage and excludes coverage for prescription drugs. GHI/EBCBS Senior Care coordinates with Medicare Part A and Part B. Under the HIP HMO Medicare-eligible retirees generally participate in a Medical Advantage Plan under Medicare Part C. Basic Coverage under other plans may require additional retiree contributions. Other plans available under the NYC Program to non-Medicare-eligible retirees for fiscal year 2020 include Aetna HMO, Cigna, Empire HMO, Empire EPO, GHI HMO, MetroPlus Gold and Vytra Health Plans. Other plans available to Medicare-eligible retirees for fiscal year 2020 include Medicare supplemental plans, such as Empire Medicare-Related Coverage, as well as various Medicare Advantage arrangements such as MediBlue and Aetna Medicare PPO with Extended Area. Benefits not covered by the Basic Plan, such as prescription drug coverage, are provided through high option riders fully paid for by the retirees or are provided through various Welfare Funds.

## THE CITY UNIVERSITY OF NEW YORK

### Notes to Financial Statements

June 30, 2020

The City of New York is assumed to pay for the coverage (Basic Coverage and Welfare Fund contributions) for retirees in NYCERS and TIAA who retired from community colleges. The City of New York also pays for the Welfare Fund costs for nonpedagogical CUNY Senior College retirees of the NYCERS. In addition, the City reimburses the Part B premium for Medicare-eligible retirees and covered spouses for all covered CUNY employees, whether retired under NYCERS or TIAA, and whether retired from a Senior or Community College. The obligations for the coverages assumed to be paid by the City are considered an obligation of the City and are not included in the obligation reported by CUNY.

CUNY currently reimburses the City for Basic Coverage and Welfare Fund coverage for NYCERS senior college retirees except for those who retired from one of the NYCERS in nonpedagogical positions. CUNY is also currently billed for Basic Coverage and Welfare Fund coverage for all TIAA retirees, whether retired from a senior or community college.

*Employees covered by benefit terms.* As of the June 30, 2019 actuarial valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6,068
Inactive employees entitled to but not yet receiving benefit payments	3,399
Active employees	<u>14,991</u>
Total	<u>24,458</u>

#### **(b) Actuarial Assumptions**

The University's total OPEB liability of \$1.97 billion was measured as of June 30, 2020 using an actuarial valuation of June 30, 2019 rolled forward to June 30, 2020. The actuarial valuation uses the following actuarial assumptions:

*Inflation:* 2.50% per annum. In addition, the Further Consolidated Appropriations Act, which was signed in December 2019, repealed several ACA taxes including the Cadillac tax. The repeal of the Cadillac tax resulted in an \$18.7 million decrease in the University's liability as of the actuarial valuation date.

*Actuarial cost method:* Entry Age Normal, level percent of pay.

*Discount Rate:* The discount rate used to measure liabilities was updated to reflect the S&P Municipal Bond 20-Year High Grade Index yield of 2.66% as of June 30, 2020 as per New York City Office of Actuary. The discount rate at the previous measurement date is 2.79% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 28, 2019.

*Salary increases:* The salary increase rate varies by experience and varies from 10.91% decreasing to 2.38% for those at age 75.

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

*Health care cost trend rates:* Covered health care expenses were assumed to increase by the following percentages each year:

	<u>Pre-Medicare Plans</u>	<u>Medical (Post-Medicare)</u>	<u>Welfare Fund contributions</u>
Fiscal year ending:			
2020	7.00%	5.00%	3.50%
2021	6.75%	4.90%	3.50%
2022	6.50%	4.90%	3.50%
2023	6.25%	4.80%	3.50%
2024	6.00%	4.80%	3.50%
2025+	5.75%	4.70%	3.50%

*Retirees' share of benefit-related costs:* the valuation assumed the following monthly premiums for each year's valuation (actual amounts):

Plan	Monthly Rate
	FY2020
HIP HMO	
Non-Medicare Single	\$ 753.40
Non-Medicare Family	\$ 1,845.83
Medicare	\$ 174.52
GHI/EBCBS	
Non-Medicare Single	\$ 710.74
Non-Medicare Family	\$ 1,866.41
Medicare	\$ 188.20
Other	
Non-Medicare Single	\$ 1,102.40
Non-Medicare Family	\$ 2,521.20
Medicare Single	\$ 307.58
Medicare Family	\$ 607.20

*Mortality:* CUNY valuation assumes different pre-retirement and post-retirement mortality. Pre-retirement and post-retirement mortality is based on the experience under the NYSTRS. In order to reflect future mortality improvement, the mortality is projected generationally using Scale MP-2018.

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

**(c) Total OPEB Liability**

The total OPEB Liability for the University as of June 30, 2020 was determined as follows (in thousands):

Balance as of June 30, 2019	\$	1,978,048
Service Cost		108,334
Interest		57,707
Differences Between Expected and Actual Experience		(178,234)
Changes of Assumptions		41,419
Benefit Payment		(36,283)
Net Change in Total OPEB Liability		(7,057)
Balance as of June 30, 2020	\$	1,970,991

*Sensitivity of the total OPEB liability to changes in the discount rate:* The following presents the total OPEB liability, as well as what the University's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.66%) or 1-percentage-point higher (3.66%) than the current discount rate as of June 30, 2020 (in thousands):

	1% Decrease (1.66%)	Actual Discount rate (2.66%)	1% Increase (3.66%)
Total OPEB Liability	\$ 2,338,164	\$ 1,970,991	\$ 1,682,271

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates:* The following presents the University's total OPEB liability, as well as what the University's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (in thousands):

	1% Decrease (6.0% - 2.5%)	Healthcare Cost Trend Rates (7.0% - 3.5%)	1% Increase (8.0% - 4.5%)
Total OPEB Liability	\$ 1,589,962	\$ 1,970,991	\$ 2,496,959

**(d) OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended June 30, 2020, CUNY recognized OPEB expense of \$183.9 million. As of June 30, 2020, the reported deferred outflows of resources and deferred inflows of resources related to OPEB were from the following sources (in thousands):

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 273,987	\$ (161,400)
Changes in Assumptions	64,050	(144,650)
Total	\$ 338,037	\$ (306,050)

In fiscal 2020, \$7,801,346 of amortization of deferred outflows of resources and deferred inflows of resources were recognized as a component of OPEB expense. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

**Fiscal years ending June 30:**

2021	\$ 7,801
2022	7,801
2023	7,801
2024	7,801
2025	7,801
2026	7,801
2027	1,377
2028	(15,077)
2029	(1,121)
Total	\$ 31,985

*Blended Component Unit*

RF CUNY provides postemployment benefits, including salary continuance, to certain employees. The cost of these benefits is accrued over the employees' years of service. RF CUNY also provides certain healthcare benefits to retired employees (including eligible dependents) who have a combination of age and years of service equal to 70 with a minimum age of 62 and at least 10 years of continuous service. RF CUNY accounts for postretirement benefits provided to retirees on an accrual basis during the period of their employment.

The following table sets forth RF CUNY's information with respect to the postretirement plan at June 30, 2020 (in thousands):

Benefit obligation	\$ (192,141)
Fair value of plan assets	195,206
Funded status	\$ 3,065

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

**(11) Commitments**

The University has entered into contracts for the construction and improvement of various capital assets. At June 30, 2020, these outstanding contractual commitments were \$383.0 million.

The University is also committed under various operating leases covering real property and equipment. The following is a summary of the future minimum rental commitments under noncancelable real property agreements (in thousands):

Contractual commitments	Principal amount
Fiscal year:	
2021	\$ 95,632
2022	95,960
2023	92,015
2024	86,464
2025	79,086
2026-2030	349,105
2031-2035	214,038
2036-2040	70,481
2041-2045	43,273
2046-2050	26,069
2051-2055	21,651
2056-2060	21,651
2061+	1,443
	\$ 1,196,868

For the year ended June 30, 2020, rent expense, including escalations of \$22.2 million, was \$106.1 million.

**(12) Litigation and Risk Financing**

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

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

CUNY is exposed to various risks of loss related to damage and destruction of assets, injuries to employees, damage to the environment or noncompliance with environmental requirements, and natural

## THE CITY UNIVERSITY OF NEW YORK

### Notes to Financial Statements

June 30, 2020

and other unforeseen disasters. CUNY's residence hall facilities are covered by insurance. However, in general, CUNY does not insure its educational buildings, contents, or related risks and does not insure its equipment for claims and assessments arising from bodily injury, property damages, and other perils. Unfavorable judgments, claims, or losses incurred by CUNY are covered by the State or City on a self-insured basis. The State and City do have fidelity insurance on State/City employees.

#### **(13) Financial Dependency**

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

#### **(14) Support Agreements**

CUNY has entered into support agreements for the repayment of debt obligations with four entities which include City College Dormitory, Graduate Center Foundation Housing Corporation, LLC, Q Student Residences, LLC, and College of Staten Island (CSI) Student Housing, LLC. CUNY has not recorded a liability for these guarantees since the criteria included in GASB 70 have not been met.

##### *City College Dormitory*

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

##### *Graduate Center Foundation Housing Corporation, LLC*

During 2010, the University entered into a support agreement with New York City Housing Development Corporation and Manufacturers and Traders Trust Company in connection with the issuance of \$14,370,000 Multi-Family Housing Revenue Bonds, 2010 Series C. The bonds were issued to finance a housing facility for students, faculty, staff, and employees at the Graduate Center. Under the terms of the support agreement, the University has agreed to unconditionally guarantee the loan payments due from the Graduate Center Foundation Housing Corporation to New York City Housing Development Corporation.

For further information on the support agreements with Q Student Residences, LLC and CSI Student Housing, LLC, see note 17(e).

#### **(15) Subsequent Events**

On October 15, 2020, DASNY issued refunding bonds with par value of \$80,000,000 on behalf of the University and bonds for new construction with par value of \$237,175,000.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) was enacted by the U.S. Government and the University was allocated \$455.2 million.

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

**(16) Condensed Combining Financial Statement Information**

The condensed combining statements of net position, revenues, expenses and changes in net position, and cash flows for the University and blended component units as of and for the year ended June 30, 2020 are as follows:

Condensed statement of net position (in thousands):

	<u>University</u>	<u>RF-CUNY</u>	<u>CUCF</u>	<u>Eliminations</u>	<u>Total</u>
Current assets	\$ 1,644,596	323,110	42,087	(22,071)	\$ 1,987,722
Other noncurrent assets	392,915	57,185	10,761	—	460,861
Capital assets	6,157,449	41,927	—	—	6,199,376
Total assets	<u>8,194,960</u>	<u>422,222</u>	<u>52,848</u>	<u>(22,071)</u>	<u>8,647,959</u>
Deferred outflows of resources	<u>526,508</u>	—	—	—	<u>526,508</u>
Current liabilities	1,341,440	301,819	38,413	(138,261)	1,543,411
Noncurrent liabilities	8,238,833	60,205	1,539	—	8,300,577
Total liabilities	<u>9,580,273</u>	<u>362,024</u>	<u>39,952</u>	<u>(138,261)</u>	<u>9,843,988</u>
Deferred inflows of resources	<u>482,556</u>	—	—	—	<u>482,556</u>
Net investment in capital assets	735,710	(19,713)	3,006	—	719,003
Restricted:					
Nonexpendable	67,190	—	—	—	67,190
Expendable	330,517	—	—	—	330,517
Unrestricted	<u>(2,474,778)</u>	<u>79,911</u>	<u>9,890</u>	<u>116,190</u>	<u>(2,268,787)</u>
Total net (deficit) position	<u>\$ (1,341,361)</u>	<u>\$ 60,198</u>	<u>\$ 12,896</u>	<u>\$ 116,190</u>	<u>\$ (1,152,077)</u>

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

Condensed statement of revenues, expenses and changes in net position (in thousands):

<u>Description</u>	<u>University</u>	<u>RF-CUNY</u>	<u>CUCF</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues:					
Tuition and fees, net	\$ 796,005	—	—	—	\$ 796,005
Grants and contracts	423,957	509,678	—	(20,151)	913,484
Other operating revenues	35,270	48,021	14,438	(54,957)	42,772
Total operating revenues	<u>1,255,232</u>	<u>557,699</u>	<u>14,438</u>	<u>(75,108)</u>	<u>1,752,261</u>
Operating expenses:					
Operating expenses	4,507,762	560,302	14,447	(91,555)	4,990,956
Depreciation and amortization	265,659	2,030	—	—	267,689
Total operating expenses	<u>4,773,421</u>	<u>562,332</u>	<u>14,447</u>	<u>(91,555)</u>	<u>5,258,645</u>
Operating (loss) gain	<u>(3,518,189)</u>	<u>(4,633)</u>	<u>(9)</u>	<u>16,447</u>	<u>(3,506,384)</u>
Nonoperating revenues (expenses):					
Government appropriations	2,223,911	—	—	—	2,223,911
Federal financial aid	785,809	—	—	—	785,809
Gifts and grants	5,694	—	15	(15)	5,694
Investment income, net	25,739	1,340	94	—	27,173
Interest expense	(208,468)	(3,051)	(6)	6	(211,519)
Net appreciation (depreciation) in fair value of investments	7,599	463	—	—	8,062
Other nonoperating revenues (expenses), net	7,884	11,921	(180,116)	176,723	16,412
Total nonoperating revenues (expenses), net	<u>2,848,168</u>	<u>10,673</u>	<u>(180,013)</u>	<u>176,714</u>	<u>2,855,542</u>
(Loss) gain before other revenues	<u>(670,021)</u>	<u>6,040</u>	<u>(180,022)</u>	<u>193,161</u>	<u>(650,842)</u>
Capital appropriations	421,972	—	180,128	(180,128)	421,972
Transfer to University (from Foundation)	2,845	—	—	—	2,845
Total other revenues	<u>424,817</u>	<u>—</u>	<u>180,128</u>	<u>(180,128)</u>	<u>424,817</u>
(Decrease) increase in net position	<u>(245,204)</u>	<u>6,040</u>	<u>106</u>	<u>13,033</u>	<u>(226,025)</u>
Net (deficit) position, beginning of year	<u>(1,096,157)</u>	<u>54,158</u>	<u>12,790</u>	<u>103,157</u>	<u>(926,052)</u>
Net (deficit) position, end of year	\$ <u>(1,341,361)</u>	\$ <u>60,198</u>	\$ <u>12,896</u>	\$ <u>116,190</u>	\$ <u>(1,152,077)</u>

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

Condensed statement of cash flows (in thousands):

<u>Description</u>	<u>University</u>	<u>RF-CUNY</u>	<u>CUCF</u>	<u>Eliminations</u>	<u>Total</u>
Net cash (used) provided by:					
Operating activities	\$ (3,081,425)	9,328	(3,538)	—	\$ (3,075,635)
Noncapital financing activities	2,983,246	—	—	—	2,983,246
Capital and related financing activities	157,520	(544)	12	—	156,988
Investing activities	19,996	4,869	2	—	24,867
Net increase (decrease) in cash and cash equivalents	<u>79,337</u>	<u>13,653</u>	<u>(3,524)</u>	<u>—</u>	<u>89,466</u>
Cash and cash equivalents at beginning of year	<u>546,884</u>	<u>184,010</u>	<u>19,539</u>	<u>—</u>	<u>750,433</u>
Cash and cash equivalents at end of year	<u>\$ 626,221</u>	<u>\$ 197,663</u>	<u>\$ 16,015</u>	<u>\$ —</u>	<u>\$ 839,899</u>

**(17) Discretely Presented Component Units**

The University's discretely presented component units consist of separately incorporated foundations, auxiliary service corporations, student association organizations, child care centers, and other related entities affiliated with CUNY colleges. These supporting organizations are legally separate entities that provide services which support both academic and general needs of the colleges and their students. Their activities are funded through donor contributions, student activity fees, fees for services provided, special fund raising events, and earnings on investments.

The accounting policies of the discretely presented units conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. All of the discretely presented component units follows GASB accounting pronouncements except the foundations, which follow applicable Financial Accounting Standards Board (FASB) standards. The financial statements of the discretely presented component units are presented using the GASB presentation in the accompanying financial statements. Separately issued financial statements of the component unit entities may be obtained by writing to: The City University of New York, Office of the University Controller, 230 West 41st Street, 5<sup>th</sup> Floor, New York, NY 10036.

**(a) Summary of Significant Accounting Policies Unique to the Discretely Presented Component Units**

*(i) Contribution Revenue*

Contributions received, including unconditional promises to give, are recognized at fair value in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. Contributions are considered available for unrestricted use unless specifically restricted by the donors.

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

(ii) *Split Interest Agreements*

(1) *Charitable Gift Annuities*

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

(2) *Charitable Remainder Trusts*

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

**(b) Investments**

Investments of the discretely presented component units are carried at fair value and/or NAV and are presented at June 20, 2020 by investment type below (in thousands).

<b>Investment type</b>	<b>Amount</b>
Cash and cash equivalents	\$ 32,912
Certificates of deposits	2,619
CUNY investment pool	72,845
Equities	73,890
International bonds	25
Mutual funds:	
Equity securities	395,337
Fixed income	114,209
U.S. Corporate bonds	33,142
U.S. Government bonds	60,156
U.S. Treasury notes	989
Other investments	17,337
Investments measured at NAV:	
Event driven hedge funds	26,214
Global equity	11,287
Global equity long/short hedge funds	9,249
Limited partnership/liability company	19,080
Multiple common trust fund	24,866
Multi-strategy funds	20,295
Private investment	18,765
Special Opportunities	11,046
Total investments	<u>\$ 944,263</u>

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

The separately issued financial statements of the discretely presented component units provide the fair value hierarchy disclosure information. The summarized categories include investments in Level 1 totaling \$641.3 million, Level 2 totaling \$74.4 million, and Level 3 totaling \$87.8 million. Total investments measured at NAV are \$140.8 million and are redeemable ranging from daily to 3 years with redemption notice periods of 10 to 95 days.

**(c) Contributions Receivable**

Unconditional promises to give are recorded as contributions receivable, and in most cases are discounted over the payment period using the applicable discount rate in effect at the time of the contribution. Contributions receivable due in fiscal year 2021 amount to \$35.9 million and are recorded in current receivables. Contributions receivable that are due in fiscal year 2022 and later amount to \$27.0 million and are recorded in long-term receivables. At June 30, 2020, contributions receivable consisted of (in thousands):

		<u>Amount</u>
Contributions receivable	\$	72,490
Less allowance for doubtful accounts		(5,159)
Less discount to present value		<u>(4,446)</u>
Contributions receivable, net	\$	<u><u>62,885</u></u>

**(d) Capital Assets**

Capital assets consist of the following at June 30, 2020 (in thousands):

		<u>June 30, 2019</u>		<u>Additions</u>		<u>Reductions</u>		<u>June 30, 2020</u>
Building and building improvements	\$	163,043	\$	3,001	\$	2,054	\$	163,990
Equipment		19,413		3,327		2,444		20,296
Land		22,642		—		—		22,642
Land improvements		6,255		81		168		6,168
Works of art and historical treasures		4,011		250		15		4,246
Total capital assets		<u>215,364</u>		<u>6,659</u>		<u>4,681</u>		<u>217,342</u>
Less accumulated depreciation:								
Building and building improvements		37,068		3,836		(1,128)		42,032
Equipment		18,899		771		267		19,403
Land improvements		2,795		385		307		2,873
Total accumulated depreciation		<u>58,762</u>		<u>4,992</u>		<u>(554)</u>		<u>64,308</u>
Total capital assets, net	\$	<u><u>156,602</u></u>	\$	<u><u>1,667</u></u>	\$	<u><u>5,235</u></u>	\$	<u><u>153,034</u></u>

**THE CITY UNIVERSITY OF NEW YORK**

Notes to Financial Statements

June 30, 2020

**(e) Long-term Debt**

Three of the discretely presented component units have long-term debt which the University, through separate support agreements, guarantees (see note 14).

- 1) Q Student Residences, LLC – Original issue \$65.2 million Revenue Refunding Bonds through Build NYC Revenue Corporation with interest rates ranging from 0.55% to 5.0%.
- 2) College of Staten Island Housing, LLC – Original issue \$67.8 million issued through New York City Housing Development Corporation with an interest rate of 4.171%.
- 3) The Graduate Center Foundation:
  - a) The Graduate Center Foundation Housing Corporation, LLC has a \$14.4 million loan from New York City Housing Development Corporation for the construction of a building which is secured by the building. Interest is charged at 5.65% on the outstanding balance.
  - b) The Graduate Center Foundation Housing Corporation LIC obtained a two year loan from Amalgamated bank totaling \$8.4 million to purchase land in 2015. The loan was secured by the land. This loan was refinanced in 2018 with the proceeds of the loan described below.
  - c) The Graduate Center Foundation Housing Corporation LIC obtained a two year loan from Amalgamated Bank totaling \$7.6 million in 2018. The loan is secured by the land.

The following is a summary of future minimum payments under these agreements at June 30, 2020 (in thousands):

<u>Loans and bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year:			
2021	\$ 10,052	\$ 6,259	\$ 16,311
2022	3,165	6,174	9,339
2023	3,213	6,078	9,291
2024	3,472	5,943	9,415
2025	3,702	5,786	9,488
2026-2030	21,112	26,297	47,409
2031-2035	26,464	20,894	47,358
2036-2040	33,397	13,888	47,285
2041-2045	32,041	5,106	37,147
2046-2047	7,910	353	8,263
Total minimum loan payment	<u>\$ 144,528</u>	<u>\$ 96,778</u>	241,306
Less amount representing interest			<u>(96,778)</u>
			144,528
Plus unamortized bond premium			<u>5,746</u>
Carrying amount of obligations			<u>\$ 150,274</u>

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**THE CITY UNIVERSITY OF NEW YORK**  
Required Supplementary Information (Unaudited)  
Schedule of Employer Contributions  
June 30, 2020  
(in thousands)

<b>New York City Employees' Retirement System</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 46,238	\$ 45,285	\$ 44,828	\$ 38,839	\$ 41,980	\$ 38,587
Contributions in relation to the contractually required contribution	46,238	45,285	44,828	38,839	41,980	38,587
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
University employee covered-payroll at University year-end	\$ 268,786	\$ 263,690	\$ 238,430	\$ 222,976	\$ 217,088	\$ 214,226
Contributions as a percentage of employee covered payroll	17.20%	17.17%	18.80%	17.42%	19.34%	18.01%
<b>Teachers' Retirement System of The City of New York</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 95,856	\$ 95,023	\$ 102,115	\$ 84,575	\$ 102,884	\$ 84,468
Contributions in relation to the contractually required contribution	95,856	95,023	102,115	84,575	102,884	84,468
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
University employee covered-payroll at University year-end	\$ 282,912	\$ 249,969	\$ 211,348	\$ 179,810	\$ 189,767	\$ 174,983
Contributions as a percentage of employee covered payroll	33.88%	38.01%	48.32%	47.04%	54.22%	48.27%

\*Information provided for Required Supplementary Information will be provided for ten years, as the information becomes available in subsequent years.

See accompanying independent auditors' report.

**THE CITY UNIVERSITY OF NEW YORK**  
Required Supplementary Information (Unaudited)  
Schedule of Proportionate Share of the Net Pension Liability  
June 30, 2020  
(in thousands)

<b>New York City Employees' Retirement System</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
University proportion share of the net pension liability	1.240%	1.226%	1.327%	1.167%	1.247%	1.221%
University proportionate share of the net pension liability	\$ 261,472	\$ 227,141	\$ 234,039	\$ 242,344	\$ 302,981	\$ 247,140
University employee covered-payroll at measurement date	268,786	263,690	238,430	222,976	217,088	214,226
University proportionate share of the net pension liability as a percentage of the employee covered-payroll	97.3%	86.1%	98.2%	108.7%	139.6%	115.4%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	78.83%	78.82%	74.80%	69.57%	73.13%

<b>Teachers' Retirement System of The City of New York</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
University proportion of the net pension liability	2.669%	2.570%	2.625%	2.175%	2.779 %	2.540%
University proportionate share of the net pension liability	\$ 421,698	\$ 394,741	\$ 491,163	\$ 505,200	\$ 732,857	\$ 527,957
University employee covered-payroll at measurement date	282,912	249,969	211,348	179,810	189,767	174,983
University proportionate share of the net pension liability as a percentage of the employee covered-payroll	149.1%	157.9%	232.4%	281.0%	386.2%	301.7%
Plan fiduciary net position as a percentage of the total pension liability	78.97%	74.45%	74.45%	68.32%	62.33 %	68.04%

\*Information provided for Required Supplementary Information will be provided for ten years, as the information becomes available in subsequent years.

See accompanying independent auditors' report.

**THE CITY UNIVERSITY OF NEW YORK**  
Required Supplementary Information (Unaudited)  
Schedule of Changes in Total OPEB Liability and Related Ratios  
June 30, 2020  
(in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>			
Service Cost	\$ 108,334	\$ 125,925	106,623
Interest	57,707	52,912	49,978
Differences between expected and actual experience	(178,234)	353,839	(4,201)
Changes in assumptions or other inputs	41,419	(186,807)	40,682
Benefit payments	<u>(36,283)</u>	<u>(34,667)</u>	<u>(32,484)</u>
Net Changed in Total OPEB liability	(7,057)	311,202	160,598
Total OPEB liability - Beginning	<u>1,978,048</u>	<u>1,666,846</u>	<u>1,506,248</u>
Total OPEB liability - Ending	<u>\$ 1,970,991</u>	<u>\$ 1,978,048</u>	<u>1,666,846</u>
Employee covered - payroll	\$ 1,218,675	\$ 1,169,459	1,151,286
 Total OPEB liability as a percentage of covered-employee payroll	 161.73%	 169.14%	 144.78%

\*Information provided for Required Supplementary Information will be provided for ten years, as the information becomes available in subsequent years.

See accompanying independent auditors' report.

Notes to Schedule

1. *Changes of Assumptions* . Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate used to determine the June 30, 2020 total OPEB liability was 2.66%. The discount rate used to determine the June 30, 2019 total OPEB liability was 2.79%. The discount rate used to determine the June 30, 2018 total OPEB liability was 2.98%.

**SUPPLEMENTARY INFORMATION**

**THE CITY UNIVERSITY OF NEW YORK**  
Schedule of Net Position Information – Senior and Community Colleges  
June 30, 2020  
(In thousands)

	<b>Business-type activities</b>		
	<b>Senior colleges</b>	<b>Community colleges</b>	<b>Total University</b>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 802,768	37,131	839,899
Short-term investments	68,171	8,291	76,462
Restricted deposits held by bond trustees	147,918	15,993	163,911
Restricted amounts held by the Dormitory Authority of the State of New York	80,871	26,779	107,650
Receivables, net	631,311	150,110	781,421
Prepaid expenses and other current assets	13,465	4,914	18,379
Total current assets	<u>1,744,504</u>	<u>243,218</u>	<u>1,987,722</u>
<b>Noncurrent assets:</b>			
Restricted cash	7,805	4,820	12,625
Long-term investments, unrestricted	127,757	16,434	144,191
Long-term investments, restricted	185,465	19,492	204,957
Restricted deposits held by bond trustees	59,778	18,461	78,239
Long-term receivables, net	6,760	323	7,083
Capital assets, net	5,185,460	1,013,916	6,199,376
OPEB assets	2,634	432	3,066
Other noncurrent assets	10,700	—	10,700
Total noncurrent assets	<u>5,586,359</u>	<u>1,073,878</u>	<u>6,660,237</u>
Total assets	<u>7,330,863</u>	<u>1,317,096</u>	<u>8,647,959</u>
<b>Deferred outflows of resources:</b>			
OPEB related	338,037	—	338,037
Pension related	55,066	—	55,066
Interest rate swap agreements	51,885	6,501	58,386
Deferred amount on debt refundings	70,204	4,815	75,019
Total deferred outflows of resources	<u>515,192</u>	<u>11,316</u>	<u>526,508</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	593,407	116,421	709,828
Compensated absences	106,548	35,685	142,233
Unearned tuition and fees revenue	73,576	7,860	81,436
Accrued interest payable	80,270	9,906	90,176
Current portion of long-term debt	278,496	17,590	296,086
Unearned grant revenue	112,473	18,147	130,620
Other current liabilities	48,277	10,727	59,004
Deposits held in custody for others	15,082	18,946	34,028
Total current liabilities	<u>1,308,129</u>	<u>235,282</u>	<u>1,543,411</u>
<b>Noncurrent liabilities:</b>			
Compensated absences	64,548	22,759	87,307
Total OPEB liability	1,970,991	—	1,970,991
Long-term debt	4,791,280	625,382	5,416,662
Federal refundable loans	4,159	585	4,744
Net pension liabilities	683,170	—	683,170
Interest rate swap agreements	51,885	6,501	58,386
Other noncurrent liabilities	56,271	23,046	79,317
Total noncurrent liabilities	<u>7,622,304</u>	<u>678,273</u>	<u>8,300,577</u>
Total liabilities	<u>8,930,433</u>	<u>913,555</u>	<u>9,843,988</u>
<b>Deferred inflows of resources:</b>			
OPEB related	306,050	—	306,050
Pension related	176,506	—	176,506
Total deferred inflows of resources	<u>482,556</u>	<u>—</u>	<u>482,556</u>
<b>Net (deficit) position:</b>			
Net investment in capital assets	321,100	397,903	719,003
<b>Restricted:</b>			
Nonexpendable	52,106	15,084	67,190
<b>Expendable:</b>			
Debt service	71,088	6,131	77,219
Scholarships and general educational support	135,824	5,373	141,197
Loans	7,160	85	7,245
Other	84,013	20,843	104,856
Unrestricted	<u>(2,238,225)</u>	<u>(30,562)</u>	<u>(2,268,787)</u>
Total net (deficit) position	<u>\$ (1,566,934)</u>	<u>414,857</u>	<u>(1,152,077)</u>

See accompanying independent auditors' report.

**THE CITY UNIVERSITY OF NEW YORK**  
Schedule of Revenues, Expenses, and Changes in Net Position Information -  
Senior and Community Colleges  
For the year ended June 30, 2020  
(In thousands)

	<b>Business-type activities</b>		
	<b>Senior colleges</b>	<b>Community colleges</b>	<b>Total University</b>
Revenues:			
Operating revenues:			
Tuition and fees (net of scholarship allowance of \$999,687)	\$ 673,067	122,938	796,005
Grants and contracts:			
Federal	118,886	21,619	140,505
New York State	285,086	115,687	400,773
New York City	202,584	10,079	212,663
Private	139,530	20,013	159,543
Total grants and contracts	746,086	167,398	913,484
Sales and services of auxiliary enterprises	5,300	21	5,321
Other operating revenues	30,606	6,845	37,451
Total operating revenues	1,455,059	297,202	1,752,261
Expenses:			
Operating expenses:			
Instruction	1,583,825	649,623	2,233,448
Research	163,060	5,114	168,174
Public service	62,053	20,925	82,978
Academic support	118,806	48,808	167,614
Student services	275,483	133,001	408,484
Institutional support	466,986	198,698	665,684
Operation and maintenance of plant	425,866	160,223	586,089
Scholarships and fellowships	321,915	171,574	493,489
Auxiliary enterprises	1,087	—	1,087
Depreciation and amortization expense	234,725	32,964	267,689
OPEB expense	182,492	1,417	183,909
Total operating expenses	3,836,298	1,422,347	5,258,645
Operating loss	(2,381,239)	(1,125,145)	(3,506,384)
Nonoperating revenues (expenses):			
Government appropriations/transfers:			
New York State	1,391,254	247,361	1,638,615
New York City	75,463	509,833	585,296
Federal financial aid	501,927	283,882	785,809
Gifts and grants	4,613	1,081	5,694
Investment income, net	25,267	1,906	27,173
Interest expense	(186,449)	(25,070)	(211,519)
Net appreciation in fair value of investments	7,516	546	8,062
Other nonoperating (expenses) revenues, net	36,694	(20,282)	16,412
Net nonoperating revenues, net	1,856,285	999,257	2,855,542
Loss before other revenues	(524,954)	(125,888)	(650,842)
Capital appropriations	340,727	81,245	421,972
Additions to permanent endowments	—	—	—
Transfer to University (from Foundation)	2,897	(52)	2,845
Total other revenues	343,624	81,193	424,817
Decrease in net position	(181,330)	(44,695)	(226,025)
Net (deficit) position, beginning of year	(1,385,604)	459,552	(926,052)
Net (deficit) position, end of year	\$ (1,566,934)	414,857	(1,152,077)

See accompanying independent auditors' report.

**THE CITY UNIVERSITY OF NEW YORK**  
Schedule of Cash Flow Information – Senior and Community Colleges  
For the year ended June 30, 2020  
(In thousands)

	<b>Business-type activities</b>		
	<b>Senior colleges</b>	<b>Community colleges</b>	<b>Total University</b>
Cash flows from operating activities:			
Collection of tuition and fees	\$ 645,703	106,622	752,325
Collection of grants and contracts	745,430	161,889	907,319
Sales and services of auxiliary enterprises	5,300	21	5,321
Collection of other operating revenues	26,740	8,463	35,203
Payments to suppliers	(29,339)	(116,047)	(145,386)
Payments for utilities	(71,729)	(23,079)	(94,808)
Payments to employees	(2,000,485)	(762,621)	(2,763,106)
Payments for benefits	(643,744)	(221,997)	(865,741)
Payment for pensions	(282,680)	(82,390)	(365,070)
Payments for scholarships and fellowships	(321,915)	(171,574)	(493,489)
Payments for OPEB	(46,668)	(1,535)	(48,203)
Net cash flows used by operating activities	<u>(1,973,387)</u>	<u>(1,102,248)</u>	<u>(3,075,635)</u>
Cash flows from noncapital financing activities:			
New York State and New York City appropriations/transfers	1,413,917	761,665	2,175,582
Federal financial aid	497,381	283,614	780,995
Gifts and grants for other than capital purposes	4,613	1,081	5,694
Increase in deposits held in custody for others	(765)	1,101	336
Collections on federal loan funds and related	762	1,045	1,807
Collection from third parties	39,435	(20,603)	18,832
Net cash flows provided by noncapital financing activities	<u>1,955,343</u>	<u>1,027,903</u>	<u>2,983,246</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	399,907	32,730	432,637
Capital appropriations	340,727	81,245	421,972
Purchases of capital assets	(198,501)	(91,466)	(289,967)
Principal paid on capital debt	(187,030)	(16,803)	(203,833)
Principal amount refunded	(305,686)	(31,196)	(336,882)
Interest paid on capital debt	(274,238)	(30,116)	(304,354)
Amounts paid for bond issuance costs	(5,176)	(428)	(5,604)
Decrease in restricted deposits held by bond trustees	338,575	85,329	423,904
Decrease in restricted amounts held by the Dormitory Authority of the State of New York	2,865	13,405	16,270
Transfer to/ from foundations	2,897	(52)	2,845
Net cash flows provided by capital and related financing activities	<u>114,340</u>	<u>42,648</u>	<u>156,988</u>
Cash flows from investing activities:			
Investment income	25,267	1,906	27,173
Proceeds from sales and maturities of investments	424,066	43,830	467,896
Purchases of investments	(429,894)	(44,881)	(474,775)
Change in restricted cash	4,145	428	4,573
Net cash flows provided (used) by investing activities	<u>23,584</u>	<u>1,283</u>	<u>24,867</u>
Increase in cash and cash equivalents	119,880	(30,414)	89,466
Cash and cash equivalents at beginning of year	<u>682,888</u>	<u>67,545</u>	<u>750,433</u>
Cash and cash equivalents at end of year	<u>\$ 802,768</u>	<u>37,131</u>	<u>839,899</u>

**THE CITY UNIVERSITY OF NEW YORK**  
Schedule of Cash Flow Information – Senior and Community Colleges  
For the year ended June 30, 2020  
(In thousands)

	<u>Business-type activities</u>		
	<u>Senior colleges</u>	<u>Community colleges</u>	<u>Total University</u>
Reconciliation of operating loss to net cash flows used by operating activities:			
Operating loss	\$ (2,381,239)	(1,125,145)	(3,506,384)
Adjustments to reconcile operating loss to net cash flows used by operating activities:			
Depreciation and amortization expense	234,725	32,964	267,689
Bad debt expense	26,763	17,644	44,407
Change in operating assets and liabilities:			
Receivables	(70,638)	(38,786)	(109,424)
Prepaid expenses and other assets	495	(578)	(83)
Accounts payable and accrued expenses	67,745	6,551	74,296
Unearned tuition and fees revenue	6,057	(1,276)	4,781
Compensated absences	20,433	6,286	26,719
Total OPEB liability	137,560	—	137,560
Net pension liabilities	(46,234)	—	(46,234)
Unearned grant revenue	5,932	2,211	8,143
Other liabilities	25,014	(2,119)	22,895
Net cash flows used by operating activities	<u>\$ (1,973,387)</u>	<u>(1,102,248)</u>	<u>(3,075,635)</u>
Noncash transactions:			
Net appreciation in fair value of investments	\$ 7,516	546	8,062
Change in accounts payable attributable to capital assets	9,031	—	9,031

See accompanying independent auditors' report.