

Independent Auditor's Reports as Required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards *and Government Auditing Standards* and Related Information

**BARNARD COLLEGE**

June 30, 2016 and 2015

# BARNARD COLLEGE

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of  
**Barnard College:**

### **Report on the financial statements**

We have audited the accompanying financial statements of Barnard College (the “College”), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management’s responsibility for the financial statements**

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

### **Auditor’s responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 College’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 College’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Barnard College as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other matters**

#### **Supplementary information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the 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 financial statements as a whole.

#### **Report on 2015 summarized comparative information**

We have previously audited the College's 2015 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2015. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 12, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



New York, New York  
October 12, 2016

**BARNARD COLLEGE****Statement of Financial Position****As of June 30, 2016, with summarized comparative totals for 2015****(Dollars in thousands)**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 40,012	\$ 42,359
Student accounts receivable (net of allowance of \$48 and \$42)	202	170
Student notes receivable (net of allowance of \$393 and \$330) (Note 3)	2,144	2,450
Grants, bequests, and other receivables	3,451	2,938
Pledges receivable, net (Note 4)	62,718	13,302
Other assets	5,700	5,476
Investments (Notes 5 and 6)	297,720	307,286
Funds held by bond trustee (Notes 5 and 11)	60,935	71,981
Property, plant, and equipment, net (Note 7)	162,241	144,310
Total assets	<u>\$ 635,123</u>	<u>\$ 590,272</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 18,442	\$ 15,579
Deferred revenues	3,342	3,811
Liability under split-interest agreements (Note 5)	4,673	4,693
Refundable government loan program (Note 3)	1,044	2,228
Postretirement benefit obligation (Note 10)	23,791	19,815
Asset retirement obligations (Note 8)	2,471	2,581
Long-term obligations (Note 11)	140,574	143,329
Total liabilities	<u>194,337</u>	<u>192,036</u>
Commitments and contingencies (Notes 5, 11 and 14)		
<b>NET ASSETS (Note 6)</b>		
Unrestricted	98,546	84,761
Temporarily restricted (Note 13)	174,371	155,972
Permanently restricted (Note 13)	167,869	157,503
Total net assets	<u>440,786</u>	<u>398,236</u>
Total liabilities and net assets	<u>\$ 635,123</u>	<u>\$ 590,272</u>

*The accompanying notes are an integral part of this financial statement.*

# BARNARD COLLEGE

## Statement of Activities

For the year ended June 30, 2016, with summarized comparative totals for 2015

(Dollars in thousands)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
OPERATING REVENUE					
Tuition and fees	\$ 115,546	\$ -	\$ -	\$ 115,546	\$ 112,900
Less: financial aid allowance	(37,764)	-	-	(37,764)	(35,104)
Net tuition and fees	77,782	-	-	77,782	77,796
State appropriations	205	-	-	205	172
Investment return appropriated for operations (Note 6)	2,059	10,706	-	12,765	11,491
Other investment income	462	266	-	728	72
Federal grants and contracts	3,451	-	-	3,451	2,805
State grants	831	-	-	831	736
Private gifts and grants	12,859	5,302	-	18,161	15,929
Auxiliary enterprises	36,116	-	-	36,116	35,947
Other sources	1,449	446	-	1,895	2,194
Net assets released from restrictions	13,264	(13,264)	-	-	-
Total operating revenue	148,478	3,456	-	151,934	147,142
OPERATING EXPENSES					
Instruction	59,872	-	-	59,872	56,116
Research	4,494	-	-	4,494	4,055
Public service	442	-	-	442	467
Academic administration	11,871	-	-	11,871	12,594
Student services	10,720	-	-	10,720	10,101
Institutional support	31,075	-	-	31,075	29,868
Auxiliary enterprises	33,578	-	-	33,578	32,615
Total operating expenses	152,052	-	-	152,052	145,816
(Deficiency)/excess of operating revenue (under) over operating expenses	(3,574)	3,456	-	(118)	1,326
NONOPERATING ACTIVITIES					
Investment (loss) return in excess of amount appropriated for operations (Note 6)	(3,852)	(22,424)	-	(26,276)	3,075
Contributions for long-term purposes and split-interest agreements	2	210	9,112	9,324	11,063
Contributions and grants for plant improvements	-	63,783	-	63,783	8,727
Net assets released from restrictions for plant improvements	24,857	(24,857)	-	-	-
Changes in value of split-interest agreements	-	41	(132)	(91)	(585)
Change in value of obligation under derivative instrument (Note 11)	-	-	-	-	13
Changes in donor designation and other reclassifications	424	(1,810)	1,386	-	-
Defeasance of debt (Note 11)	-	-	-	-	(4,032)
Loss on disposal of assets	(1,735)	-	-	(1,735)	-
Postretirement cost other than net periodic benefit cost (Note 10)	(2,337)	-	-	(2,337)	(260)
Total nonoperating activities	17,359	14,943	10,366	42,668	18,001
Changes in net assets	13,785	18,399	10,366	42,550	19,327
Net assets - beginning of year	84,761	155,972	157,503	398,236	378,909
Net assets - end of year	\$ 98,546	\$ 174,371	\$ 167,869	\$ 440,786	\$ 398,236

The accompanying notes are an integral part of this financial statement.

# BARNARD COLLEGE

## Statement of Cash Flows

For the year ended June 30, 2016, with summarized comparative totals for 2015

(Dollars in thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 42,550	\$ 19,327
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Change in value of split-interest agreements	91	585
Loss on disposal of assets	1,735	-
Defeasance of debt	-	4,032
Change in value of obligation under derivative instrument	-	(13)
Contributions for long-term purposes and split-interest agreements	(12,504)	(9,886)
Contributions and grants for plant improvements	(10,661)	(9,528)
Change in pledges receivable allowance and discount	3,336	(310)
Net depreciation (appreciation) in fair value of investments	13,539	(15,212)
Accretion of asset retirement obligations	145	152
Depreciation and amortization	6,506	6,958
Changes in operating assets and liabilities:		
Student accounts receivable	(32)	(39)
Grants, bequests, and other receivables	(513)	(464)
Pledges receivable	(52,905)	884
Other assets	(304)	(1,977)
Accounts payable and accrued expenses	1,362	458
Deferred revenues	(469)	(455)
Postretirement benefit obligation	3,976	1,770
Net cash used in operating activities	(4,148)	(3,718)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(109,896)	(76,895)
Proceeds from the sale of investments	105,923	77,814
Building renovations and purchase of equipment	(25,365)	(6,656)
Student loans granted	(183)	(219)
Student loans repaid	395	418
Net cash used in investing activities	(29,126)	(5,538)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in funds held by bond trustees	11,046	(70,969)
Payment of principal notes and bond payables	(2,235)	(6,335)
Proceeds from issuance of debt	-	124,997
Refund of debt	-	(51,310)
Decrease in refundable government loan program	(1,090)	(9)
Increase (decrease) in liability under split-interest agreements	41	(409)
Contributions for long-term purposes and split-interest agreements	12,504	9,886
Contributions and grants for plant improvements	10,661	9,528
Net cash provided by financing activities	30,927	15,379
Net change in cash and cash equivalents	(2,347)	6,123
Cash and cash equivalents, beginning of year	42,359	36,236
Cash and cash equivalents, end of year	<u>\$ 40,012</u>	<u>\$ 42,359</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 4,130	\$ 3,224
Property, plant and equipment purchases in accounts payable	<u>\$ 1,501</u>	<u>\$ 1,852</u>

*The accompanying notes are an integral part of this financial statement.*

**BARNARD COLLEGE**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**1. ORGANIZATION**

Barnard College (the “College”) is a not-for-profit independent liberal arts college for women. The College is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Net assets of the College and changes therein are classified and reported as follows:

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met by actions of the College and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income and gains on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets, that is, the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as net assets released from restrictions.

**Contributions**

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Pledges, less an allowance for uncollectible amounts, are recorded as receivables at the net present value, determined using a credit-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any. Restricted pledges are reported as additions to the appropriate restricted net assets class. Contributions of cash or other assets that must be used to acquire or construct long-lived assets are reported as temporarily restricted net assets until the assets are placed in service.

Conditional promises to give and intentions to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. During the years ended June 30, 2016 and June 30, 2015, the College received conditional pledges of approximately \$7.2 million and \$10.3 million, respectively. The College has recorded revenue from these conditional promises of approximately \$40.6 million and \$8.0 million for the years ended June 30, 2016 and 2015, respectively, the extent to which the conditions on the pledges have been met.



**BARNARD COLLEGE**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**Grants**

Revenue from federal and state grants is recognized to the extent that qualifying reimbursable expenses have been incurred over the terms of the respective agreements.

**Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid debt instruments with original maturities of 90 days or less other than those cash and cash equivalents held by external investment managers as part of their long-term investment strategies. Cash and cash equivalents are held by the College for operating and capital funding purposes.

**Concentrations of Credit Risk**

Cash, cash equivalents, and investments are exposed to interest rate, market, and credit risks. The College maintains its cash and cash equivalents in various bank deposit accounts that may exceed federally insured limits at times. To minimize risk, the College places its cash accounts with high credit quality financial institutions and the College's investment portfolio is diversified with several investment managers in a variety of asset classes. The College does not anticipate any losses in such accounts.

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon quoted market prices. Alternative investments are stated at estimated fair value based on the net asset value, as a practical expedient, reported by the investment managers or general partners. Net asset value may differ significantly from the values that would have been reported had a ready market for these investments existed. The College reviews and evaluates the values provided by the investment managers or general partners and has determined that the valuation methods and assumptions used in determining the fair value of the alternative investments are reasonable.

The College invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

All investment transactions are recorded on a trade-date basis.

**Tuition and Fees**

Tuition and fees revenue, net of financial aid, are recognized as revenues over the academic terms to which they relate.

**Student Accounts Receivable**

Student accounts receivable are reported at the estimated net realizable amount.

**BARNARD COLLEGE**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**Student Notes Receivable**

Student notes receivable are loans to students, which are made from the College's restricted loan funds and the Federal Perkins Loan Program. The notes are reported at their estimated net realizable value.

**Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost or, in the case of gifts, at fair value at the date of the gift. The College capitalizes property, plant and equipment of \$3,000 or above which have useful lives greater than one year. Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings	60 years
Building improvements	20 to 30 years
Furniture, fixtures and equipment	5 to 10 years

**Deferred Revenues**

Deferred revenues consist primarily of student tuition and fee payments that are received for academic periods subsequent to the fiscal year-end.

**Split-Interest Agreements**

The College is the beneficiary of trusts, annuities, and pooled income funds. The College's interest in these split-interest agreements is reported as a contribution in the year received and is calculated as the difference between the fair value of the assets contributed to the College and the estimated liability to the beneficiary. This liability is computed using actuarially determined rates and is adjusted annually. The discount rate used to value split-interest agreements ranged from 1.2% to 9.4% at June 30, 2016 and 2015. The College recorded contributions from new split-interest agreements of approximately \$0.2 million for the years ended June 30, 2016 and 2015. These amounts are included in nonoperating contributions in the accompanying statements of activities. The assets held by the College under these arrangements are included as a component of investments in the accompanying financial statements.

**Operating and Nonoperating Activities**

The statement of activities distinguishes between operating and nonoperating activities. Nonoperating activities consist of investment return in excess of or less than the amount appropriated for operations by the Board of Trustees, the change in value of split-interest agreements, contributions for long-term purposes and split-interest agreements and contributions and grants for plant improvements, loss on refunding of debt, loss on disposal of assets, postretirement cost other than net periodic benefit cost, and nonrecurring items.

**BARNARD COLLEGE**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**Categories of Expense**

Expenses are reported in functional categories. Each category includes salaries and benefits, supplies, and other expenses, including operation and maintenance of physical plant, interest, and depreciation expense related to the function.

- a. Instruction - includes expenses for all activities that are part of the College's instruction program.
- b. Research - includes all expenses for governmental and privately sponsored research.
- c. Public Service - includes activities established to provide non-instructional services such as the New York State Science and Technology Entry Program (STEP).
- d. Academic Administration - includes expenses incurred to provide administrative support to the instructional program. This category includes the offices of the Provost, Library, and Media Services.
- e. Student Services - includes expenses incurred for the offices of Dean of the College, Admissions, Registrar, Financial Aid Administration, Career Development, Disability Services, and the New York State Higher Education Opportunity Program (HEOP). In addition, it includes expenses for student-related activities outside the context of the formal instructional program.
- f. Institutional Support - includes expenses for college-wide activities such as the offices of the President, Finance and Planning, Institutional Advancement, Administration, Administrative Computing, General Counsel, and Communications. Fundraising expenses totaled approximately \$6.0 million and \$6.7 million for the years ended June 30, 2016 and 2015, respectively.
- g. Auxiliary Enterprises - provides services to students for fees. This category includes Housing, Dining Services, Health and Counseling Services, and the Summer and Precollege Programs.

**Allocation of Certain Expenses**

The College allocates operation and maintenance of plant, depreciation, and interest expense on outstanding long-term obligations in the statement of activities based upon campus square footage.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of the financial statements include the valuation of alternative investments, valuation of liability under split-interest agreements, useful lives of property plant and equipment, asset retirement obligations, postretirement benefit obligation, and estimated net realizable value of receivables. Actual results could differ from those estimates.

**BARNARD COLLEGE**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**Accounting for Uncertainty in Income Taxes**

The College complies with the provisions of Accounting Standards Codification (“ASC”) 740-10. ASC 740-10 clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This section provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The College is exempt from federal income taxation. Nevertheless, the College may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The tax years ended June 30, 2012, 2013, 2014 and 2015 are still open to audit for both federal and state purposes. ASC 740-10 did not have a material impact on the College’s financial statements, as management determined that there are no uncertain tax positions within its financial statements.

**Reclassifications**

Certain prior period amounts have been reclassified in order to conform to the 2016 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2015 financial statements.

**2015 Summarized Comparative Financial Information**

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the College’s audited financial statements as of and for the year ended June 30, 2015, from which the summarized information was derived.

**Subsequent Events**

The College evaluated subsequent events after the statement of financial position date of June 30, 2016 through October 12, 2016, the date the financial statements were issued. The College is not aware of any additional subsequent events which would require recognition or disclosure in the accompanying financial statements other than as disclosed in Note 14.

**Fair Value Measurements**

The fair value standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction as prescribed by the standard. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of the asset or liability as of the measurement date.

**BARNARD COLLEGE**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**  
**(Dollars in thousands)**

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Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed securities, and corporate-debt securities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other assets that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

**Recently Issued Accounting Pronouncements**

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which exempts investments measured using the net asset value (NAV) practical expedient in ASC 820, *Fair Value Measurement*, from categorization within the fair value hierarchy. The guidance requires retrospective application and is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2015. For all other entities, the guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The reporting entity is required upon adoption to apply the amendments retrospectively to all periods presented.

The College early adopted ASU 2015-07 effective July 1, 2015, and has applied the amendments retroactively for all periods presented. The adoption of this new guidance by the College only amended disclosure requirements and did not have an impact on the College's financial statements for the periods presented.

**BARNARD COLLEGE**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**3. STUDENT NOTES RECEIVABLE, NET**

The College makes uncollateralized loans to students based on financial need. Student loans are funded through a federal government loan program or institutional resources.

At June 30, 2016 and 2015, student notes receivable, net consisted of the following:

	<b>2016</b>	<b>2015</b>
Federal government program	\$ 1,190	\$ 1,378
Institutional programs	<u>1,347</u>	<u>1,402</u>
	<u>2,537</u>	<u>2,780</u>
Less: allowance for doubtful accounts		
Beginning of year	(330)	(372)
Allowance (increase) decrease	<u>(63)</u>	<u>42</u>
End of year	<u>(393)</u>	<u>(330)</u>
Student notes receivable, net	<u>\$ 2,144</u>	<u>\$ 2,450</u>

The College participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of \$1.0 and \$2.2 million at June 30, 2016 and June 30, 2015, respectively, are ultimately refundable to the government and are classified as a liability in the statements of financial position. In the year ended June 30, 2016, the College repaid \$1.2 million of the funds advanced by the Federal Government. Outstanding loans cancelled under the program result in a reduction of funds available for loan and a decrease in the liability to the government. At June 30, 2016, the following amounts were past due under the student loan programs:

	<b>In Default &lt; 240 Days (Monthly Installments) or 270 Days (Quarterly Installments)</b>	<b>In Default &gt; 240 Days (Monthly Installments) or 270 Days (Quarterly Installments)</b>	<b>Total Past Due</b>
2016	<u>\$ 201</u>	<u>\$ 350</u>	<u>\$ 551</u>
2015	<u>\$ 145</u>	<u>\$ 335</u>	<u>\$ 480</u>

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

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**4. PLEDGES RECEIVABLE, NET**

Pledges receivable at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Amounts expected to be collected in:		
One year or less	\$ 14,242	\$ 7,061
Two to five years	36,904	5,893
Greater than five years	<u>17,348</u>	<u>2,973</u>
	68,494	15,927
Less:		
Discount to present value (using rate of .15% - 4.91%)	(4,058)	(219)
Allowance for uncollectible pledges	<u>(1,718)</u>	<u>(2,406)</u>
Pledges receivable, net	<u>\$ 62,718</u>	<u>\$ 13,302</u>

As of June 30, 2016, 85% of gross pledges receivable were due from three donors. As June 30, 2015, 43%, of gross pledges receivable were due from five donors.

**5. INVESTMENTS AND FAIR VALUE**

The College's investment objective is to invest its assets in a prudent manner in order to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value equal to or above inflation. The College uses a diversified investment approach incorporating multiple asset classes, strategies, and managers. The Committee on Investments of the College's Board of Trustees oversees the College's investments and authorizes investment decisions.

In addition to equity and fixed income investments, the College may also hold shares or units in institutional funds and alternative investment funds involving hedged, private equity and real estate strategies. These investments are valued at net asset value. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments. Private equity funds generally employ buyout, venture capital, and debt-related strategies, often requiring the estimation of fair values by the fund managers in the absence of readily determinable market values. Real estate strategies involve funds whose managers invest primarily in commercial and residential real estate primarily located in the United States.

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Investments are held in the following funds:

	<u>2016</u>	<u>2015</u>
Trust and pooled life income funds	\$ 10,959	\$ 10,769
Endowment and designated as endowment funds	<u>286,761</u>	<u>296,517</u>
Total	<u>\$ 297,720</u>	<u>\$ 307,286</u>

As of June 30, 2016 and 2015, the College had alternative investments of approximately \$276 million and \$286 million, respectively. Alternative investments include private equity partnerships, hedged strategies, venture capital funds, and derivatives. Underlying securities owned by the alternative investments include certain publicly traded securities that have readily available market values and other investments that are not readily marketable. The agreements underlying participation in those investments may limit the College's ability to liquidate its interests in such investments for a period of time.

At June 30, 2016 and 2015, the College's remaining outstanding commitments to private equity and real estate partnerships/funds approximated \$69 million and \$43 million, respectively. The private equity partnerships have 1 to 12 year terms remaining for both June 30, 2016 and 2015. As of June 30, 2016 and 2015, the average remaining life of the private equity partnerships was approximately six years.

At June 30, 2016 and 2015, the College had one hedged strategy of approximately \$8.0 million and \$8.5 million, respectively, which was restricted from redemption for lockup periods. This investment allows for early redemption for specified fees and requires 90 day notice for redemption. At June 30, 2016, the expirations of redemption lockup periods are summarized in the table below:

<u>Fiscal year</u>	<u>Amount</u>
Less than one year	\$ 2,675
Between one and three years	<u>5,350</u>
Total	<u>\$ 8,025</u>

The College uses the NAV per share for purposes of reporting the fair value of all its underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.



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The following tables present the College's fair value hierarchy for those assets and liabilities measured at fair value at June 30, 2016:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments at NAV</u>	<u>Redemption or Liquidation</u>	<u>Days Notice</u>
Financial assets:							
Investments:							
Cash and cash equivalents	\$ 8,236	\$ 8,236	\$ -	\$ -	\$ -	Daily	Daily
Domestic bonds	36	-	-	-	36	Daily	Daily
Domestic equity funds:							
Small cap	631	265	-	-	366	Daily/Monthly	0-30
Mid cap	266	266	-	-	-	Daily	Daily
Large cap	4,464	3,078	-	-	1,386	Daily	Daily
	<u>13,633</u>	<u>11,845</u>	<u>-</u>	<u>-</u>	<u>1,788</u>		
International equity funds:							
International equities	1,613	1,083	-	-	530	Daily	Daily
	<u>1,613</u>	<u>1,083</u>	<u>-</u>	<u>-</u>	<u>530</u>		
Fixed income:							
U.S. Treasuries	8,655	8,655	-	-	-	Daily	Daily
Other	4,055	-	-	-	4,055	Monthly	30
	<u>12,710</u>	<u>8,655</u>	<u>-</u>	<u>-</u>	<u>4,055</u>		
Hedged strategies:							
Credit/event driven	14,157	-	-	-	14,157	Annual	180
Equity long/short	104,546	-	-	-	104,546	Monthly/Quarterly	100 to 120
Fixed income strategies	8,026	-	-	-	8,026	Subject to lockup	90
Multistrategy	68,206	-	-	-	68,206	Quarterly	90
	<u>194,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,935</u>		
Other types:							
Private equity	74,093	-	-	-	74,093	Illiquid	Illiquid
Real estate	736	-	-	-	736	Illiquid	Illiquid
	<u>74,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,829</u>		
Subtotal	<u>297,720</u>	<u>21,583</u>	<u>-</u>	<u>-</u>	<u>276,137</u>		
Total investments	<u>297,720</u>	<u>21,583</u>	<u>-</u>	<u>-</u>	<u>276,137</u>		
Other assets:							
Funds held by bond trustee	60,935	60,935	-	-	-		
Trusts and other split-interest agreements held by others	2,656	-	-	2,656	-		
Total assets	<u>\$ 361,311</u>	<u>\$ 82,518</u>	<u>\$ -</u>	<u>\$ 2,656</u>	<u>\$ 276,137</u>		
Liabilities:							
Liabilities under split-interest agreements	4,673	-	-	4,673			
Total liabilities	<u>\$ 4,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,673</u>			

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The following tables present the College's fair value hierarchy for those assets and liabilities measured at fair value at June 30, 2015:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments at NAV</u>	<u>Redemption or Liquidation</u>	<u>Days Notice</u>
Financial assets:							
Investments:							
Cash and cash equivalents	\$ 9,717	\$ 9,717	\$ -	\$ -	\$ -	Daily	Daily
Domestic bonds	46	-	-	-	46	Daily	Daily
Domestic equity funds:	-						
Small cap	640	246	-	-	394	Daily/Monthly	0-30
Mid cap	237	237	-	-	-	Daily	Daily
Large cap	4,204	2,713	-	-	1,491	Daily	Daily
	<u>5,081</u>	<u>3,196</u>	<u>-</u>	<u>-</u>	<u>1,931</u>		
International equity funds:							
International equities	1,456	898	-	-	558	Daily	Daily
	<u>1,456</u>	<u>898</u>	<u>-</u>	<u>-</u>	<u>558</u>		
Fixed income:							
U.S. Treasuries	7,495	7,495	-	-	-	Daily	Daily
Other	3,950	-	-	-	3,950	Monthly	30
	<u>11,445</u>	<u>7,495</u>	<u>-</u>	<u>-</u>	<u>3,950</u>		
Hedged strategies:							
Credit/event driven	14,185	-	-	-	14,185	Annual	180
Equity long/short	110,584	-	-	-	110,584	Monthly/Quarterly	100 to 120
Fixed income strategies	8,467	-	-	-	8,467	Subject to lockup	90
Multistrategy	68,286	-	-	-	68,286	Quarterly	90
	<u>201,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,522</u>		
Other types:							
Private equity	77,065	-	-	-	77,065	Illiquid	Illiquid
Real estate	954	-	-	-	954	Illiquid	Illiquid
	<u>78,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,019</u>		
Subtotal	<u>307,286</u>	<u>21,306</u>	<u>-</u>	<u>-</u>	<u>285,980</u>		
Total investments	307,286	21,306	-	-	285,980		
Other assets:							
Funds held by bond trustee	71,981	71,981	-	-	-		
Trusts and other split-interest agreements held by others	2,808	-	-	2,808	-		
Total assets	<u>\$ 382,075</u>	<u>\$ 93,287</u>	<u>\$ -</u>	<u>\$ 2,808</u>	<u>\$ 285,980</u>		
Liabilities:							
Liabilities under split-interest agreements	4,693	-	-	4,693			
Total liabilities	<u>\$ 4,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,693</u>			

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The following tables present the College's activities for the years ended June 30, 2016 and 2015, respectively, for assets and liabilities classified in Level 3:

**Liabilities under Split Interest Agreements**

	<u>2016</u>	<u>2015</u>
<b>Beginning Balance</b>	\$ 4,693	\$ 4,573
New split-interest agreements	129	93
Payments to beneficiaries	(754)	(730)
Terminated split-interest agreements	(306)	(192)
Change in fair value	911	949
<b>Ending Balance</b>	<u>\$ 4,673</u>	<u>\$ 4,693</u>

**Trusts and Other Split-interest Agreements Held by Others**

The College is the beneficiary of other split-interest agreements that are held and administered by others. When the College is not the trustee, perpetual trusts are recorded at the fair value of the assets at the statement of financial position date and beneficial interest in trusts are recorded at the fair value of the assets at the statement of financial position date less the present value of estimated future payments expected to be made to donors and/or other beneficiaries. These assets are included in pledges receivable in the accompanying statements of financial position.

	<u>2016</u>	<u>2015</u>
<b>Beginning Balance</b>	\$ 2,808	\$ 3,489
Payments/terminations	-	(625)
Change in fair value	(152)	(56)
<b>Ending Balance</b>	<u>\$ 2,656</u>	<u>\$ 2,808</u>

At June 30, 2016 and 2015, the carrying values of the College's cash and cash equivalents, receivables, and accounts payable and accrued expenses approximated their fair values. A reasonable estimate of the fair value of loans to students under government loan programs cannot be made because loans are not saleable and can only be assigned to the U.S. government or its designees.

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At June 30, 2016 and 2015, investments valued at NAV are as follows:

2016							
Category	Significant Investment Strategy	NAV in Funds	# of Funds	Life of Funds	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Hedged strategies	Credit/event driven	\$ 14,157	1	N/A	\$ -	Annual, 180 days notice	N/A Rolling Lockup
Hedged strategies	Fixed income	8,026	1	N/A	-	90 days notice	periods
Hedged strategies	Multistrategy	68,206	1	N/A	-	Quarterly/90 days notice	N/A
Hedged strategies	Equity long/short	104,546	2	N/A	-	100 to 120 days notice	N/A
Fixed Income	Investment grade	4,055	2	N/A	-	Monthly	N/A
Equities	Large cap	1,386	1	N/A	-	Daily	N/A
Equities	Small cap	366	2	N/A	-	Daily/Monthly	N/A
Equities	International equities	530	1	N/A	-	Daily	N/A
Other	Private equity	74,093	13	Up to 12/31/28	68,442	N/A	Illiquid
Other	Real estate	736	3	Up to 12/31/16	463	N/A	Illiquid
Other	Domestic Bond	36	2	Up to 6/21/17	-	Daily	N/A
	Total	<u>\$ 276,137</u>	<u>29</u>		<u>\$ 68,905</u>		
2015							
Category	Significant Investment Strategy	NAV in Funds	# of Funds	Life of Funds	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Hedged strategies	Credit/event driven	\$ 14,185	1	N/A	\$ -	Annual, 180 days notice	N/A Rolling Lockup
Hedged strategies	Fixed income	8,467	1	N/A	-	90 days notice	periods
Hedged strategies	Multistrategy	68,286	1	N/A	-	Quarterly/90 days notice	N/A
Hedged strategies	Equity long/short	110,584	2	N/A	-	100 to 120 days notice	N/A
Fixed Income	Investment grade	3,950	2	N/A	-	Monthly	N/A
Equities	Large cap	1,491	1	N/A	-	Daily	N/A
Equities	Small cap	394	1	N/A	-	Daily/Monthly	N/A
Equities	International equities	558	1	N/A	-	Daily	N/A
Other	Private equity	77,065	12	Up to 12/31/28	41,377	N/A	Illiquid
Other	Real estate	954	3	Up to 12/31/16	1,597	N/A	Illiquid
Other	Domestic Bond	46	2	Up to 6/21/17	-	Daily	N/A
	Total	<u>\$ 285,980</u>	<u>27</u>		<u>\$ 42,974</u>		

## 6. ENDOWMENT FUNDS

The College's endowment consists of over 900 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the College to function as endowments (quasi-endowments).

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The College manages the endowment to maximize annualized returns, net of all costs over rolling 10-year periods while adhering to stated risk parameters that seek to avoid 25% peak-to-trough declines in the inflation adjusted endowment unit value. Asset allocation parameters are established for investments with lock-up periods. The strategy allows for a significant allocation to equity-oriented investments offering long-term capital appreciation, diversified across asset classes and managers. The College compares the performance of its investments against several benchmarks.

The College has established an endowment spending policy for spending from the endowment for current operations in a manner that maintains the purchasing power of the endowment. The policy's goal is to achieve an average 5% spending rate over time. Annual spending from the endowment is set at 5% of the rolling three-year average of the endowment's market value as of December 31 of the previous year and is approved annually by the Board of Trustees. The College has a total return policy of utilizing its endowment resources. To the extent that the total return requirement for the current year is not achieved by income from investments, the College utilizes prior year's cumulative appreciation of its pooled investment funds.

On September 17, 2010, New York State enacted its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), referred to as "NYPMIFA," which imposes guidelines on the management and investment of endowment funds. The Board of Trustees of the College has interpreted NYPMIFA as allowing the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. The College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts donated to the permanent endowment; and (c) accumulations of income to the permanent endowment made in accordance with the direction of the applicable donor gift instruments. Accounting guidance associated with the enactment of NYPMIFA as set forth in ASC Topic 958-205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*, requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Board of Trustees considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the College and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the College
- The investment policies of the College
- Where appropriate, alternatives to spending from donor-restricted endowment funds and the possible effects on the College

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The College has outsourced its investment office. This outsourced investment office has established limited partnership vehicles to assist in the management of its clients' accounts. These limited partnership investments managed by the outsourced investment office represented 84% of the College's endowment investments at June 30, 2016 and 2015, respectively.

Endowment and quasi-endowment funds consisted of the following at June 30, 2016 and 2015, excluding split-interest agreements and pledges of approximately \$5.3 million and \$7.8 million, respectively:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Fiscal year 2016:</b>				
Donor restricted	\$ -	\$ 83,192	\$ 162,610	\$ 245,802
Board designated	40,959	-	-	40,959
Total	<u>\$ 40,959</u>	<u>\$ 83,192</u>	<u>\$ 162,610</u>	<u>\$ 286,761</u>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Fiscal year 2015:</b>				
Donor restricted	\$ -	\$ 105,616	\$ 149,698	\$ 255,314
Board designated	41,203	-	-	41,203
Total	<u>\$ 41,203</u>	<u>\$ 105,616</u>	<u>\$ 149,698</u>	<u>\$ 296,517</u>

Changes in the endowment funds for the fiscal years ended June 30, 2016 and 2015 were as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Balance at June 30, 2015</b>	\$ 41,203	\$ 105,616	\$ 149,698	\$ 296,517
Interest and dividends, net	4	24	-	28
Net depreciation in fair value	(1,797)	(11,742)	-	(13,539)
Contributions	3,608	-	12,912	16,520
Distributions	(2,059)	(10,706)	-	(12,765)
<b>Balance at June 30, 2016</b>	<u>\$ 40,959</u>	<u>\$ 83,192</u>	<u>\$ 162,610</u>	<u>\$ 286,761</u>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Balance at June 30, 2014</b>	\$ 40,040	\$ 102,734	\$ 139,274	\$ 282,048
Interest and dividends, net	(94)	(552)	-	(646)
Net appreciation in fair value	2,106	13,106	-	15,212
Contributions	970	-	10,424	11,394
Distributions	(1,819)	(9,672)	-	(11,491)
<b>Balance at June 30, 2015</b>	<u>\$ 41,203</u>	<u>\$ 105,616</u>	<u>\$ 149,698</u>	<u>\$ 296,517</u>

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For the years ended June 30, 2016 and 2015, investment expenses of approximately \$1.2 million and \$1.5 million, respectively, were netted against interest and dividends.

**7. PROPERTY, PLANT, AND EQUIPMENT, NET**

Property, plant, and equipment, net consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 1,234	\$ 1,234
Buildings and building improvements	264,585	257,762
Furniture, fixtures, and equipment	29,081	31,901
Construction in progress	<u>20,442</u>	<u>7,287</u>
	315,342	298,184
Less accumulated depreciation	<u>(153,101)</u>	<u>(153,874)</u>
Total	<u>\$ 162,241</u>	<u>\$ 144,310</u>

Depreciation expense was approximately \$7 million for both the years ended June 30, 2016 and June 30, 2015. The increase in construction in progress from approximately \$7.3 million to \$20.4 million was due to the capitalized costs related to the construction of a new approximately 133,000 gross square foot multi-purpose facility at the College, as well as other campus-wide renovations and maintenance projects (the “Library and other projects”).

For the year ended June 30, 2016, the College capitalized \$700 thousand of interest expense related to the Library and other projects. In addition, the College incurred a \$1.7 million non-operating loss due to the write-off of assets that were demolished in preparation for the Library and other projects.

**8. ASSET RETIREMENT OBLIGATIONS**

The College accrues for costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. The College has identified asbestos abatement and lead paint exposure as conditional asset retirement obligations. Asbestos and lead paint abatement costs are estimated using a per-square-foot estimate.

Using a discount rate of 6.25%, the present value of the initial obligation amounted to \$1.4 million. As of June 30, 2016 and 2015, the obligation amounted to approximately \$2.5 million and \$2.6 million, respectively.

**9. RETIREMENT PLANS**

Full time faculty and administrators of the College are covered under a defined contribution pension plan established with Teachers Insurance and Annuity Association and Fidelity Investments (the “Admin Plan”). Under the Admin Plan, eligible employees may make contributions into the Plan, up to the maximum allowed by the Internal Revenue Code (“IRC”). For the Admin Plan, prior to January 1, 2015, the College made contributions of either 9% or 12% (as defined by the Admin Plan) of eligible compensation. In addition, the College provided a matching contribution of 3% or 1% (as defined by the Admin Plan) for

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employees hired before July 1, 2012. To receive this matching contribution, employees had to contribute the stated contribution per the Admin Plan agreement in order to receive the matching contribution. Effective January 1, 2015, the College eliminated the matching contribution for the Admin Plan and increased the College's contribution to 12% and 15% (as defined by the Admin Plan) for employees hired before July 2012 and 9% and 12% (as defined by the Admin Plan) for those employees hired after July 2012.

Employees who are members of Local 2110, United Auto Workers; members of Local 264, Transport Workers Union of America; and confidential employees are covered under a defined contribution plan established with Teachers Insurance and Annuity Association (the "Union Plan"). Under the Union Plan, eligible employees may make contributions into the Union Plan, up to the maximum allowed by the IRC. For the Union Plan, the College's contributions range from 2% to 12% of eligible compensation. There is no matching contribution in the Union Plan. Total pension expense for both plans for the years ended June 30, 2016 and 2015 was \$7.2 million and \$6.8 million, respectively.

#### **10. POSTRETIREMENT MEDICAL PLANS**

In addition to providing pension benefits, the College sponsors unfunded defined benefit postretirement medical plans. For nonunion employees to be eligible for the medical benefits, the employee must be at least 62 years old with at least 10 years of continuous service immediately prior to retirement or a total of age and years of service equal to 80 with a minimum of 15 years of service. For union employees to be eligible for the medical benefits, the employee must be at least 62 years old with at least 10 years of continuous service immediately prior to retirement.

The following tables identify the accumulated postretirement medical benefit obligation, the postretirement benefit obligation recognized in the accompanying statements of financial position, the net periodic postretirement medical benefit cost recognized in the accompanying statements of activities, and the related assumptions.

	<b>2016</b>	<b>2015</b>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 19,815	\$ 18,045
Service cost	789	715
Interest cost	894	797
Plan participants' contributions	112	118
Actuarial loss	2,664	640
Benefits paid	(483)	(500)
Postretirement benefit obligation at end of year	<u>\$ 23,791</u>	<u>\$ 19,815</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	\$ -	\$ -
Employer contributions	371	382
Plan participants' contributions	112	118
Benefits paid	(483)	(500)
Fair value of plan assets, end of year	<u>\$ -</u>	<u>\$ -</u>



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Net periodic benefit cost reported as operating expense for the years ended June 30, 2016 and 2015 included the following components:

	<b>2016</b>	<b>2015</b>
Service cost	\$ 789	\$ 715
Interest cost	894	797
Amortization of prior service credit	-	(21)
Recognized actuarial loss	<u>327</u>	<u>401</u>
Net periodic postretirement medical benefit cost	<u>\$ 2,010</u>	<u>\$ 1,892</u>

Postretirement cost other than net periodic benefit cost for the years ended June 30, 2016 and 2015 is as follows:

	<b>2016</b>	<b>2015</b>
Net loss for the year	\$ 2,664	\$ 640
Amortization of loss	(327)	(401)
Amortization of prior service cost	<u>-</u>	<u>21</u>
	<u>\$ 2,337</u>	<u>\$ 260</u>

Weighted average discount rate used to determine benefit obligations at June 30,	3.75%	4.75%
Weighted average discount rate used to determine net periodic benefit cost for the fiscal year ended June 30,	4.75%	4.50%

	<b>Union/ Nonunion</b>	<b>Union/ Nonunion</b>
Assumed healthcare cost trend rates:		
Healthcare cost trend rate	7.0%/7.0%	6.0%/6.0%
Healthcare cost trend assumed to decline	4.5%/4.5%	4.5%/4.5%
Ultimate trend rate achieved	2030	2030

The effect of a 1% change in trend rates on total service, interest cost, and the postretirement benefit obligation is as follows:

	<b>1% Increase</b>	<b>1% Decrease</b>
Effect on total service and interest cost component	\$ 223	\$ (179)
Effect on postretirement benefit obligation	2,597	(2,106)

**BARNARD COLLEGE**  
**Notes to Financial Statements**  
June 30, 2016 and 2015  
(Dollars in thousands)

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The items not yet recognized as a component of net periodic benefit cost are as follows:

	<u>2016</u>	<u>2015</u>
Net actuarial loss	\$ 8,211	\$ 5,874
Prior service credit	-	-
Total	<u>\$ 8,211</u>	<u>\$ 5,874</u>

The College makes contributions to the postretirement medical plans equal to the benefits paid on a pay-as-you-go basis. For faculty and administrators, the contributions are deposited into a health savings account on behalf of the retiree. For the years ending June 30, 2017 through June 30, 2026, the College expects to make contributions to and benefit payments from the plans, net of Medicare subsidy, as follows:

2017	\$ 751
2018	828
2019	900
2020	976
2021	1,046
2022 through 2026	6,604

## 11. LONG-TERM OBLIGATIONS

Long-term obligations consist of the following:

	<u>2016</u>	<u>2015</u>
Dormitory Authority of the State of New York, Barnard College Insured Revenue Bonds, Series 2007A. Interest at 4.00% to 5.00%, due serially to 2037	\$ 10,300	\$ 11,875
Dormitory Authority of the State of New York, Barnard College Revenue Bonds, Series 2008. Interest at variable rates due serially to 2023	5,490	6,150
Dormitory Authority of the State of New York, Barnard College Revenue Bonds, Series 2015A. Interest at 2.00% to 5.00%, due serially to 2026	109,035	109,035
Dormitory Authority of the State of New York, Series 2015B. Interest at variable rates, due in 2025	<u>297</u>	<u>297</u>
Total	125,122	127,357
 Add: unamortized bond premium	 <u>15,452</u>	 <u>15,972</u>
Total long-term obligations	<u>\$ 140,574</u>	<u>\$ 143,329</u>

**BARNARD COLLEGE**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**  
**(Dollars in thousands)**

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On July 11, 2007, the College entered into a loan agreement with the Dormitory Authority of the State of New York to issue \$48.42 million in Dormitory Authority of the State of New York Barnard College Insured Revenue Bonds, Series 2007A (“DASNY 2007A Bonds”). The loan is a general and unsecured obligation of the College. The DASNY 2007A Bonds were issued to refund and defease the \$23.715 million Dormitory Authority of the State of New York Barnard College Insured Revenue Bonds, Series 1996 (“DASNY 1996 Bonds”), to pay for a portion of the costs of the construction of a new approximately 100,000 square foot multipurpose facility, and to pay for other campus-wide renovations and maintenance projects (the “Diana Center and other projects”). The DASNY 2007A Bonds were issued at fixed interest rates of 4.00% to 5.00% and due serially to 2037.

On July 11, 2007, the College also entered into a separate loan agreement with the Dormitory Authority of the State of New York to issue \$32.6 million in Dormitory Authority of the State of New York Barnard College Insured Revenue Bonds, Series 2007B (“DASNY 2007B Bonds”) to pay for a portion of the costs of the construction of the Diana Center and other projects. The loan was a general and unsecured obligation of the College. The DASNY 2007B Bonds were insured variable rate bonds. On April 30, 2008, due to the downgrading of the bond insurer, the College elected to enter into a loan agreement with the Dormitory Authority of the State of New York to issue \$28.0 million in Dormitory Authority of the State of New York Barnard College Revenue Bonds, Series 2008 (“DASNY 2008 Bonds”). Proceeds from the DASNY 2008 Bonds along with approximately \$5.5 million from the College were used to refund and defease the outstanding DASNY 2007B Bonds. The DASNY 2008 Bonds are a general and unsecured obligation of the College. The DASNY 2008 Bonds were originally secured by a \$28.4 million irrevocable direct pay letter of credit with RBS Citizens, N.A., which was scheduled to expire on April 23, 2011. On October 1, 2009, the College entered into a Bond Purchase and Continuing Covenants Agreement (Purchase Agreement) with RBS Citizens, N.A., whereby RBS Citizens, N.A. purchased the \$27.5 million outstanding DASNY 2008 Bonds. In addition, the letter of credit provided by RBS Citizens, N.A. was canceled. Under the terms of the Purchase Agreement, the interest payments are now based on a combination of weekly LIBORs and a fixed fee from RBS Citizens, N.A. The average interest rate on the DASNY 2008 Bonds was approximately 2% in Fiscal 2016 and 2015.

In February 2004, the College entered into a loan agreement with the Dormitory Authority of the State of New York to issue \$28.9 million in Dormitory Authority of the State of New York Barnard College Insured Revenue Bonds, Series 2004 (“DASNY 2004 Bonds”). The loan agreement is a general and unsecured obligation of the College.

In March 2015, the College entered into a new loan agreement with the Dormitory Authority of the State of New York to issue \$109,035,000 in Dormitory Authority of the State of New York Barnard College Revenue Bonds, Series 2015A (“DASNY 2015A Bonds”). The proceeds of the DASNY 2015A Bonds will finance a portion of the costs of the construction of a new approximately 133,000 gross square foot multi-purpose facility at the College, as well as other campus-wide renovations and maintenance projects (the “Library and other projects”); refund and defease all of the outstanding DASNY 2004 Bonds; and refund and defease a portion of the DASNY 2007A Bonds and pay the costs of issuance for the DASNY 2015A Bonds. The College recorded a loss of \$1.3 million and \$2.7 million on the refunding of the DASNY 2004 Bonds and the partial refunding of the DASNY 2007A Bonds, respectively. This total loss of approximately \$4.0 million was comprised of the write-off of unamortized bond issuance costs and bond premiums and discounts as well as premiums paid on the redemptions. No redemption premiums were paid on these refundings as both the DASNY 2004 Bonds and the DASNY 2007A Bonds were redeemed at par.

**BARNARD COLLEGE**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**  
**(Dollars in thousands)**

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In May 2015, the College entered into a new loan agreement with the Dormitory Authority of the State of New York to issue up to \$36.2 million in Dormitory Authority of the State of New York Barnard College Revenue Bonds, Series 2015B (“DASNY 2015B Bonds”). The proceeds of the DASNY 2015B Bonds will finance a portion of the costs of the Library and other projects. The DASNY 2015B Bonds are issued as Draw-Down Bonds, which means the Purchaser, Citizens Funding Corp., shall fund the DASNY 2015B Bonds in installments based on the financing needs of the College. At June 30, 2016 and 2015, \$297 thousand of the DASNY 2015B Bonds were outstanding.

The DASNY 2015A Bonds and the DASNY 2015B Bonds are both secured by the pledge and assignment of tuition and fees charged to students for academic instruction by the College (the “Pledged Revenues”). Additionally, the College has entered into certain financial covenants with the DASNY in relation to the DASNY 2015A Bonds and the DASNY 2015B Bonds. The College was in compliance with these covenants as of June 30, 2016.

In accordance with the provisions of the loan agreements for the DASNY 2004, DASNY 2007A, DASNY 2008, DASNY 2015A, the College is required to deposit construction and reserve funds with the trustee. These funds with a fair value of approximately \$61 million and \$72.0 million at June 30, 2016 and 2015, respectively, were held in cash and U.S. governmental securities and are included in funds held by bond trustee in the accompanying statements of financial position.

The College capitalized bond issuance costs incurred in support of certain capital improvement projects. Total bond issuance costs capitalized as of June 30, 2016 and 2015 were approximately \$2.2 million and \$2.1 million, respectively, and are included in other assets in the accompanying statements of financial position. The College is amortizing the deferred issuance costs over the life of the bonds. Amortization expense for the years ended June 30, 2016 and 2015 was \$435 thousand and \$22 thousand, respectively.

Projected debt service payments on the long-term obligations as of June 30, 2016, for five years subsequent to June 30, 2016 and thereafter, are as follows:

<b>Fiscal</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 3,020	\$ 5,744	\$ 8,764
2018	3,145	5,619	8,764
2019	3,285	5,488	8,773
2020	4,500	5,373	9,873
2021	4,992	5,193	10,185
Thereafter	106,180	61,071	167,251
	<u>\$ 125,122</u>	<u>\$ 88,488</u>	<u>\$ 213,610</u>

Interest payments included in the above chart for the DASNY 2008 Bonds and the DASNY 2015B Bonds were calculated on the basis of an assumed interest rate of 4% and 2% per annum, respectively.

Interest expense for the years ended June 30, 2016 and 2015 amounted to approximately \$3.9 million and \$2.9 million, respectively.

The estimated fair value of the College’s outstanding bonds at June 30, 2016 and 2015 was approximately \$147 million and \$140 million, respectively.

**BARNARD COLLEGE**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**  
**(Dollars in thousands)**

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**12. INTERCORPORATE AGREEMENT**

An intercorporate agreement between the College and Columbia University provides for payment for the exchange of certain services between the two institutions. These services include cross-registration for students, College services, faculty exchange, athletics, and certain special services and support costs.

The statements of activities include expenses in the amount of approximately \$5.7 million and \$5.5 million for the years ended June 30, 2016 and 2015, respectively, for services provided under the terms of the agreement.

**13. NET ASSETS**

Temporarily restricted net assets are available for the following purposes at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Instruction, research, and library	\$ 66,287	\$ 75,503
Financial aid	50,038	61,956
Plant improvements	54,739	15,814
Gifts to be designated	3,307	2,511
Time restricted pledges	-	188
	<u>\$ 174,371</u>	<u>\$ 155,972</u>

Permanently restricted net assets are as follows at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Investments to be held in perpetuity, the earning from which are expendable to support:		
Financial aid	\$ 83,138	\$ 76,634
Instructional and other programs	<u>84,731</u>	<u>80,869</u>
	<u>\$ 167,869</u>	<u>\$ 157,503</u>

**14. COMMITMENTS AND CONTINGENCIES**

The College is a defendant in various lawsuits. Management of the College is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the College's financial position.

The College receives significant federal and state grants which are subject to audit by federal agencies. Management is of the opinion that disallowances, if any, would not have a significant effect on the financial position or changes in net assets of the College.

As of June 30, 2016, the College had a credit facility for \$5.0 million with RBS Citizens, with no outstanding borrowing. This line of credit was set to expire on September 15, 2016. Subsequent to June 30, 2016, the line of credit was renewed through April 1, 2018.

**BARNARD COLLEGE**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**  
**(Dollars in thousands)**

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The College has entered into certain noncancellable operating lease agreements and an employment agreement. The commitments under such agreements provide for minimum annual payments as follows:

**Year ending June 30:**

2017	\$ 2,418
2018	<u>610</u>
	<u>\$ 3,028</u>

Rental expense for the years ended June 30, 2016 and 2015 totaled approximately \$2.5 million and \$2.4 million, respectively.

**BARNARD COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2016**

<b>Federal Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass - Through Number</b>	<b>Expenditures</b>	<b>Provided to Subrecipients</b>
U.S. Department of Education:				
Federal Student Financial Assistance Cluster - Direct:				
Federal Direct Student Loans (Note 2)	84.268	N/A	\$ 8,939,454	\$ -
Federal Perkins Loan Program (Note 2)	84.038	N/A	1,437,310	-
Federal Pell Grant Program	84.063	N/A	2,145,071	-
Federal Work-Study Program	84.033	N/A	231,434	-
Federal Supplemental Educational Opportunity Grant Program	84.007	N/A	196,189	-
Total Federal Student Financial Assistance Cluster			<u>12,949,458</u>	<u>-</u>
Research and Development Cluster:				
National Science Foundation - Direct:				
Barnard Robert Noyce Teacher Scholars Program	47.076	N/A	196,003	-
Collaborative Research: Lit: Vulnerability of Tropical Climate Warming Maximizing Recruitment, Persistence, and Success of Undergraduate Women in Science	47.074	N/A	10,297	-
RUI: Pubertal Maturation of the Hypothalamic-Pituitary-Adrenal Axis	47.076	N/A	68,874	-
3-Manifolds and Geometry	47.074	N/A	12,341	-
Particle Astrophysics at TeV Energies with VERITAS (Note 3)	47.049	N/A	22,645	-
Collaborative Research: MRI Consortium: Development of a Novel Telescope for Very High Energy Gamma-Ray Astrophysics (Note 3)	47.049	N/A	190,367	48,062
Foundations of the Theory of J-Holomorphic Curves (Note 3)	47.049	N/A	535,152	47,140
Regulatory Properties of Stationary and Evolution Free Boundary Problems	47.049	N/A	98,252	44,481
The Archaeology of Native American Expansion	47.079	N/A	58,731	-
RUI: Quantitative Analysis of Brain Clock Oscillations and Associated Cellular Contact and Morphologies	47.075	N/A	13,178	-
Coastal SEES (Track 2), Collaborative: Developing High Performance Green Infrastructure	47.074	N/A	219,083	-
Systems to Sustain Coastal Cities	47.041	N/A	85,031	-
Collaborative Research: Discordant Models of Testosterone Function	47.075	N/A	88,747	-
The Responsibility of Judges to Assure Due Process: Tension among Neutrality, Rights Protection, and Role (Note 3)	47.075	N/A	149,890	17,595
RUI: Neural Basis of Pubertal Shifts in Stress Reactivity	47.074	N/A	94,197	-
RUI: Energetics and Dynamics of an Electron-Transfer Protein from a Psychophilic Hydrocarbonoclastic Microorganism	47.049	N/A	30,595	-
RAPID: Sovereignty, Rights, Justice and the Manus Island Detention Center, Papua New Guinea	47.075	N/A	173	-
Collaborative Research: RUI: The Neural Basis of Becoming a Parent: From Genotype to Phenotype	47.074	N/A	70,882	54,193
Collaborative Research: The Expanding Hydrological and Biogeochemical Footprint of Groundwater Flow Reversals Induced by Extensive Groundwater Pumping in South and Southeast Asia	47.050	N/A	2,482	-
Topological methods in Singularity Theory	47.049	N/A	10,500	-
RUI: Lead Interactions with Metallothionein-3	47.049	N/A	8,543	-
The Definition, Acquisition, and Fracture of Land Rights	47.075	N/A	26,477	-
Designing and Characterizing Highly Selective Heterogenous Catalysts for Hydrodeoxygenating Bio-Oils	47.049	N/A	970	-
RUI: Collaborative unPAK: Undergraduate Phenotyping Arabidopsis Knockouts: A Distributed Genomic Approach to Examine Evolutionarily Important Traits	47.074	N/A	83,603	-
Total National Science Foundation - Direct			<u>2,077,013</u>	<u>211,471</u>

**BARNARD COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2016**

<b>Federal Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass - Through Number</b>	<b>Expenditures</b>	<b>Provided to Subrecipients</b>
National Science Foundation- Pass-through:				
Pass-through NCSCE - Brownfield Action Website/Database and SENCER SALG Course Development and Maintenance	47.076	11224488	\$ 2,997	\$ -
Pass-through Vassar College Summer STEM Teaching Experiences for Undergraduates from Liberal Arts Institutions	47.076	1525691-3	848	-
Total National Science Foundation - Pass-through			3,845	-
Total National Science Foundation - Direct & Pass Through			2,080,858	211,471
National Aeronautics and Space Administration-Pass-through:				
Pass-through Cornell University - NASA New York Space Grant	43.008	61420-9280	5,700	-
National Institute for Alcohol Abuse and Alcoholism - Pass-through:				
Pass-through The University of Tennessee - The Research Foundation of SUNY - Developmental Exposure Alcohol Research Center	93.273	1105786-58955	16,068	-
U.S. Department of Energy- Direct:				
Linking AS,SE, V and MN Behavior to Natural and Biostimulated Uranium Cycling (Note 3)	81.049	N/A	5,173	4,000
U.S. Department of Energy- Pass-through:				
Montana State University - Big Sky Regional Carbon Sequestration Partnership - Phase III	81.089	G140-12-W3521	9,274	-
Total U.S. Department of Energy - Direct & Pass-Through			14,447	4,000
U.S. Department of State- Direct:				
Preserving the Transmission of Cultural Knowledge through Malagan Carving of New Ireland, PNG Cultural Preservation Project	19.025	N/A	24,653	-
U.S. Department of Agriculture - National Honey Board - Direct:				
The Effects of Inducible Reactive Oxygen Species Production on Nosema Ceranane Infection	10.025	N/A	11,251	-
U.S. Department of Health and Human Services - Direct:				
Sensory and Perceptual Factors in Spoken Communication	93.173	N/A	193,808	-
Time and Associative Learning (Note 3)	93.242	N/A	274,531	63,488
The Creation and Enhancement of Language	93.173	N/A	22,879	-
Modulation of Fear Memory by Corticotrophin-Releasing Factor in the Amygdala	93.242	N/A	3,543	-
Construction and Union of 2-Amino Sugar Building Blocks	93.859	N/A	84,694	-
Characterizing the Structure of Alkane Hydroxylase (ALKB) and Related Doiron Enzymes	93.859	N/A	118,742	-
Modulation of Fear Conditioning by Extended Amygdala Circuits	93.242	N/A	22,236	-
The Interface of Learning and Spatial-Numerical Skills	93.865	N/A	131,206	-
Total U.S. Department of Health and Human Services - Direct			851,639	63,488
U.S. Department of Health and Human Services - Pass-through:				
Pass-through Columbia University - Health Effects and Geochemistry of Arsenic and Manganese Project 4&5	93.143	5-76941/5-76940	77,489	-
Total U.S. Department of Health and Human Services			929,128	63,488
Total Research and Development Cluster			3,082,105	278,959
Total Expenditures of Federal Awards			\$ 16,031,563	\$ 278,959



# BARNARD COLLEGE

## Notes to the Schedule of Expenditures of Federal Awards

For the year ended June 30, 2016

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### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Barnard College (the "College") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the provisions of the Title 2 *U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### 2. STUDENT LOAN PROGRAMS

With respect to the Federal Direct Student Loan Programs (including Federal Stafford Student Loans and Federal PLUS Loans), the College is responsible only for the performance of certain administrative duties. Therefore, the balances of loans outstanding and transactions related to these programs are not included in the College's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the College under those programs at June 30, 2016.

The federal student loan program listed below is administered directly by the College, and balances and transactions relating to this program are included in the College's financial statements. Loan activities and balances consist of the following:

	Federal CFDA Number	Balance as of July 1, 2015	Loans issued	Payments received	Balance as of June 30, 2016
Perkins Loan Program	84.038	\$ 1,377,582	59,728	(247,010)	1,190,300

### 3. INDIRECT COST RATE

Indirect costs allocated to such awards for the year ended June 30, 2016, were based on predetermined rates negotiated with the College's cognizant federal agency, the U.S. Department of Health and Human Services ("DHHS"). In addition, the College has not elected to use the 10% de minimus cost rate as provided by 2 C.F.R. §200.414 Indirect (F&A) costs.

# **BARNARD COLLEGE**

## **Notes to the Schedule of Expenditures of Federal Awards** **For the year ended June 30, 2016**

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### **4. SUBRECIPIENTS**

Of the federal expenditures presented on the accompanying schedule, the College provided federal awards to subrecipients as follows:

<b>Program Title</b>	<b>CFDA Number/ Contract Number</b>	<b>Provided to Subrecipients</b>
Linking AS, SE, V and MN Behavior to Natural and Biostimulated Uranium Cycling	81.049	\$ 4,000
Time and Associative Learning	93.242	63,488
Foundations of the Theory of J-holomorphic Curves	47.049	44,481
The Responsibility of Judges to Assure Due Process: Tension Among Neutrality, Rights Protection and Role	47.075	17,595
Collaborative Research: RUI: The Neural Basis of Becoming a Parent From Genotype to Phenotype	47.074	54,193
Collaborative Research: MRI Consortium: Development of a Novel Telescope for Very High-Energy Gamma-Ray Astrophysicist	47.049	47,140
Particle Astrophysics at TeV Energies with VERITAS	47.049	48,062
		<u>\$ 278,959</u>

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of  
**Barnard College:**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Barnard College (the “College”), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College’s internal control over financial reporting (“internal control”) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the College’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the College’s internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Intended purpose**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

New York, New York  
October 12, 2016

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON  
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees of  
**Barnard College:**

**Report on compliance for each major federal program**

We have audited the compliance of Barnard College (the “College”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The College’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Our audit of, and opinion on, the College’s compliance for each major federal program does not include the compliance requirements governing student loan repayments under the federal Perkins loan program, because the College engaged University Accounting Service, LLC to perform these compliance activities. This third-party servicer has obtained a compliance examination from another practitioner for the year ended June 30, 2016 in accordance with the U.S. Department of Education’s Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*.

**Management’s responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to the College’s federal programs.

**Auditor’s responsibility**

Our responsibility is to express an opinion on compliance for each of the College’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for*

*Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

### **Opinion on each major federal program**

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Other matters**

The results of our audit procedures disclosed instances of noncompliance, described in the accompanying schedule of findings and questioned costs as item 2016-001 that are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to these matters.

The College's response to the noncompliance finding identified in our audit, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the College's response.

### **Report on internal control over compliance**

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

As described in our Report on Compliance for Each Major Federal Program above, this Report on Internal Control Over Compliance does not include the results of the other auditors' testing of internal control over compliance that is reported on separately by those auditors.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over

compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, we identified a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency in the College's internal control over compliance.

The College's response to the finding on internal control over compliance identified in our audit, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the College's response.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

New York, New York  
March 10, 2017

**BARNARD COLLEGE**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2016**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial statements:**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

**Federal awards:**

Internal control over the major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☒ yes ☐ none reported

Type of auditors' report issued on compliance for the major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 516(a) of the Uniform Guidance? ☒ yes ☐ no

**Identification of the major programs:**

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>
Student Financial Assistance Cluster	84.268, 84.038, 84.063, 84.033, 84.007
Research & Development Cluster	10.025, 19.025, 43.008, 47.041, 47.049, 47.074, 47.075, 47.076, 47.079, 81.049, 81.089, 93.143, 93.173, 93.242, 93.859, 93.865, 47.050, 93.273

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no



# **BARNARD COLLEGE**

## **Schedule of Findings and Questioned Costs (continued)**

**For the year ended June 30, 2016**

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### **SECTION II - FINANCIAL STATEMENT FINDINGS**

None noted.

### **SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Finding Reference: No. 2016-001 - Special Tests and Provisions - Student Status Change**

**U.S. Department of Education - Student Financial Assistance Cluster**

**Award Year: 2016**

**Federal Direct Student Loan - CFDA #84.268**

**Federal Pell Grant Program - CFDA #84.063**

#### **Criteria:**

Under the Pell grant and ED loan programs, institutions must complete and return within 15 days the Enrollment Reporting roster file [formerly the Student Status Confirmation Report (SSCR)] placed in their Student Aid Internet Gateway (SAIG) (*OMB No. 1845-0002*) mailboxes sent by ED via NSLDS (*OMB No.1845-0035*). The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website (FPL, 34 CFR section 674.19; Pell, 34 CFR section 690.83(b) (2); FFEL, 34 CFR section 682.610; Direct Loan, 34 CFR section 685.309).

#### **Condition and Effect:**

Enrollment Reporting roster file was not reported to NSLDS within the stipulated time frame.

#### **Context:**

From a total sample of forty (40) students selected for testing, the student enrollment status information for eleven (11) students was not submitted with the stipulated timeframe. These submissions ranged from 73 to 349 days late.

#### **Questioned Costs:**

None noted.

#### **Recommendation:**

We recommend that the College strengthen its procedures governing enrollment reporting and, devote the necessary resources, as appropriate, such that student status change information is submitted to the NSLDS in a timely fashion.

#### **Views of Responsible Officials:**

The College acknowledged this requirement was not met in fiscal 2016 for a number of students. Appropriate procedures will be developed to ensure compliance going forward.