



BANK STREET COLLEGE OF EDUCATION

Financial Statements and
Supplementary Information on
Federal Awards Programs

June 30, 2016

(With Independent Auditors' Report Thereon)

BANK STREET COLLEGE OF EDUCATION

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees
Bank Street College of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of Bank Street College of Education (the College), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2016 is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the 2016 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2016 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 financial statements or to the 2016 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 2016 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 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 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.

KPMG LLP

November 17, 2016, except for our report on the schedule of expenditures of federal awards, for which the date is March 30, 2017

BANK STREET COLLEGE OF EDUCATION

Statements of Financial Position

June 30, 2016 and 2015

Assets	2016	2015
Cash and cash equivalents	\$ 13,106,273	10,008,580
Student accounts and loans receivable, net	834,321	860,403
Grants and contracts receivable	3,517,583	3,765,611
Contributions and other receivables, net (note 3)	4,739,657	3,820,756
Bookstore receivables	757,470	1,912,340
Bookstore inventory, net	744,758	253,936
Prepaid expenses and other assets	1,443,321	1,296,007
Investments (note 4)	41,003,357	37,708,178
Deposits held by third parties (note 5)	394,942	747,916
Property and equipment, net (note 6)	14,428,274	14,196,968
Total assets	<u>\$ 80,969,956</u>	<u>74,570,695</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,601,803	5,566,009
Deferred revenue:		
Tuition and fees	7,895,681	8,430,017
Grants and contracts	488,374	188,350
Refundable government loan program	622,989	621,787
Bonds payable, net (notes 5 and 7)	2,029,631	2,511,866
Conditional asset retirement obligations	517,296	495,020
Postretirement health benefit plan (note 8)	8,505,400	7,804,847
Total liabilities	<u>25,661,174</u>	<u>25,617,896</u>
Net assets:		
Unrestricted:		
Undesignated	16,499,800	17,685,803
Board of Trustees designated for endowment (note 9)	835,412	912,647
	<u>17,335,212</u>	<u>18,598,450</u>
Temporarily restricted (notes 9 and 10)	14,193,061	11,271,858
Permanently restricted (notes 9 and 11)	23,780,509	19,082,491
Total net assets	<u>55,308,782</u>	<u>48,952,799</u>
Total liabilities and net assets	<u>\$ 80,969,956</u>	<u>74,570,695</u>

See accompanying notes to financial statements.

BANK STREET COLLEGE OF EDUCATION

Statements of Activities

Years ended June 30, 2016 and 2015

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	2016				2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating activities:								
Revenues, gains, and other support:								
Tuition and fees	\$ 40,055,718	—	—	40,055,718	40,075,003	—	—	40,075,003
Less tuition discounts and scholarships	(5,974,856)	—	—	(5,974,856)	(6,270,954)	—	—	(6,270,954)
	34,080,862	—	—	34,080,862	33,804,049	—	—	33,804,049
Contributions	2,017,711	6,502,504	—	8,520,215	1,741,011	926,003	—	2,667,014
Grants and contracts (note 12)	16,785,251	—	—	16,785,251	13,719,651	—	—	13,719,651
Auxiliary activities	2,931,567	—	—	2,931,567	5,593,243	—	—	5,593,243
Investment returns utilized in operations (note 4)	457,128	921,923	—	1,379,051	427,715	822,504	—	1,250,219
Other revenues	282,737	—	—	282,737	490,883	—	—	490,883
Net assets released from restrictions	2,563,324	(2,563,324)	—	—	1,781,986	(1,781,986)	—	—
Total revenues, gains, and other support	59,118,580	4,861,103	—	63,979,683	57,558,538	(33,479)	—	57,525,059
Expenses (note 13):								
Instruction	23,963,675	—	—	23,963,675	24,684,030	—	—	24,684,030
Grants and contracts	15,172,951	—	—	15,172,951	12,230,186	—	—	12,230,186
Auxiliary activities	3,729,890	—	—	3,729,890	6,117,532	—	—	6,117,532
Institutional support	15,473,674	—	—	15,473,674	16,052,536	—	—	16,052,536
Total expenses	58,340,190	—	—	58,340,190	59,084,284	—	—	59,084,284
Changes in net assets from operating activities	778,390	4,861,103	—	5,639,493	(1,525,746)	(33,479)	—	(1,559,225)
Nonoperating activities:								
Contributions	—	—	4,698,018	4,698,018	—	—	853,485	853,485
Adjustment to recognize funded status of postretirement health benefit plan (note 8)	(336,769)	—	—	(336,769)	1,185,142	—	—	1,185,142
Investment returns less than amount utilized in operations (note 4)	(1,177,032)	(1,939,900)	—	(3,116,932)	(301,993)	(521,313)	—	(823,306)
Capital campaign expenses	(527,827)	—	—	(527,827)	(123,565)	—	—	(123,565)
Changes in net assets from nonoperating activities	(2,041,628)	(1,939,900)	4,698,018	716,490	759,584	(521,313)	853,485	1,091,756
Changes in net assets	(1,263,238)	2,921,203	4,698,018	6,355,983	(766,162)	(554,792)	853,485	(467,469)
Net assets, beginning of year	18,598,450	11,271,858	19,082,491	48,952,799	19,364,612	11,826,650	18,229,006	49,420,268
Net assets, end of year	\$ 17,335,212	14,193,061	23,780,509	55,308,782	18,598,450	11,271,858	19,082,491	48,952,799

See accompanying notes to financial statements.

BANK STREET COLLEGE OF EDUCATION

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Changes in net assets	\$ 6,355,983	(467,469)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,969,352	1,882,049
Amortization of bond discount/premium and bond issuance costs	7,765	28,431
Permanently restricted contributions	(608,453)	(853,485)
Donated securities	(4,089,565)	—
Net depreciation in fair value of investments	2,386,840	178,461
Bad debt expense	(150,640)	45,133
Loss on the disposal of assets	—	9,500
Changes in assets and liabilities:		
Student accounts and loans receivable	103,743	(132,035)
Grants and contracts receivable	248,028	(1,323,000)
Contributions (excluding permanently restricted contributions) and other receivables	(1,643,264)	318,783
Bookstore receivables	1,143,874	(1,234,639)
Bookstore inventory	(490,822)	285,558
Prepaid expenses and other assets	(147,314)	51,392
Accounts payable and accrued expenses	(758,148)	(694,804)
Deferred tuition and fees	(534,336)	147,621
Deferred grant and contracts revenue	300,024	89,932
Conditional asset retirement obligations	22,276	21,317
Postretirement health benefit plan	700,553	(507,949)
Net cash provided by (used in) operating activities	<u>4,815,896</u>	<u>(2,155,204)</u>
Cash flows from investing activities:		
Purchases of investments	(23,146,462)	(21,455,035)
Proceeds from sale of investments	22,546,137	21,344,481
Increase in cash and cash equivalents held for long-term investment	(992,129)	(1,038,461)
Purchases of property and equipment	(1,406,716)	(2,752,211)
Net cash used in investing activities	<u>(2,999,170)</u>	<u>(3,901,226)</u>
Cash flows from financing activities:		
Deposits held by third parties	352,974	499,789
Principal payments on bonds	(490,000)	(460,000)
Permanently restricted contributions	608,453	853,485
Decrease in permanently restricted contributions receivable	808,338	582,679
Change in refundable government loan program	1,202	(8,092)
Net cash provided by financing activities	<u>1,280,967</u>	<u>1,467,861</u>
Increase (decrease) in cash and cash equivalents	3,097,693	(4,588,569)
Cash and cash equivalents, beginning of year	<u>10,008,580</u>	<u>14,597,149</u>
Cash and cash equivalents, end of year	<u>\$ 13,106,273</u>	<u>10,008,580</u>
Supplemental disclosures:		
Cash paid for interest	\$ 134,730	150,483
Change in accounts payable for capital expenditures	793,942	90,947

See accompanying notes to financial statements.

BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

(1) Organization

Bank Street College of Education (the College) is an independent coeducational institution offering an elementary school (Bank Street School for Children), a graduate teachers' college, and a family and childcare center and providing professional development and education in accordance with grants and contracts. Additional children's programs include a Head Start Center which serves children from low-income families; and a Liberty LEADS program, which is a high school readiness and prevention program for at-risk students. The College also has auxiliary activities, including a bookstore and a cafeteria. The College derives its operating revenues principally from student tuition and fees as well as government and private grants, contributions, and distributions from its endowment. The College spends these resources to meet the instructional and educational mission of the College.

The College is an organization described under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, is exempt from federal income taxes under Section 501(a) of the Code and a similar provision of the State of New York income tax law. Accordingly, the College is not subject to income taxes except to the extent it has taxable income from activities unrelated to its exempt purpose. The College recognizes the benefits of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes was required in 2016 or 2015.

(2) Summary of Significant Accounting Policies

The significant accounting policies of the College are described below:

(a) Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The most significant management estimates and assumptions relate to the determination of postretirement health benefit plan obligations; allowances for uncollectible accounts relating to student accounts and loans, and contribution receivable; conditional asset retirement obligations; and estimated useful lives of buildings, building improvements, and equipment. Actual results could differ from those estimates.

Net assets are classified as unrestricted, temporarily restricted, or permanently restricted based upon the existence or absence of donor-imposed restrictions limiting the use of the contributed assets as follows:

Unrestricted – include expendable resources that are used to carry out the College's operations and are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the College's Board of Trustees or may be limited by contractual agreements with outside parties.

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BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

Temporarily Restricted – include net assets subject to donor-imposed restrictions that either expire with the passage of time or can be fulfilled by the actions of the College pursuant to those restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions are met in the same accounting period in which the contribution is received, such amounts are reported as changes in unrestricted net assets.

Permanently Restricted – include net assets subject to donor-imposed restrictions that require the corpus to be maintained permanently (note 9). The donors of these assets typically permit the College to use the income and appreciation on related investments for general or specific purposes.

Revenues and other income are reported as changes in unrestricted net assets unless limited by explicit donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

The statements of activities distinguish between operating and nonoperating activities. Operating activities include all revenues, gains, and expenses that are an integral part of the College's educational programs and supporting activities. Nonoperating activities include investment returns in excess of or less than distributions from the endowment and Board of Trustees designated investments, contributions to the endowment, certain changes to postretirement benefit obligations, capital campaign expenses, and other nonrecurring items, if any.

(b) *Cash and Cash Equivalents*

Cash and cash equivalents include all money market funds and highly liquid financial instruments with original maturities of three months or less, except for such instruments purchased as part of the College's ongoing investment activities.

(c) *Concentration of Credit Risk*

Financial instruments that potentially subject the College to concentrations of credit and market risk consist principally of cash and cash equivalents and investments on deposit with financial institutions that exceed the Federal Deposit Insurance Corporation (FDIC) limit. The College does not believe that a significant risk of loss due to the failure of a financial institution is likely.

(d) *Bookstore Inventory*

Inventories are stated at the lower of cost or market, less an estimated reserve for obsolete and slow-moving items.

(Continued)

BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

(e) Investments and Investment Returns

Investments include the following:

- Endowment funds permanently restricted by donors for:
 - General purposes of the College
 - Specific programs
 - Student financial assistance:
 - Scholarships with unique criteria
 - General tuition discounts and scholarships
- Funds temporarily restricted by donors for purposes other than endowments
- Unrestricted funds designated as an endowment by the Board of Trustees
- Other unrestricted funds
- Unexpended investment returns on each of the above categories

Investments and deposits held by third parties are reported at fair value. The College uses a hierarchy of measuring fair value established in GAAP that prioritizes observable and unobservable input techniques for fair value measurements. Level 1 inputs are the highest priority and Level 3 inputs are the lowest priority. A financial instrument's level is the lowest level of input that is significant to its fair value measurement, as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets.

Level 2 – Quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are not considered active; observable inputs other than quoted prices; or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs.

Investment returns reported in the accompanying statements of activities include dividends, interest income, and realized and unrealized appreciation and depreciation in fair values, net of investment management and transaction fees. Securities transactions are recorded on a trade-date basis, dividends are recorded as of the ex-dividend date and interest income is recorded on the accrual basis.

The Board of Trustees has authorized a spending policy which stipulates the aggregate annual distribution to the College from the unrestricted portion of the endowment will be an amount not to exceed 4% of the average market value of such portion of the endowment as of the twelve immediately preceding quarters. The distribution from the restricted portion of the endowment will be made in accordance with the terms of each applicable gift and, to the extent consistent with such terms, in accordance with the spending policy applicable to the unrestricted portion of the endowment.

(Continued)

BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

Net investment returns on the unrestricted portion of the endowment to the extent of the distribution authorized by the Board of Trustees are reported as unrestricted operating revenues. The remaining net investment returns on endowment funds restricted by donors are reported in temporarily restricted nonoperating activities. The remaining net investment returns on unrestricted funds designated as an endowment by the Board of Trustees and other unrestricted funds are reported in unrestricted nonoperating activities.

Net investment returns on endowment funds designated by donors and on funds temporarily restricted by donors for purposes other than endowments are reported in temporarily restricted nonoperating activities until authorized for expenditure and expended for the designated purposes, at which time the amounts are reported as net assets released from restrictions.

If as a result of net investment losses, the fair value of invested endowment funds restricted by donors is less than the related donors' original gift amounts, the deficiency is reported as a reduction of unrestricted net assets in nonoperating activities. Subsequent net investment income related to those invested endowment funds is reported as an increase in unrestricted net assets in nonoperating activities until the deficiency is eliminated.

(f) Property and Equipment

Property and equipment with an acquisition cost of \$500 or more are capitalized at cost at the date of acquisition or fair value, estimated when necessary, at the date of contribution, if donated. The College's building and equipment are depreciated using the straight-line basis over their estimated useful lives. The estimated useful lives of the College's property and equipment follow:

Building	50 years
Building improvements	5–25 years
Furniture and equipment	5–10 years
Computer equipment	5 years

Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining life of the related lease on a straight-line basis.

(g) Contributions

Gifts and pledges representing unconditional promises to give are recognized at fair value as revenues in the period received or pledged, respectively. Noncash gifts and pledges are recorded at their fair value, using quoted market prices, market prices for similar assets, independent appraisals, or estimated when necessary. Pledges are recorded net of an allowance for estimated uncollectible amounts. Pledges that will be received over periods in excess of one year are discounted to present value at a risk-adjusted rate at the date of the contribution. Amortization of the discounts in subsequent periods is reported as additional contribution revenue.

(Continued)

BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

Contributions, including cash or other assets, to be used to acquire long-lived assets are reported as additions to temporarily restricted net assets. Restrictions are considered released when the long-lived assets are placed in service. Gifts that are subject to time or other purpose restrictions are reported as temporarily restricted revenue and released to unrestricted net assets when donor restrictions are fulfilled. Gifts received for endowment investment are held in perpetuity and recorded as permanently restricted revenue. Conditional promises to give are not recorded until donor-imposed conditions have been substantially met.

(h) Refundable Government Loan Program

Funds provided by the U.S. government under the Federal Perkins Loan program are loaned to qualified students and may be reloaned after collection. These funds are ultimately refundable to the U.S. government and are presented in the accompanying statements of financial position as a liability.

(i) Conditional Asset Retirement Obligations

The College has conditional asset retirement obligations associated with asbestos in its building. Those obligations are defined as legal obligations associated with the retirement of tangible long-lived assets in which the timing and/or method of settlement is conditional on a future event that may or may not be within the control of the College.

(j) Postretirement Health Benefit Plan

The College has an unfunded postretirement health benefit plan for retirees and their spouses and accrues the cost of the benefits during the employees' active service period.

(k) Endowments

The College has endowment funds permanently restricted by donors where the donors have specified that the gift amounts be invested and only the related investment returns may be spent for the donor-restricted purposes. The Board of Trustees has interpreted The New York Prudent Management of Institutional Funds Act as requiring the College, absent explicit donor stipulations to the contrary, to act in good faith and with the care that an ordinary person in a like position would exercise under similar circumstances in making determinations to authorize for expenditure and accumulate endowment funds, taking into account both its obligation to preserve the value of the endowment and its obligation to use endowment funds to achieve the purpose for which it was donated.

The College reports as permanently restricted net assets the original fair value of gifts donated to permanent endowments and accumulations, if any, to the permanent endowments required by the applicable donors' gift instruments. The remaining portion of donor-restricted endowment funds that is not reported as permanently restricted net assets is reported as temporarily restricted net assets until such amounts are authorized for expenditure by the Board of Trustees and expended for the designated purpose, at which time the amounts are reported as net assets released from restrictions. If the authorization is for expenditure in a future year, the amounts are reported as net assets released from restrictions in that year.

The College also has Board of Trustees designated endowment funds that are reported as unrestricted net assets as there are no donor-imposed restrictions applicable to such funds.

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BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

The College's endowment funds investment goal is to generate total returns (dividends and interest income together with increases in fair value) that provide a relatively predictable source of funds to fulfill the endowments' designated purposes while maintaining the investments' long-term earning power. Specifically, the College seeks to realize an average return (net of all investment fees and expenses) equal to or exceeding the authorized annual distributions plus the inflation rate as measured by the Consumer Price Index. To achieve the desired returns, the College has typically allocated investments among four categories. Three of the categories are based on the investments exhibited volatility of total returns and the fourth category is based on an investment's perceived ability to hedge against inflation as measured by the Consumer Price Index. Although the short-term commitments to these four categories may fluctuate over time, the long-range allocation ranges are as follows: high volatility, 30–60%; moderate volatility, 15–35%; low volatility, 15–50%; and inflation hedges, 0–15% (note 4).

(l) Revenue

Tuition and fees are recognized as revenues in the period in which the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.

Grants received are recognized as revenues in the period in which the related professional development and education are performed. Unrecognized portions are reported as deferred revenues.

Revenues from auxiliary activities, such as the cafeteria and the bookstore, are recorded at time of delivery of products or services.

(m) Sabbatical Program

The College has a sabbatical leave program for professional employees. After each 10 years of service, those employees may spend the equivalent of 6 months in preapproved professional development activities, an exchange that mutually beneficial to the individual and the College. During the 10-year service period there is no liability recognized for costs associated with this program.

(n) Reclassifications

Certain reclassifications of 2015 amounts have been made to conform to the 2016 presentation.

(o) Recent Accounting Pronouncement

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Codification Update 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASC Update 2015-03 revises the presentation guidance for debt issuance costs related to a recognized debt liability. The effect of this update is to present the debt issuance costs as a direct deduction to the liability on the statements of financial position and retrospective application is required. The College reclassified \$134,011 of unamortized debt issuance costs from deferred financing costs to bonds payable at June 30, 2015,

(Continued)

BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

(p) Subsequent Events

Management of the College has evaluated all transactions and events that occurred after June 30, 2016 through November 17, 2016, the date the accompanying financial statements were available to be issued and has concluded that there are no additional subsequent events for disclosure.

(3) Contributions and Other Receivables

Contributions and other receivables, net, consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Contributions receivable	\$ 3,939,581	2,720,306
Other receivables	891,141	1,291,656
	<u>4,830,722</u>	<u>4,011,962</u>
Less allowance for uncollectible contributions receivable	<u>(18,350)</u>	<u>(51,163)</u>
	4,812,372	3,960,799
Discount to present value (at risk-adjusted rates of 3.5%–4.5%)	<u>(72,715)</u>	<u>(140,043)</u>
Total contributions and other receivables	<u>\$ 4,739,657</u>	<u>3,820,756</u>

Gross contributions and other receivables are expected to be collected in:

	<u>2016</u>	<u>2015</u>
Due within one year	\$ 3,676,133	2,190,680
Due in one to five years	1,036,425	1,791,282
Due in more than five years	<u>118,164</u>	<u>30,000</u>
	<u>\$ 4,830,722</u>	<u>4,011,962</u>

As of June 30, 2016 and 2015, 47% and 22% of the gross contributions receivable were due from two donors and one donor, respectively.

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BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

(4) Investments

The College's investments, all of which were Level 1 fair value measurements, with the exception of CMO and asset-backed securities, which are considered Level 2 fair value investments, consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Funds managed by external investment managers:		
Cash and cash equivalents	\$ 1,394,008	1,045,464
Equity securities:		
Domestic	16,048,107	15,582,571
International	316,893	345,434
Fixed-income securities:		
U.S. government and agency	2,643,510	1,603,487
Corporate bonds – Domestic	3,752,399	3,643,846
CMO and asset backed	571,650	997,170
Other	242,428	16,511
Mutual funds:		
Equity securities – International	—	1,862,200
Equity securities – Domestic	4,800,551	—
Fixed-income securities – Domestic	5,474,351	5,477,095
Exchange traded funds:		
Domestic	2,921,186	3,927,903
International	—	1,011,808
	<u>38,165,083</u>	<u>35,513,489</u>
Cash held by the College for investment purposes	2,838,274	2,194,689
	<u>\$ 41,003,357</u>	<u>37,708,178</u>

Investments at fair value are distributed amongst the following net asset categories at June 30:

	<u>2016</u>	<u>2015</u>
Permanently restricted net assets (note 11)	\$ 22,242,798	16,736,442
Temporarily restricted net assets	8,100,684	9,150,502
Unrestricted net assets	<u>10,659,875</u>	<u>11,821,234</u>
Total	<u>\$ 41,003,357</u>	<u>37,708,178</u>

(Continued)

BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

The changes in these investments are summarized as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Investments, beginning of year	\$ 37,708,178	36,737,624
Contributions and pledge payments invested	6,406,505	1,793,851
Investment funds appropriated	(1,373,445)	(1,250,210)
Investment returns	<u>(1,737,881)</u>	<u>426,913</u>
Investments, end of year	<u>\$ 41,003,357</u>	<u>37,708,178</u>

Investment returns consisted of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Net depreciation in fair value of investments	\$ (2,386,840)	(178,461)
Interest and dividends	<u>940,232</u>	<u>888,536</u>
Investment return	(1,446,608)	710,075
Less investment fees	<u>(291,273)</u>	<u>(283,162)</u>
Investment returns, net	<u>\$ (1,737,881)</u>	<u>426,913</u>

(5) Deposits Held by Third Parties

Deposits held by third parties, all of which were Level 1 fair value measurements, consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Planned giving	\$ 42,949	49,581
457(b) plan assets – mutual fund	117,946	75,329
Debt service reserve – U.S. Treasury bills and money market funds	<u>234,047</u>	<u>623,006</u>
	<u>\$ 394,942</u>	<u>747,916</u>

(Continued)

BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

(6) Property and Equipment

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

	<u>2016</u>	<u>2015</u>
Land	\$ 767,580	767,580
Building	13,070,544	13,070,544
Building and leasehold improvements	18,351,014	18,130,345
Computer equipment	4,897,451	4,739,795
Furniture and other equipment	3,768,226	3,271,617
Construction in progress	1,325,724	—
	<u>42,180,539</u>	<u>39,979,881</u>
Less accumulated depreciation	<u>(27,752,265)</u>	<u>(25,782,913)</u>
	<u>\$ 14,428,274</u>	<u>14,196,968</u>

Depreciation expense amounted to \$1,969,352 and \$1,852,480 for the years ended June 30, 2016 and 2015, respectively.

(7) Bonds Payable

The College had the following bonds payable outstanding at June 30:

	<u>2016</u>	<u>2015</u>
2002 serial bonds payable to the New York City Industrial Development Agency, interest ranging from 4.90% currently to 5.25% at maturity annual percentage rate, due semiannually, secured by tuitions received:		
Maturity December 2015; annual principal payments of \$390,000	\$ —	390,000
Maturity December 2030; annual principal payments currently \$100,000, increasing to \$205,000 at maturity	<u>2,185,000</u>	<u>2,285,000</u>
	2,185,000	2,675,000
Less: unamortized discount/premium and bond issuance costs	<u>(155,369)</u>	<u>(163,134)</u>
	<u>\$ 2,029,631</u>	<u>2,511,866</u>

The College is required to maintain debt service reserve accounts (note 5) with the trustees for the bonds that may be used by the trustees, if necessary, to pay annual debt service on those bonds.

(Continued)

BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

Principal repayments under all bond obligations are as follows:

Year ending June 30:		
2017	\$	100,000
2018		105,000
2019		110,000
2020		115,000
2021		120,000
Thereafter		<u>1,635,000</u>
Total principal		2,185,000
Less net discount and issuance costs		<u>(155,369)</u>
Total	\$	<u><u>2,029,631</u></u>

Interest expense for the years ended June 30, 2016 and 2015 was \$132,684 and \$147,467, respectively.

Deferred financing costs, associated with the Series 2002 issuance, are amortized on the straight-line basis over the maturity period. The remaining balance of unamortized deferred financing costs was \$125,102 and \$134,011 at June 30, 2016 and 2015, respectively.

(8) Postretirement Health Benefit Plans

The College provides, through an unfunded Medicare HMO point of service plan, postretirement health benefits at age 65 to retirees (and their spouses) with 10 years of service. Upon retirement, retirees or their spouses pay a portion of the premiums for the benefits that range from 40% for those retiring on or after September 1, 2015 to 0% for those who retired prior to January 1, 1993. During the year ended June 30, 2016, the retiree contribution rate was amended from 30% for those retiring after January 1, 2008 to 40% for those retiring on or after September 1, 2015.

Changes in benefit obligation for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Benefit obligation at beginning of year	\$ 7,804,847	8,312,796
Service cost	293,950	394,070
Interest cost	319,660	361,708
Plan participants' contributions	65,271	52,000
Amendments	(681,483)	—
Actuarial loss (gain)	968,184	(1,093,442)
Benefits paid	<u>(265,029)</u>	<u>(222,285)</u>
Benefit obligation at end of year	<u><u>\$ 8,505,400</u></u>	<u><u>7,804,847</u></u>

(Continued)

BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

Accumulated benefit obligation, funded status, and other information:

	<u>2016</u>	<u>2015</u>
At June 30:		
Accumulated benefit obligation, representing funded status, discount rate 3.75% and 4.55%, respectively	\$ <u>8,505,400</u>	<u>7,804,847</u>
Amounts not yet recognized in net periodic healthcare expenses:		
Prior service credit	\$ (616,493)	(17,968)
Net loss	<u>2,139,986</u>	<u>1,204,692</u>
	<u>\$ 1,523,493</u>	<u>1,186,724</u>
	<u>2016</u>	<u>2015</u>
For the years ended June 30:		
Net periodic healthcare expense, discount rate 4.55% and 4.40%, respectively	\$ 563,542	847,478
Amortization included in net periodic healthcare expense:		
Net loss	32,890	108,495
Prior service credit	(82,958)	(16,795)
Amounts arising:		
Net loss (gain)	968,184	(1,093,442)
New prior service credit	(681,483)	—
Contributions (premiums paid) by the College	199,758	170,285
Contributions (premiums paid) by retirees	65,271	52,000

Annual insurance premiums are assumed to increase 15% in fiscal 2017, with increases trending to 5% in 2021. The estimated amortization of prior service credit and net loss to be recognized in fiscal 2017 are \$78,581 and \$86,113, respectively.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the plan. A 1% change in assumed healthcare cost trend rates would have the following effects as of June 30, 2016:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total of service and interest cost	\$ 152,566	(115,256)
Effect on postretirement benefit obligation	1,599,195	(1,259,270)

(Continued)

BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

Estimated contributions (premium payments) by the College for fiscal years ending June 30 are as follows:

2017	\$	221,932
2018		258,693
2019		275,677
2020		292,933
2021		314,059
2022–2026		1,828,686

(9) Endowments

The College's endowments, net of contributions receivable of \$1,537,711 and \$2,346,049, respectively consisted of the following at June 30:

2016	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	\$ (54,558)	1,722,242	22,242,798	23,910,482
Board of Trustees designated	835,412	—	—	835,412
Total	\$ 780,854	1,722,242	22,242,798	24,745,894

The \$54,558 deficit in unrestricted net assets represents the amounts by which the fair value of certain donor-restricted endowment funds were below the amount required to be retained permanently.

2015	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	\$ —	3,289,844	16,736,442	20,026,286
Board of Trustees designated	912,647	—	—	912,647
Total	\$ 912,647	3,289,844	16,736,442	20,938,933

Changes in the College's endowments for the years ended June 30 are as follows:

2016	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 912,647	3,289,844	16,736,442	20,938,933
Net investment returns	(41,697)	(928,519)	—	(970,216)
Contributions	—	—	5,506,356	5,506,356
Appropriations	(35,170)	(693,641)	—	(728,811)
Other changes	(54,926)	54,558	—	(368)
Endowment net assets, end of year	\$ 780,854	1,722,242	22,242,798	24,745,894

(Continued)

BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

<u>2015</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 935,506	3,670,774	15,049,518	19,655,798
Net investment returns	10,361	227,453	—	237,814
Contributions	—	—	1,686,924	1,686,924
Appropriations	(33,220)	(608,383)	—	(641,603)
Other changes	—	—	—	—
Endowment net assets, end of year	<u>\$ 912,647</u>	<u>3,289,844</u>	<u>16,736,442</u>	<u>20,938,933</u>

(10) Temporarily Restricted Net Assets

Net assets were temporarily restricted for the following, at June 30:

	<u>2016</u>	<u>2015</u>
Kerlin Institute, teaching natural and environmental sciences	\$ 3,900,480	4,154,833
Urban education	751,252	815,215
Straus Center for Young Children and Families	893,639	—
Sustainable Teacher Financing	1,150,066	—
New York Big District Network project	961,709	—
Other scholarships and program support	6,535,915	6,301,810
	<u>\$ 14,193,061</u>	<u>11,271,858</u>

(11) Permanently Restricted Net Assets

Permanently restricted endowment net assets were restricted by donors to provide earnings to be used for the following purposes at June 30:

	<u>2016</u>	<u>2015</u>
Programs	\$ 9,395,021	5,273,293
Student financial assistance:		
Scholarships with unique criteria	5,377,761	5,349,303
General tuition discounts and scholarships	2,313,726	2,062,068
General	6,694,001	6,397,827
	<u>\$ 23,780,509</u>	<u>19,082,491</u>

(Continued)

BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

Permanently restricted net assets consisted of the following at June 30 (note 4):

	<u>2016</u>	<u>2015</u>
Endowment pledges receivable	\$ 1,537,711	2,346,049
Investments	22,242,798	16,736,442
	<u>\$ 23,780,509</u>	<u>19,082,491</u>

(12) Grants and Contracts

The College receives grants and contracts to perform professional development and education. Grant and contract revenue consisted of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Private	\$ 3,907,201	2,726,631
Federal	2,970,435	6,494,746
State and local	9,907,615	4,498,274
	<u>\$ 16,785,251</u>	<u>13,719,651</u>

For the year ended June 30, 2016, 55% of the grants and contracts revenues were received from the New York City Department of Education as compared to 39% for the year ended June 30, 2015. Additionally, for the year ended June 30, 2016, 11% of the grants and contracts revenues were received from U.S. Department of Health and Human Services as compared to 44% for the year ended June 30, 2015.

(13) Expenses

Expenses of the College's functional activities presented in the accompanying statements of activities include expenses by natural classifications as shown below. Certain expenses, principally utilities, maintenance services, depreciation and amortization, and interest expense are allocated based on square footage.

<u>2016</u>	<u>Compensation and benefits</u>	<u>Professional and contract services</u>	<u>Materials and supplies</u>	<u>Facilities operations and maintenance</u>	<u>Depreciation and amortization</u>	<u>Interest</u>	<u>Total</u>
Instruction	\$ 19,086,180	1,141,884	1,651,396	1,128,848	887,231	68,136	23,963,675
Grants and contracts	11,117,668	2,736,423	735,292	480,499	102,432	637	15,172,951
Auxiliary activities	1,238,386	117,233	1,807,417	419,434	147,420	—	3,729,890
Institutional support	10,191,563	2,169,628	744,214	1,472,086	832,269	63,914	15,473,674
	<u>\$ 41,633,797</u>	<u>6,165,168</u>	<u>4,938,319</u>	<u>3,500,867</u>	<u>1,969,352</u>	<u>132,687</u>	<u>58,340,190</u>

(Continued)

BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

<u>2015</u>	<u>Compensation and benefits</u>	<u>Professional and contract services</u>	<u>Materials and supplies</u>	<u>Facilities operations and maintenance</u>	<u>Depreciation and amortization</u>	<u>Interest</u>	<u>Total</u>
Instruction	\$ 19,757,899	911,876	1,894,902	1,133,969	909,659	75,725	24,684,030
Grants and contracts	7,448,462	3,861,732	531,185	332,523	55,576	708	12,230,186
Auxiliary activities	1,478,430	217,621	3,690,690	667,285	63,506	—	6,117,532
Institutional support	10,326,507	2,753,943	611,600	1,436,144	853,308	71,034	16,052,536
	<u>\$ 39,011,298</u>	<u>7,745,172</u>	<u>6,728,377</u>	<u>3,569,921</u>	<u>1,882,049</u>	<u>147,467</u>	<u>59,084,284</u>

Fund-raising expenses incurred by the College included in institutional support for the years ended June 30, 2016 and 2015 totaled \$1,024,422 and \$1,477,836, respectively.

(14) Defined-Contribution Retirement Plan

The College provides retirement benefits for certain highly compensated individuals under a 457(b) plan through Teachers Insurance and Annuity Association and College Retirement Equity Fund (TIAA-CREF). The cost of this employee benefit to the College for the years ended June 30, 2016 and 2015 was \$30,496 and \$11,250, respectively.

The College provides retirement benefits for its instructional and administrative employees through a defined-contribution plan that purchases individual annuities through Teachers Insurance and Annuity Association and College Retirement Equity Fund (TIAA-CREF). Participation in the retirement plan is mandatory for all employees who are appointed on a half time or more basis and have worked for the College a minimum of one year. The College contributes, for all participating employees, an amount equal to 7.5% of their compensation, 6.25% for employees becoming eligible on or after September 1, 2013, and participants must contribute a minimum of 5% of their compensation. The employees are responsible for establishing with TIAA-CREF their own investment strategy for their individual retirement portfolio. The cost of this employee benefit to the College for the years ended June 30, 2016 and 2015 was \$1,625,598 and \$1,658,191, respectively.

(15) Commitments and Contingencies

Amounts received and expended by the College under various federal and New York State grants and contracts are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, are not expected to have a significant effect on the financial position or changes in net assets of the College.

(Continued)

BANK STREET COLLEGE OF EDUCATION

Notes to Financial Statements

June 30, 2016 and 2015

The College leases office equipment and office space under noncancelable operating leases. Minimum future rental payments under such leases are as follows at June 30, 2016:

Year ending June 30:		
2017	\$	568,597
2018		505,844
2019		485,038
2020		407,561
2021		419,192
Thereafter		<u>828,009</u>
	\$	<u><u>3,214,241</u></u>

Total rent expense for the years ended June 30, 2016 and 2015 was \$1,221,661 and \$1,246,403, respectively.

In August 2016, the College executed a ten-year lease for office space commencing July 1, 2016. The monthly rental payment due under the terms of the lease is equivalent to the tenants' proportionate share of the landlord's carrying costs of maintenance, operating and depreciation charges of the building, parking lot and improvements. For the remainder of 2016, this monthly rental payment is \$51,383 per month and will be adjusted annually.

Additionally, the College has entered into construction contracts totaling approximately \$5 million for the renovation of its main campus and the newly leased office space. The work on the main campus was completed in September 2016 and the work on the office space is scheduled to be completed in December 2016.

BANK STREET COLLEGE OF EDUCATION

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>CFDA number</u>	<u>Pass-through entity identifying number</u>	<u>Passed-through to subrecipients</u>	<u>Federal expenditures</u>
U.S. Department of Education:				
Student Financial Assistance Cluster:				
Federal Work Study Program	84.033		\$ —	100,000
Federal Perkins Loan Program (note 2)	84.038		—	510,251
Federal Direct Loans (note 2)	84.268		—	5,604,796
Teacher Education Assistance for College and Higher Education Grants	84.379		—	1,864
Total Student Financial Assistance Cluster			—	6,216,911
Pass-through programs:				
New York City Department of Education: Special Education Grants to States	84.027	SED 3103-0099-6728	—	27,478
New York City Department of Education: Preschool Grants for Children with Disabilities	84.173	SED 3103-0099-6728	—	4,236
Education Development Center: Mathematics and Science Education	84.305	R305A140488	—	159,085
New York State Education Department: Improving Teacher Quality State Grants	84.367	0247-15-0102/0247-16-0102	—	254,724
University of San Diego: Improving Teacher Quality State Grants - SAHEs	84.367	S367B140005	—	45,326
Total U.S. Department of Education			—	6,707,760
U.S. Department of Health and Human Services:				
Direct award: Head Start Program	93.600		564,098	937,166
Pass-through programs:				
New York State Department of Health: Head Start Program	93.600	4410	—	71,531
New York City Department of Education: Head Start Program	93.600	9550291	—	384,738
The National Center on Cultural and Linguistic Responsiveness: Head Start Program	93.600	90HC0001/05	—	946,357
			564,098	2,339,792
New York State Office of Children and Family Services: Social Services Block Grant	93.667	CO27104	—	194,908
Total U.S. Department of Health and Human Services			564,098	2,534,700
Research and Development Cluster:				
National Science Foundation:				
Direct Award: Education and Human Resources	47.076		—	12,576
Total Research and Development Cluster			—	12,576
Total Expenditures of Federal Awards			\$ 564,098	9,255,036

See accompanying notes to schedule of expenditures of federal awards.

BANK STREET COLLEGE OF EDUCATION

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Bank Street College of Education (the College) under programs of the federal government for the year ended June 30, 2016 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the activities of the College, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of the College.

The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Indirect costs are allocated to individual grants within the Schedule in accordance with contractual provisions of each grant.

(2) Loan Programs

The College administers and accounts for all aspects of the Federal Perkins Loan Program. The total value of outstanding Federal Perkins Loans at June 30, 2016 and 2015 were \$441,115 and \$418,883, respectively. The Federal Perkins Loans Program expenditures reported on the accompanying Schedule include Loans outstanding at June 30, 2015 plus amounts disbursed in fiscal 2016 of \$89,419 plus administrative costs of \$1,949.

With respect to the Federal Direct Student Loan Program, 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 these programs at June 30, 2016.



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

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

The Board of Trustees
Bank Street College of Education:

We have audited, in accordance with the 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 Bank Street College of Education (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 November 17, 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 determine the 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 the College's internal control. Accordingly, we do not express such 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 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*.

Purpose of this Report

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 communication is not suitable for any other purpose.

KPMG LLP

November 17, 2016



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

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees
Bank Street College of Education:

Report on Compliance for Each Major Federal Program

We have audited Bank Street College of Education's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' 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.

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



requirements that could have a direct and material effect on each major federal program to determine the auditing 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.

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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

KPMG LLP

March 30, 2017

BANK STREET COLLEGE OF EDUCATION

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

(1) Summary of Auditor's Results

- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over the major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for major programs: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- (g) Major programs:
 - **Student Federal Assistance Cluster (various CFDA numbers)**
 - **Head Start (CFDA number 93.600)**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
- (i) Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None