

Consolidated Financial Statements and OMB Circular A-133
Supplementary Information Together with
Reports of Independent Certified Public Accountants

NEW YORK INSTITUTE OF TECHNOLOGY

August 31, 2015

NEW YORK INSTITUTE OF TECHNOLOGY

TABLE OF CONTENTS

	Page(s)
Report of Independent Certified Public Accountants	1 - 2
Consolidated Financial Statements	
Consolidated Statement of Financial Position as of August 31, 2015	3
Consolidated Statement of Activities for the year ended August 31, 2015	4
Consolidated Statement of Cash Flows for the year ended August 31, 2015	5
Notes to Consolidated Financial Statements for the year ended August 31, 2015	6 - 26
OMB Circular A-133 Supplementary Information:	
Schedule of Expenditures of Federal Awards for the year ended August 31, 2015	27
Notes to Schedule of Expenditures of Federal Awards for the year ended August 31, 2015	28 - 29
Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	30 - 31
Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program and on Internal Control Over Compliance required by OMB Circular A-133	32 - 33
Schedule of Findings and Questioned Costs for the year ended August 31, 2015:	
Section I - Summary of Auditor's Results	34
Section II - Financial Statement Findings	35 - 36
Section III - Federal Award Findings and Questioned Costs	37
Schedule of Status of Prior Year Findings	38 - 40



Grant Thornton LLP
445 Broad Hollow Road, Suite 300
Melville, NY 11747-3601
T 631.249.6001
F 631.249.6144
GrantThornton.com
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)
twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
New York Institute of Technology

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of New York Institute of Technology and subsidiary (collectively, the “College” or “NYIT”), which comprise the consolidated statement of financial position as of August 31, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management’s responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated statement of financial position of New York Institute of Technology and subsidiary as of August 31, 2015, and the changes in their net assets and their 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 consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 consolidated financial statements or to the consolidated 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 consolidated 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 December 18, 2015, 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.



Melville, New York
December 18, 2015

NEW YORK INSTITUTE OF TECHNOLOGY
Consolidated Statement of Financial Position
As of August 31, 2015

ASSETS

Cash and cash equivalents	\$ 36,144,306
Grants receivable	15,909,092
Student accounts receivable, net of allowance of \$13,474,004	3,914,121
Student loans receivable, net of allowance of \$709,012	11,435,688
Contributions receivable, net	1,813,043
Investments, at fair value	68,660,522
Investments in real estate, at fair value	31,234,000
Other assets	4,584,923
Funds held in trust	7,937,386
Property, plant and equipment, net	<u>142,607,163</u>
Total assets	<u>\$ 324,240,244</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 37,018,806
Deferred revenues	57,007,614
Refundable grants and U.S. Government loan funds	16,427,419
Postretirement health benefits	9,582,367
Bonds payable	<u>60,733,323</u>
Total liabilities	<u>180,769,529</u>

NET ASSETS

Unrestricted	136,724,998
Temporarily restricted	4,311,006
Permanently restricted	<u>2,434,711</u>
Total net assets	<u>143,470,715</u>
Total liabilities and net assets	<u>\$ 324,240,244</u>

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

NEW YORK INSTITUTE OF TECHNOLOGY
Consolidated Statement of Activities
For the year ended August 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUES				
Tuition and fees	\$ 264,688,962	\$ -	\$ -	\$ 264,688,962
Less: Scholarships and fellowships	(44,344,097)	-	-	(44,344,097)
Net tuition and fees	220,344,865	-	-	220,344,865
Grants and contracts	3,777,115	-	-	3,777,115
Government appropriations	652,702	-	-	652,702
Contributions	786,005	19,117	168,824	973,946
Educational activities	2,543,344	-	-	2,543,344
Other sources	9,898,422	-	-	9,898,422
Sales and services of auxiliaries	18,517,167	-	-	18,517,167
Investment loss, net	(2,471,235)	(119,520)	-	(2,590,755)
Net assets released from restrictions	587,820	(587,820)	-	-
Total operating revenues	<u>254,636,205</u>	<u>(688,223)</u>	<u>168,824</u>	<u>254,116,806</u>
OPERATING EXPENSES				
Instruction	102,351,987	-	-	102,351,987
Research, training and public service	11,950,664	-	-	11,950,664
Academic support	16,012,021	-	-	16,012,021
Student services	24,015,532	-	-	24,015,532
Auxiliary enterprises	17,731,760	-	-	17,731,760
Total program services	172,061,964	-	-	172,061,964
Supporting services - institutional support	62,596,393	-	-	62,596,393
Total operating expenses	<u>234,658,357</u>	<u>-</u>	<u>-</u>	<u>234,658,357</u>
Change in net assets from operations	<u>19,977,848</u>	<u>(688,223)</u>	<u>168,824</u>	<u>19,458,449</u>
NONOPERATING ACTIVITIES				
Unrealized gain on investments in real estate	1,261,000	-	-	1,261,000
Reclassification of donor intent	-	(140,000)	140,000	-
Postretirement changes other than net periodic benefit costs	(1,572,945)	-	-	(1,572,945)
Change in net assets from non-operating activities	<u>(311,945)</u>	<u>(140,000)</u>	<u>140,000</u>	<u>(311,945)</u>
Change in net assets	19,665,903	(828,223)	308,824	19,146,504
NET ASSETS				
Beginning of year, as previously reported	134,032,637	5,859,080	2,125,887	142,017,604
Prior period adjustment (Note 3)	(16,973,542)	(719,851)	-	(17,693,393)
Beginning of year, as restated	<u>117,059,095</u>	<u>5,139,229</u>	<u>2,125,887</u>	<u>124,324,211</u>
End of year	<u>\$ 136,724,998</u>	<u>\$ 4,311,006</u>	<u>\$ 2,434,711</u>	<u>\$ 143,470,715</u>

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

NEW YORK INSTITUTE OF TECHNOLOGY
Consolidated Statement of Cash Flows
For the year ended August 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 19,146,504
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	14,144,626
Amortization of bond issuance costs	1,070,483
Accretion expense	359,167
Net unrealized gain on investments in real estate	(1,261,000)
Loss on investments	2,590,755
Post-retirement health benefits other than net periodic benefit costs	1,572,945
Post-retirement health benefits	(1,316,463)
Change in provision for student accounts receivable	1,475,561
Change in provision on student loans receivable	(26,763)
Change in operating assets and liabilities	
Student accounts receivable	748,882
Grants receivable	(9,804,889)
Contributions receivable	575,482
Other assets	804,726
Accounts payable and accrued liabilities	(10,547,886)
Deferred revenues	(1,072,260)
Net cash provided by operating activities	<u>18,459,870</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(84,502,823)
Sales of investments	83,574,982
Purchases of property, plant and equipment	(11,168,323)
Change in funds held in trust	8,050,160
Loans to students	(1,597,315)
Repayments of student loans	<u>1,612,126</u>
Net cash used in investing activities	<u>(4,031,193)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayments of principal indebtedness	(13,825,434)
Additions to permanently restricted endowments	(251,457)
Payments on capital lease obligations	(113,090)
Net change in refundable grants and U.S. Government loan funds	<u>1,129,021</u>
Net cash used in financing activities	<u>(13,060,960)</u>
Net increase in cash and cash equivalents	1,367,717

Cash and cash equivalents - beginning of year	<u>34,776,589</u>
Cash and cash equivalents - end of year	<u>\$ 36,144,306</u>

Supplemental disclosure of cash flow information and noncash investing and financing activities:

Cash paid for interest	<u>\$ 3,403,753</u>
------------------------	---------------------

Noncash investing and financing transactions:

Property, plant and equipment included within accounts payable and accrued expenses	<u>\$ 666,844</u>
---	-------------------

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

NEW YORK INSTITUTE OF TECHNOLOGY

Notes to Consolidated Financial Statements

August 31, 2015

1. ORGANIZATION

New York Institute of Technology (the “College”) is an independent, private college offering a variety of undergraduate, graduate and doctoral degrees. The College operates two primary campuses located in Old Westbury and Manhattan, New York, with additional programs in several foreign countries. The College’s distance learning capabilities add a virtual campus that is international in scope. The College’s schools - School of Health Professions; School of Architecture and Design; College of Arts and Sciences; School of Education; School of Engineering and Computing Science; School of Management; and the NYIT College of Osteopathic Medicine offer career-oriented education in more than 80 programs using hands-on access to state-of-the-art technology in those fields. The College is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

As of August 31, 2015, the College operates academic programs at four locations outside the United States.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of the College are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“US GAAP”).

Principles of Consolidation

The consolidated financial statements include the accounts of the College and its wholly owned subsidiary, Wheatley Advertising, Inc. All intercompany transactions and balances have been eliminated in consolidation. Wheatley Advertising, Inc. conducts public relations and performs advertising services for the College.

Net Assets

The net assets of the College and changes therein are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the Board of Trustees or may be limited by contractual agreements with outside parties.

Temporarily Restricted - Net assets which include resources that have been limited by donor-imposed stipulations that expire with the passage of time and/or can be fulfilled and removed by the actions of the College pursuant to those stipulations are considered temporarily restricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently Restricted - Net assets subject to donor-imposed restrictions that stipulate that the original contribution be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets for either a specific purpose or the general use of the College.

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

Cash and Cash Equivalents

The College considers all highly liquid financial instruments with original maturities of three months or less from the date of purchase to be cash equivalents. Cash and cash equivalents do not include cash held for long-term investing purposes.

Funds Held in Trust

At August 31, 2015, the College had \$7,937,386, invested in short-term, highly liquid investments that are classified as Level 1 within the fair value hierarchy. The investments are primarily utilized as part of the debt service reserve requirements for the College's bonds.

Investments

Investments in equity and debt securities are stated at fair value based upon quoted market prices in the consolidated statement of financial position. Purchases and sales of securities are reflected on a trade date basis. Interest is recognized as earned. Dividends are accrued based on the ex-dividend date. Interest and dividend income and unrealized and realized gains and losses on investments are recorded in the caption investment loss within the accompanying consolidated statement of activities. Realized gains and losses are determined on an average cost basis.

Fair value for certain limited partnerships and hedge funds are estimated by the respective external investment managers if market values are not readily ascertainable. For those investments that do not have readily determinable fair values, their estimated value may differ from the value that would have been used had a ready market for such investment existed. Investments in limited partnerships and hedge funds are carried at fair value which represents the College's share of the net assets of these investments at the end of the College's fiscal year. The College records its share of the net income or loss for the accounting period in proportion to its participating percentage in each investment.

All 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 such changes could materially affect the amounts reported in the consolidated statement of financial position.

Investments in Real Estate

Investments in real estate consist of unimproved land and properties not used primarily for academic purposes and available for future sale. Due to the inherent uncertainty of real estate valuations, the appraised values reflected in the consolidated financial statements may differ significantly from values that would be determined by negotiation between parties to a sales transaction, resulting in differences that could be material. Key assumptions used in valuing the appraisals include primarily a comparable sales approach, with one property also considering a sell-out analysis with growth rate, expenses and discount rate. For the year ended August 31, 2015, the College recorded net appreciation of \$1,261,000 on investments in real estate. The investments are classified as Level 3 under the fair value hierarchy given the unobservable inputs that are supported by limited or no market activity during 2015. There were no purchases or sales during 2015.

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

Grants Receivable

Grants are reported as revenue when expenses are incurred in accordance with the terms of the respective agreements. Amounts received in advance are recorded as refundable grant liabilities.

Student Receivables and Allowance for Doubtful Accounts

Student accounts receivable are carried at the unpaid balance of the original amount billed to students and student loans receivable are carried at the amount of unpaid principal. Both receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience. Recoveries of student accounts and loans receivable previously written off are recognized as revenue when received.

Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received or pledged. Contributions with purpose or time restrictions that are met in the same reporting period are reported as increases in unrestricted net assets. Conditional contributions are recognized as revenues when the conditions on which they depend have been substantially met. Contributions subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets. Contributions to be received after one year are discounted based upon a credit adjusted interest rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based on historical collection experience, an assessment of the creditworthiness of the respective donor and nature of fundraising activity. Receivables are written-off in the period in which they are deemed uncollectible and payments received subsequently are recorded as income in the period received.

Contributed property, plant and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property, plant and equipment are recorded as unrestricted support.

Property, Plant and Equipment, net

Property, plant and equipment consisting of land; buildings and leasehold improvements; machinery, equipment, furniture and fixtures; and library books are stated at cost, net of accumulated depreciation. Capital leases and capitalized software are included in the machinery and equipment category. Depreciation is calculated using the straight-line method based on estimated useful lives of 20 to 40 years for buildings; the lesser of 10 to 20 years or the remaining estimated useful life of the term of the lease for leasehold improvements; 5 to 10 years for machinery, equipment, furniture and fixtures, and up to 10 years for library books.

The College capitalizes certain computer software costs which, upon being placed into service, are amortized utilizing the straight-line method over periods not exceeding ten years. Amortization of capitalized software is included in depreciation expense. Upon disposal, the asset cost and related accumulated depreciation or amortization are eliminated from the respective accounts and resulting gain or loss, if any, is included in the consolidated statement of activities.

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Impairment losses would be recognized if the carrying amount of the asset exceeds the undiscounted future cash flows expected to result from the use of the asset and its eventual disposal. The College believes that no impairment exists at August 31, 2015.

Deferred Bond Issuance Costs

The costs related to the issuance of debt are deferred and amortized over the lives of the related debt. Net deferred bond issuance costs are recorded in the caption Other Assets within the accompanying consolidated statement of financial position. Amortization expense is charged to operations.

Deferred Revenues

The College derives its revenue primarily from student tuition and fees. Revenue is recorded on the accrual basis of accounting. Deferred revenues primarily represent payments received from students relating to registrations for the following fall semester. Such amounts are recognized as revenue during the subsequent fiscal year.

Refundable U.S. Government Grants

Funds provided by the federal government under the federal Perkins Student Loan program are loaned to qualified students and may be reloaned after collection. These funds are ultimately refundable to the government and are recorded within the accompanying statement of financial position as a liability.

Asset Retirement Obligation

The College recognizes the cost associated with the eventual remediation and abatement of asbestos located within its facilities. The cost of the abatement is based upon the estimate of a contractor who specializes in such abatements. The College recognized accretion expense relating to these obligations of \$359,167 for the year ended August 31, 2015. The obligation amounted to \$8,005,344 at August 31, 2015 and is included within the caption accounts payable and accrued liabilities in the accompanying consolidated statement of financial position. The conditional asset retirement obligation was calculated using an inflationary rate of 3.0% and a credit adjusted discount rate of 5.3% for the year ended August 31, 2015.

Tuition and Fees Revenue

Tuition and fees revenue, net of scholarships and fellowships, is recognized in the fiscal year in which the educational programs are provided.

Scholarships, Tuition Grants and Aid

The College maintains a policy of offering qualified applicants admission to the College without regard to financial circumstances. The College provides institutional financial aid to those admitted on the basis of merit or need in the form of direct grants or employment during the academic year. The College participates in certain student loan and grant programs. Under some of these programs, the College is required to make matching contributions of funds at contractual percentage rates.

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

Allocation of Expenses

Certain expenses of the College that relate to more than one activity were allocated among the respective functions. Allocated costs are predominantly related to the operations of the physical campus, and therefore are allocated on a square footage basis by location, if appropriate, or across all College spaces. For the fiscal year ended August 31, 2015, the types and amounts of allocated expenses were as follows:

Operation and maintenance of plant	\$ 18,792,435
Depreciation and amortization	15,183,284
Interest expense on bonds	<u>2,848,748</u>
	<u>\$ 36,824,467</u>

Advertising Expense

The College expenses all advertising costs during the year in which they are incurred. Total advertising expense for the year ended August 31, 2015 totaled \$1,509,652.

Measure of Operations

The consolidated statement of activities distinguish between operating and non-operating activities. Operating activities to carry out the mission of the College include all revenues and expenses that are an integral part of the College's educational programs, supporting activities and gains and losses on sale or disposal of plant and equipment. Non-operating activities include unrealized gains (losses) on investments in real estate and changes to the postretirement health benefit liability other than net periodic benefit costs. Certain other gains and losses considered to be of a more unusual or non-recurring nature are also included as part of non-operating activities.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Fair value accounting establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the College for financial instruments on a recurring basis. The three levels of inputs are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

terms of the assets or liabilities. Also included in Level 2 are investments measured using a NAV, or its equivalent, that may be redeemed at NAV at the date of the consolidated statement of financial position, or in the near term, which the College has determined to be within 90 days.

Level 3 - Pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV at the reporting date or in the near term or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

A reasonable estimate of the fair value of the loans receivable from students under government loan programs cannot be made because the loans receivable are not saleable and can only be assigned to the U.S. Government or its designees.

The carrying amount of student accounts receivable, accounts payable and accrued liabilities approximates fair value because of the short maturity of these financial instruments.

Concentration of Credit Risk

Financial instruments which potentially subject the College to concentrations of credit risk consist principally of temporary cash investments, marketable securities and limited partnerships. Cash and investments are exposed to various risks, such as interest rate, market and credit risks. To minimize such risks, the College maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits, and in a diversified investment portfolio. At August 31, 2015, the College's cash and investments were placed with high credit quality financial institutions and, accordingly, the College does not expect nonperformance.

Estimates

The preparation of financial statements in conformity with US 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 include allowance for doubtful student accounts and loans receivable, valuation of investments, reserve for conditional asset retirement obligations and liability for postretirement benefits and fair values of non-marketable investments including real estate. Actual results could differ from those estimates.

Income Taxes

The College follows ASC 740-10 which 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.

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

The College is exempt from federal income taxation by virtue of being an organization described in Section 501(c)(3) of the Internal Revenue Code. 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 August 31, 2012, 2013, 2014 and 2015 are still open to audit for both federal and state purposes. Management has determined that there are no material uncertain tax positions within its consolidated financial statements.

3. PRIOR PERIOD ADJUSTMENTS

Included in NYIT's accompanying consolidated financial statements as of and for the year ended August 31, 2015 are the following prior period adjustments: (1) a decrease to opening unrestricted net assets of \$11,968,000 to reduce investments in real estate for property that were incorrectly recorded at fair value, (2) a decrease to opening unrestricted net assets of \$7,410,633 to correct depreciation expense for certain assets that were not being depreciated in accordance with US GAAP, (3) an increase to opening unrestricted net assets of \$1,685,240 to appropriately reduce asset retirement obligations in accordance with an expected present value model as required by US GAAP, and (4) a decrease to temporarily restricted net assets and corresponding increase to unrestricted net assets of \$719,851 to appropriately record contributions in accordance with donor intent. As of August 31, 2014, unrestricted net assets have been reduced by \$16,973,542 and temporarily restricted net assets have been reduced by \$719,851 to correct the aggregate effect of the errors, \$1,900,424 of which, related to a decrease in the change in net assets for the fiscal year ended August 31, 2014.

4. INVESTMENTS

The fair value of investments at August 31, 2015 are as follows:

	<u>Fair Value</u>
Money market	\$ 2,753,748
Mutual funds	18,429,893
Common stock	24,347,136
Corporate bonds	2,127,593
Hedge funds	15,877,419
Partnership and other investments	<u>5,124,733</u>
	<u>\$ 68,660,522</u>

Investment returns for the year ended August 31, 2015 are as follows:

Investment income:	
Dividends and interest	\$ 1,160,834
Realized loss	(872,938)
Unrealized loss	(2,632,548)
Expenses	<u>(246,103)</u>
Total investment loss	<u>\$ (2,590,755)</u>

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

The following tables present the financial instruments carried at fair value on a recurring basis as of August 31, 2015, and indicates the fair value hierarchy of the valuation techniques that were utilized to determine such fair value.

	Investment Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Money market	\$ 2,753,748	\$ -	\$ -	\$ 2,753,748
Mutual funds	18,429,893	-	-	18,429,893
Common stock	24,347,136	-	-	24,347,136
Corporate bonds	-	2,127,593	-	2,127,593
Hedge funds	-	1,239,551	14,637,868	15,877,419
Limited partnerships and similar interests	-	-	5,124,733	5,124,733
Investments, at fair value	<u>\$ 45,530,777</u>	<u>\$ 3,367,144</u>	<u>\$ 19,762,601</u>	<u>\$ 68,660,522</u>

The College has entered into agreements with private equity and external investment managers, which include commitments to make periodic cash disbursements in future periods. The expected amounts of these disbursements as of August 31, 2015 are broken out in the Net Asset Value (“NAV”) table.

The College utilizes the “practical expedient” to estimate the fair value of investments in various investment funds that have a calculated value of their capital account or NAV in accordance with, or in a manner consistent with US GAAP whereby there is limited market activity. The practical expedient is permitted under US GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US GAAP.

The College performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with US GAAP. The College has assessed factors including, but not limited to, manager’s compliance with fair value measurement standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

The following is a reconciliation of changes in fair value of investments classified as Level 3 for the year ended August 31, 2015.

	Investments	Investments in Real Estate
Balance as of August 31, 2014	\$ 18,773,327	\$ 41,941,000
Additions	5,587,173	-
Withdrawals/adjustments (Note 3)	(5,059,054)	(11,968,000)
Net gain	<u>461,155</u>	<u>1,261,000</u>
Balance as of August 31, 2015	<u>\$ 19,762,601</u>	<u>\$ 31,234,000</u>

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

The gain on investments considered to be Level 3, in the table above, includes all net realized and unrealized gains (losses) and is reflected as part of investment loss in the accompanying consolidated statement of activities.

The College uses the NAV to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statement consistent with the measurement principles of an investment company or have the attributes of an investment company. Furthermore, investments which can be redeemed at NAV by the College on the measurement date or in the near term are classified as Level 2. Investments which cannot be redeemed on the measurement date or in the near term are classified as Level 3. The following tables list investments in limited partnerships, private equities and hedge funds by major category:

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

<u>Category</u>	<u>Strategy</u>	<u>NAV in Funds</u>	<u>Number of Funds</u>	<u>Amount of Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>	<u>Fair Value Hierarchy Level</u>
Private equity and other	Funds of funds with an investment diversification strategy	\$ 1,445,095	2	\$ 2,917,225	None	Redemption at discretion of general partners and upon liquidation of fund	3
Private equity and other	Portfolio consisting of non-performing and re-performing mortgage credit loans	675,000	1	325,000	None	Redemption at discretion of general partners and upon liquidation of fund	3
Equity Funds (non-registered)	Diversified portfolio of global equity and equity like investments	1,311,649	2	2,134,708	None	Redemption at discretion of general partners and upon liquidation of fund	3
Equity Funds (non-registered)	Secondary investment of high-quality, seasoned private equity funds purchased from primary investors seeking early liquidity	1,291,680	2	173,346	None	Redemption at discretion of general partners and upon liquidation of fund	3
Equity Funds (non-registered)	Real estate private equity, seeking high annual returns through direct property ownership, financing and operating public and private real estate	401,309	2	1,669,010	None; close-end fund	Redemption at discretion of general partners and upon liquidation of fund	3
Hedge Funds	Opportunistic fund seeking capital appreciation in a wide range of asset classes	1,180,905	1	-	Daily - Quarterly with up to 45 days notice	None	3
Hedge Funds	Diverse global equity and credit strategies with concentrations in event-driven, arbitrage, and value opportunities	1,239,551	1	N/A	Monthly	None	2
Hedge Funds	Diverse global equity and credit strategies with concentrations in event-driven, arbitrage, and value opportunities	<u>13,456,963</u>	<u>10</u>	<u>N/A</u>	Quarterly - Annually with 45-90 days notice	None, One year Lockup w/ 3% early redemption fee, 20% total fund liquidation limit per quarter	3
		<u>\$ 21,002,152</u>	<u>21</u>	<u>\$ 7,219,289</u>			

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

5. STUDENT LOANS RECEIVABLE AND REFUNDABLE GOVERNMENT GRANTS

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

The following is an analysis of gross student loans receivable aging as of August 31, 2015:

Past due:	
1-120 days	\$ 488,117
Greater than 120 days	78,971
Collections	<u>2,563,382</u>
Total past due	3,130,470
Current	<u>9,014,230</u>
Total gross student loans receivable	<u>12,144,700</u>
Less: Reserve	<u>(709,012)</u>
Total student loans receivable, net	<u>\$ 11,435,688</u>

The College's receivable includes the amounts due from current and former students. Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio. Management's assessment includes review of general economic conditions; a detailed review of the aging of the student loan receivable detail and a review of the default rate by loan category in comparison to prior years; the financial condition of specific borrowers; the level of delinquent loans; the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The level of the allowance is adjusted based on the results of management's analysis.

Loans disbursed under the Federal government loan programs are able to be assigned to the Federal Government in certain nonrepayment situations. In these situations, the Federal portion of the loan balance is guaranteed.

On September 30, 2015, the Federal Perkins Loan Program expired. Unless the Federal government retroactively reauthorizes the program, no new loans can be issued under this Federal program. However, students who received their first Perkins Loan before July 1, 2015 may be eligible for four more years of loans unless they change their major.

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

6. CONTRIBUTIONS RECEIVABLE, NET

Unconditional promises at August 31, 2015 and the time periods in which they are expected to be realized are as follows:

In one year or less	\$ 620,751
Between one year and five years	1,278,172
In more than five years	<u>32,500</u>
Gross contributions receivable	1,931,423
Less: Allowance for doubtful accounts	(58,102)
Less: Discount to present value	<u>(60,278)</u>
	<u>\$ 1,813,043</u>

Estimated cash flows from pledge receivables due after one year are discounted using the cost of capital at the year of gift, ranging from 3.6% to 5.5%. An additional reserve of approximately 3% is deducted for potential uncollectible pledges.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at August 31, 2015:

Land	\$ 4,798,837
Buildings and leasehold improvements	199,144,225
Machinery, equipment, furniture and fixtures	63,106,720
Library books	3,257,567
Construction in progress	<u>8,582,738</u>
	278,890,087
Less: Accumulated depreciation	<u>(136,282,924)</u>
	<u>\$ 142,607,163</u>

Included in construction in progress is capitalized interest of \$387,819 for the year ended August 31, 2015. Also included in construction in progress are pre-development costs for dormitories of \$7,063,298.

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

Capitalized leased property included in property, plant and equipment consists of the following:

	<u>2015</u>
Equipment	\$ 513,498
Building	<u>2,484,335</u>
	2,997,833
Less: Accumulated amortization	<u>(2,185,687)</u>
	<u>\$ 812,146</u>

Total software costs capitalized as of August 31, 2015 totaled approximately \$7,962,000, of which approximately \$273,000 was capitalized during 2015. Accumulated amortization of capitalized software cost as of August 31, 2015 totaled approximately \$ 5,288,000. Amortization expense totaled approximately \$493,000 for the year ended August 31, 2015.

Depreciation expense and amortization for the year ended August 31, 2015 totaled to \$14,144,626. Included in depreciation expense for the year ended August 31, 2015 is approximately \$250,000 for each year, of depreciation expense recorded on contributed software recorded at fair value in the year of receipt. During the year ended August 31, 2015, the College acquired \$276,249 of equipment and \$283,463 in capital alterations, related to a grant, through various federal, state and local grants, the majority of which will remain the property of the College at the end of the grant period.

8. BONDS PAYABLE

The following is a summary of bonds payable at August 31:

	<u>2015</u>
Suffolk County Industrial Development Agency, tax exempt revenue bonds, New York Institute of Technology, 5.0% to 5.25%, maturing 2026.	\$ 40,255,000
Nassau County Industrial Development Agency, tax exempt revenue bonds, New York Institute of Technology, 4.75% to 5.25%, maturing 2026.	<u>20,310,000</u>
Total principal	60,565,000
Total unamortized premiums	<u>168,323</u>
Total bonds payable	<u>\$ 60,733,323</u>

In March 2003, the College issued the New York City Industrial Development Agency Civic Facility Revenue Bonds (“NYC Bonds”). The total proceeds of \$12,005,000 were used to finance the expansion of the College’s Manhattan campus. The bonds were retired by NYIT in 2015.

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

The Suffolk County IDA bonds include repayments between 2017 and 2021 ranging from \$2,910,000 to \$4,025,000, with a final payment of \$22,875,000 due in 2026. In 2015 NYIT made a re-payment of \$70,000.

The Nassau County IDA bonds include repayments between 2017 and 2021 ranging from \$1,485,000 to \$2,055,000, with a final payment of \$11,395,000 due in 2026.

NYIT also retired taxable bonds in 2015.

Principal sinking fund requirements on the bonds for each of the next five years are as follows:

Year Ending August 31,	
2016	\$ -
2017	4,395,000
2018	4,625,000
2019	5,490,000
2020	5,775,000
Thereafter	40,280,000

The total outstanding debt is collateralized by many of the College's academic properties and net operating revenues excluding certain nonoperating revenue. The College is obligated to comply with several financial covenants in conjunction with its outstanding debt portfolio. The College was in compliance with all financial covenants at August 31, 2015.

The fair value of long-term debt approximates \$60,565,000 at August 31, 2015.

Deferred Interest Cost

Costs related to the issuance of the debt are deferred and amortized over the life of the related debt. At August 31, 2015, net deferred bond issuance costs which are included in other assets totaled \$384,568. Amortization expense amounted to \$1,070,483 and includes extinguishment of all deferred costs related to the retired bonds for the year ended August 31, 2015.

9. POSTRETIREMENT BENEFITS

The College sponsors defined benefit health care plans that provide postretirement medical benefits to all employees who meet certain eligibility requirements. The plans are not funded. The College has a liability associated with its postretirement health benefits obligation recorded on the consolidated statement of financial position.

In connection with the faculty union negotiations for the periods of fiscal 2013 through 2017, the union agreed to change the payment of postretirement benefits for existing employees to a fixed reimbursement model, effective on January 1, 2013. No employee hired after September 1, 2013 will be eligible for postretirement medical benefits under this plan. As a result, the College realized a reduction in the postretirement benefit obligation of \$34,272,262 in the non-operating expense line in 2013, and that amount is being amortized into operational expense over the remaining working lives of the affected employees.

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

The status of the plans at August 31, 2015 is as follows:

Change in accumulated postretirement benefit obligation:	
Benefit obligation at September 1 (end of prior period)	\$ (9,838,849)
Service cost	(319,839)
Interest cost	(358,736)
Benefits paid	663,175
Actuarial gain	<u>271,882</u>
Benefit obligation at August 31	<u>\$ (9,582,367)</u>
Change in plan assets:	
Fair value of plan assets at September 1 (end of prior period)	\$ -
Contributions	(663,175)
Benefits paid	<u>663,175</u>
Fair value of plan assets at August 31	<u>\$ -</u>
Funded status of the plan:	
Accumulated employer contributions in excess of net periodic benefit cost	\$ (27,327,956)
Unrecognized prior service credit	26,139,573
Unrecognized net losses	<u>(8,393,984)</u>
Net accrued benefit liabilities, recognized in the consolidated statement of financial position	<u>\$ (9,582,367)</u>
Costs recognized in the consolidated statement of activities:	
Service cost	\$ (319,839)
Interest cost	(358,736)
Amortization of actuarial loss	(581,968)
Amortization of prior service credit	<u>2,426,795</u>
Net postretirement credit	<u>\$ 1,166,252</u>

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

Changes other than net periodic postretirement benefit cost:	
Actuarial gain	\$ 271,882
Amortization of unrecognized amounts	<u>(1,844,827)</u>
 Total changes other than net periodic postretirement benefit costs	 <u>\$ (1,572,945)</u>

The amortized components of net periodic benefit cost expected to be recognized in fiscal 2016 are \$2,426,795 for the amortization of prior service cost (credit) and \$577,946 for the amortization of unrecognized net (loss) gain.

The significant actuarial assumptions used in the determination of actuarial present value of the projected benefit obligation and net periodic pension costs are:

Weighted average discount rate	4.20%
Healthcare cost trend rate	Declining from 7.04% in 2016 to 4.5% in 2027 and thereafter
 Measurement date	 August 31, 2015

Benefits expected to be paid in cash for the next period beginning September 1 are as follows:

2016	\$ 912,501
2017	899,703
2018	921,302
2019	938,169
2020	937,253
2021-2025	3,888,855

Estimated employer contributions expected to be paid by the College during the fiscal year ending August 31, 2016 total \$912,501.

One-percentage-point increase in assumed healthcare cost trend rates:	
Effect on total service and interest components	\$ 469
Effect on postretirement benefit obligation	5,327

One-percentage-point decrease in assumed healthcare cost trend rates:	
Effect on total service and interest components	\$ (456)
Effect on postretirement benefit obligation	(5,222)

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

10. RETIREMENT PLAN

The College has a contributory defined contribution retirement plan funded through the Teachers Insurance and Annuity Association and the College Retirement Equities Fund for substantially all full-time employees. Contributions are based on a percentage of the participants' salaries. Total pension costs under this plan for the year ended August 31, 2015 totaled \$5,941,165.

11. ENDOWMENT

The College has endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Act of 2006 ("UPMIFA"). New York State adopted UPMIFA in September 2010 ("NYPMIFA").

The College's endowment consists of investments in land and 30 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the College has interpreted relevant New York law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by New York law.

In accordance with NYPMIFA the College considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund;
- The purposes of the College and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appropriation of investments;
- Other resources of the College; and
- The investment policy of the College.

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

The College has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount. Annually, the College approves the endowment distribution for the following fiscal year. The endowment distribution is at the discretion of the Board of Trustees and is not based on a specific formula, nor is it directly tied to current investment returns.

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

At August 31, 2015, the endowment net asset composition by type of fund consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ (6,587)	\$ 3,304,104	\$ 1,805,528	\$ 5,103,045
Board-designated funds	<u>95,395,905</u>	<u>-</u>	<u>-</u>	<u>95,395,905</u>
Total funds	<u>95,389,318</u>	<u>3,304,104</u>	<u>1,805,528</u>	<u>100,498,950</u>
Pledges to donor restricted funds, at gross	<u>-</u>	<u>-</u>	<u>629,183</u>	<u>629,183</u>
	<u>\$ 95,389,318</u>	<u>\$ 3,304,104</u>	<u>\$ 2,434,711</u>	<u>\$ 101,128,133</u>

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

Changes in endowment net assets for the fiscal year ended August 31, 2015 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at beginning of year, as restated (Note 3)	\$ 95,653,433	\$ 3,512,611	\$ 1,385,247	\$ 100,551,291
Investment return				
Investment income	1,149,930	53,583	-	1,203,513
Management and administrative fees	(187,379)	(14,506)	-	(201,885)
Net depreciation (realized and unrealized)	<u>(2,487,666)</u>	<u>(192,584)</u>	<u>-</u>	<u>(2,680,250)</u>
Total investment return	<u>(1,525,115)</u>	<u>(153,507)</u>	<u>-</u>	<u>(1,678,622)</u>
Contributions	-	-	420,281	420,281
Distribution for spending	-	(55,000)	-	(55,000)
Other changes	<u>1,261,000</u>	<u>-</u>	<u>-</u>	<u>1,261,000</u>
	<u>1,261,000</u>	<u>(55,000)</u>	<u>420,281</u>	<u>1,626,281</u>
Total funds before pledges receivable	<u>95,389,318</u>	<u>3,304,104</u>	<u>1,805,528</u>	<u>100,498,950</u>
Pledges receivable	<u>-</u>	<u>-</u>	<u>629,183</u>	<u>629,183</u>
Endowment net assets at end of year	<u>\$ 95,389,318</u>	<u>\$ 3,304,104</u>	<u>\$ 2,434,711</u>	<u>\$ 101,128,133</u>

As of August 31, 2015, the board-designated funds included \$31,234,000 of investments in real estate.

12. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

At August 31, 2015, temporarily restricted net assets were available for the following purposes:

Professorship	\$ 1,138,452
Capital expenditures	427,030
Scholarships	1,880,402
Other restricted activities	<u>865,122</u>
	<u>\$ 4,311,006</u>

At August 31, 2015, permanently restricted net assets consisted of the following:

Endowment assets, primarily for scholarships	<u>\$ 2,434,711</u>
--	---------------------

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

Net assets released from restrictions were as follows for the year ended August 31:

	<u>2015</u>
Scholarships	\$ 268,600
College programs	<u>319,220</u>
	<u>\$ 587,820</u>

13. FUND-RAISING EXPENSES

In the accompanying consolidated statement of activities, institutional support includes fund-raising expenses for contributions, grants and contracts. For the year ended August 31, 2015, the College incurred fund-raising expenses of \$2,081,996.

14. COMMITMENTS AND CONTINGENCIES

Future minimum lease payments under capital lease obligations in excess of one year at August 31, 2015 are as follows:

Year Ending August 31,	
2016	\$ 67,728
2017	<u>29,916</u>
Total minimum lease payments	97,644
Less: amount representing interest	<u>(3,132)</u>
Present value of net minimum lease payments	<u>\$ 94,512</u>

The College has several noncancelable operating leases for space in Manhattan. These leases require payment of real estate taxes and escalation. Total rent expense for the year ended August 31, 2015 totaled approximately \$18,549,000. The College has recorded an accrual for its cumulative straight-line obligation of \$8,693,100 at August 31, 2015. This amount is included within the caption accounts payable and accrued liabilities on the consolidated statement of financial position.

Future minimum rentals required under the operating leases are as follows:

Year Ending August 31,	
2016	\$ 18,308,488
2017	12,307,811
2018	10,758,726
2019	6,127,741
2020	5,994,164
Thereafter	<u>15,398,880</u>
	<u>\$ 68,895,810</u>

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
August 31, 2015

In connection with the future sale of certain properties located in Central Islip, the College has committed to the town to use a portion of the proceeds to improve its campus in Central Islip. Approximately \$155,000 was included in Funds Held in Trust on August 31, 2015.

In 2008, the U.S. Department of Education commenced a review of certain student recruiter compensation practices by Ellis College of New York Institute of Technology, an online branch campus operated with a third-party partner. The fiscal 2007 audit of compliance in accordance with Office Management and Budget Circular A-133 identified a finding relating to the compensation policies which were not in compliance with regulations. The policies were corrected during fiscal year 2008. The College and the government agreed to a settlement during 2012 of \$2,500,000, which was payable over five years. During 2015, payments totaling \$500,000, were made and \$500,000 is remaining to be paid in 2016.

In June 2014, NYIT applied to the Commission on Osteopathic College Accreditation (“COCA”) to establish an additional location for the College’s medical school on the campus of Arkansas State University in Jonesboro, Arkansas. COCA approved the application and subsequently conducted a site visit in October 2015. NYIT proposed to COCA opening the new location in Summer 2016 with an initial class of 115 students. COCA will act on the report from the site visitors in December 2015 and make a determination if and when the initial class will begin.

The College is planning to construct student residences with 699 beds and a campus commons with dining and student program space on the Old Westbury campus (“the Project”). The College has spent \$7,063,298 on the project as of August 31, 2015. The College anticipates spending up to an additional \$130 million, including contingencies. The Project is in the environmental review process with the Village of Old Westbury and surrounding jurisdictions. At this time, the College anticipates construction to begin summer 2016 and be ready for occupancy January 2018.

Litigation

The College has been named as a defendant in various legal actions claiming damages in connection with contractual arrangements and other matters. Management believes, on the basis of its understanding and consideration of these matters, that these actions will not result in payments of amounts, if any, which would have a material adverse effect on the consolidated financial statements.

Line of Credit and Standby Letter of Credit

The College has one unsecured line of credit of \$6,000,000 with a commercial bank. The line is subject to annual renewal with consent from both parties. As of August 31, 2015, there are no borrowings under the line of credit. Under the \$6,000,000 line of credit, expiring October 22, 2015, \$1,055,935 is reserved for open Standby Letters of Credit for security deposits that expire April 1, 2026. As of August 31, 2015, the net amount available for borrowing on the \$6,000,000 line of credit is \$4,944,065. The interest rate on the \$6,000,000 line of credit is LIBOR plus 150 basis points or the Prime rate.

Subsequent Events

The College has evaluated subsequent events and transactions that occurred after the balance sheet date of August 31, 2015 through December 18, 2015, the date these consolidated financial statements were available to be issued. As a result of this evaluation, there were no subsequent events that required either recognition or disclosure.

NEW YORK INSTITUTE OF TECHNOLOGY
Schedule of Expenditures of Federal Awards
For the year ended August 31, 2015

Federal Grantor/Pass Through Grantor/Program Title	Grantor Agency (Note 4)	CFDA Number	Grant/Contract/Pass Through Number	Federal Expenditures
Student Financial Assistance Cluster				
Federal Work Study Program	ED	84.033	PO33A112885	\$ 636,815
Federal Supplemental Educational Opportunity Grant Program	ED	84.007	PO07A112885	269,052
Federal Pell Grant Program	ED	84.063	PO63P111870	6,761,025
Federal Direct Student Loan Program	ED	84.268	P268K156238, P268K166238, P268K131870, P268K141870, P268K151870, P268K161870	107,556,169
Scholarship for health profession students from disadvantaged backgrounds	DHHS	93.925	T08HP25287A0	472,500
Total Student Financial Assistance Cluster				<u>115,695,561</u>
National Science Foundation				
Wang/HSU/Runco Discovery Research K-12	NSF	47.076	DRL-1020091	141,160
Enhancing Curriculum by Integrating Wireless Technology	NSF	47.076	DUE-1044596	13,960
Security of Mobile Devices and Wireless Networks	NSF	47.070	CNS -1263283	137,833
Major Research Instrumentation Program	NSF	47.041	ECCS-1337965	85,819
A Novel Multidisciplinary, Multi-campus Undergraduate Minor to Enhance STEM Learning	NSF	47.076	DUE 1245912	7,215
How Development and Behavior Interact to Change Skull Form	NSF	47.050	EAR 1349607	52,156
Taphonomy, paleoecology, and evolution of mammals and aquamates from Egg Mountain	NSF	47.074	EAR 1325457	1,460
Total National Science Foundation				<u>439,603</u>
National Institute of Health				
Cardiovascular Diseases Research - Gerdes	NIH	93.837	1R01HL103671-01A1	328,256
Music Based Interactive Robotic Orchestration for Children with ASD	NIH	93.837	1R15HL120027-01A1	124,738
Src Family Kinases & Control of Epithelial Cell Paracellular Permeability	NIH	93.847	R15 DK091749-01A1	56,972
Zebra fish model of acute kidney injury	NIH	93.847	5R03DK097443-03	66,832
A novel epithelial cell migration drives nephron repatterning and convolution	NIH	93.847	7 K08 DK082782-05	39,962
Skeletal effects of Methylphenidate Eunice Kennedy Shriver Sub-Contract from SUNY Stony Brook	NIH	93.865	1108834-2-63921	33,753
Engineering for Neurological Rehabilitation Sub-Contract from Rehabilitation Institute of Chicago	NIH	93.865	5R24HD050821-09	28,838
Model based software for configuring switch scanning systems	NIH	93.865	2R44HD068026-02A1	30,136
Total National Institute of Health				<u>709,487</u>
Department of Defense US Air Force				
Investigation into Cognitive Rhythms as a new Modality for Continuous Recognition	DOD USAF	12.300	Cooperative Agreement	45,412
Context Aware Active Authentication Using Touch Gestures, Typing Patterns and Body Movement - Sub-Contract from Louisiana Tech University	DOD USAF	12.300	FA8750-13-2-0274	116,777
Infrared Spectral Modeling for Gas Temperature - Sub Contract from Advance Fuel Research Inc.	DOD USAF	12.800	FA9101-12-C-0025	8,222
Total Department of Defense US Air Force				<u>170,411</u>
Department of Education				
Northeast Regional Comprehensive Center (NCC) Sub Contract from RMC Research Corporation	ED	84.283	Sub-contract	110,852
Total Department of Education				<u>110,852</u>
Department of Commerce				
NYIT Entrepreneurship & Technology Innovation Center	DOC	11.300	EDA 01-01-14382	208,719
Total Department of Commerce				<u>208,719</u>
Educational Technology State Grants Cluster				
Education Technology State Grants, Recovery Act Pass-Through from NYCDOE - CSD 19 & 23 Title IID	ED	84.318	N/A	101
Total Educational Technology State Grants Cluster				<u>101</u>
Department of Health and Human Services				
HRSA Expanded PA Program	DHHS	93.514	T88HP20938	190,080
HRSA Faculty Development	DHHS	93.884	D55HP23200	195,281
Pre Doctoral Training in Primary Care	DHHS	93.884	D56HP23269	107,892
HRSA Nelville/Cardoza	DHHS	93.265	62HP24187	111,925
Total Department of the Health and Human Services				<u>605,178</u>
Department of Transportation				
Mobile Wireless Networks for Traffic Estimation Sub Contract from CUNY	ED	84.378A	T112274	65,520
Total Department of Education				<u>65,520</u>
Department of Energy				
A Self-Powered, Wireless Sensor System for Remote and Long-Term Monitoring of Internal conditions of Nuclear Waste Casks	DOE	81.049	DE-SC0013745	6,997
Total Department of the Interior				<u>6,997</u>
Other Federal Programs				
21st Century Museum Professional Program	IMLS	45.307	MP-00-11-002311	10,903
NYIT Center for Humanities & Culture	DOS	19.040	S-CH500-14- GR230	41,622
Branding Strategy & Marking Plan for Pathways to Cleaner Production Partnership	DOS	19.017	S-LMAQM-11-CA-1014	48,118
Total Other Federal Programs				<u>100,643</u>
Total Federal Expenditures				<u>\$ 118,113,072</u>

The accompanying notes to schedule of expenditures of federal awards should be read in conjunction with this schedule.

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Schedule of Expenditures of Federal Awards
For the year ended August 31, 2015

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) has been prepared on the accrual basis of accounting and in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (“Circular A-133”). Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Education Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. CFDA numbers and pass-through entity identifying numbers are presented where available. The purpose of the Schedule is to present a summary of those activities of New York Institute of Technology (the “College”) for the year ended August 31, 2015 which have been financed by the U.S. Government. For purposes of the Schedule, federal awards include any assistance provided by a federal agency directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations, and other non-cash assistance. Because the Schedule presents only a selected portion of the activities of the College, it is not intended to, and does not, present either the consolidated financial position, consolidated changes in net assets or cash flows of the College and may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

2. FEDERAL DIRECT STUDENT LOAN PROGRAM

With respect to the Federal Direct Lending Program, CFDA No. 84.268, the College is only responsible for the performance of certain administrative duties; therefore, the transactions and the balances of loans outstanding related to this program are not included in the College’s consolidated financial statements. The Schedule includes the amounts loaned to students during the year ended August 31, 2015. It is not practical to estimate the outstanding balance of loans under this program.

3. OTHER LOAN PROGRAMS

The College extends loans through revolving funds originally funded by the federal government, with principal and interest relating to outstanding loans being paid back to the College. At August 31, 2015, the outstanding loan balances and new loans awarded pursuant to these programs were as follows:

<u>Department</u>	<u>Program</u>	<u>Federal CFDA No.</u>	<u>Outstanding Balance at August 31, 2015</u>	<u>New Loans Issued for the Year Ended August 31, 2015</u>
Education	Federal Perkins Loan Program	84.038	\$ 8,668,277	\$ 1,212,350
Health and Human Services	Loans for Disadvantaged Students	93.342	1,240,287	123,750
Health and Human Services	Federal Health Professional Loan Program	93.342	2,194,724	261,215

Perkins loan cancellations (CFDA 84.038) amounted to \$23,858 for the year ended August 31, 2015.

The administrative cost allowances for the Federal Work Study Program and the Federal Supplemental Equal Opportunity Grant Program have been included in the Schedule. The administrative cost allowance for each of these programs for the year ended August 31, 2015 was \$31,846 and \$13,453, respectively.

NEW YORK INSTITUTE OF TECHNOLOGY
Notes to Schedule of Expenditures of Federal Awards
For the year ended August 31, 2015

4. OFFICIAL AGENCY NAMES:

Full names of the sponsoring agencies included on the accompanying schedule are as follows:

DHHS	Department of Health and Human Services
DOE	Department of Energy
ED	Department of Education
NIH	National Institutes of Health
NSF	National Science Foundation
IMLS	Institute of Museum and Library Services
DOD USAF	Department of Defense US Air Force
DOS	Department of State
DOC	Department of Commerce



Grant Thornton LLP
445 Broad Hollow Road, Suite 300
Melville, NY 11747-3601
T 631.249.6001
F 631.249.6144
GrantThornton.com
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)
twitter.com/GrantThorntonUS

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
New York Institute of Technology

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 consolidated financial statements of New York Institute of Technology and subsidiary (collectively, the “College” or “NYIT”), which comprise the consolidated statement of financial position as of August 31, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 18, 2015.

Internal control over financial reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies in 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 consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness in the College's internal control.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-002 to be a significant deficiency in the College's internal control.

Compliance and other matters

As part of obtaining reasonable assurance about whether the College's consolidated 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*.

College's response to findings

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

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.



Melville, New York
December 18, 2015

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Trustees of
New York Institute of Technology

Report on compliance for each major federal program

We have audited the compliance of New York Institute of Technology and subsidiary (collectively, the “College” or “NYIT”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015. 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 Federal Perkins loan processing and student refunds under the Student Financial Assistance cluster, because the College engaged Xerox Education Services dba ACS Education Services, Inc. and Higher One, Inc. to perform these compliance activities. These third-party servicers have obtained a compliance examination from another practitioner 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Those standards and OMB Circular A-133 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 August 31, 2015.

Report on internal control over compliance

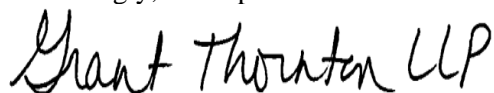
Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types 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 OMB Circular A-133, 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. Given these limitations, during our audit we did not identify any deficiencies in the College's 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Melville, New York
April 22, 2016

NEW YORK INSTITUTE OF TECHNOLOGY
Schedule of Findings and Questioned Costs
For the year ended August 31, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over financial reporting:

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

Type of auditor's report issued on compliance for major program Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Student Financial Aid Cluster	Various
National Science Foundation Cardiovascular Diseases Research - Gerdes	93.837
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

NEW YORK INSTITUTE OF TECHNOLOGY
Schedule of Findings and Questioned Costs (continued)
For the year ended August 31, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 - Internal Control over Financial Reporting (Restatement of Net Assets) - Material Weakness

Criteria:

Government Auditing Standards require an auditee to design and implement an internal control environment to achieve effective and efficient operations; reliability of financial reporting; and compliance with applicable laws and regulations. The control environment sets the tone of an organization, which influences the control consciousness of its people. The key factors impacting the control environment include, among other things, management's philosophy and operating style, organizational structure, assignment of authority and responsibility and policies and practices with respect to human resources.

Condition:

During fiscal 2015, the CFO restructured the finance department and hired a new controller and assistant controller. During the year-end close process, the new management team identified several items requiring restatement of the opening net assets. These restatements were recorded and included adjustments for (1) the incorrect recording of historical real estate assets at fair value instead of historical cost, (2) incorrect useful lives historically applied to leasehold improvements and improper capitalization of certain repairs and maintenance, (3) revisions to historical assumptions used in conditional asset retirement obligations and (4) incorrect classification of net assets. Given the qualitative and quantitative considerations, we have determined that the restatement represents a material weakness in the internal control over financial reporting. We further note that the restated balances all pertain to historical transactions and were not reflective of the 2015 results of operations.

Cause:

The College's internal controls were designed effectively, but not operating effectively to appropriately record the transactions noted above.

Effect:

As a result of our audit procedures, we noted that the College's beginning of year unrestricted net assets have been reduced by \$16,973,542 and beginning of year temporarily restricted net assets have been reduced by \$719,851 to correct the aggregate effect of the errors, \$1,900,424 of which, related to a decrease in the change in net assets for the fiscal year ended August 31, 2014.

Recommendation:

We recommend that the College develop and formalize policies, procedures and processes to properly strengthen its monitoring and analysis of the aforementioned activities to ascertain that these types of transactions are properly classified and recorded.

Management's Corrective Action Plan:

We concur with the finding. The restatement of opening net assets pertained to historical transactions and were not reflective of the 2015 results of operations. Management will continue to improve on our internal controls over financial reporting.

NEW YORK INSTITUTE OF TECHNOLOGY
Schedule of Findings and Questioned Costs (continued)
For the year ended August 31, 2015

B. 2015-002 - Journal Entries - Significant Deficiency

Criteria:

Government Auditing Standards require an auditee to design and implement an internal control environment to achieve effective and efficient operations; reliability of financial reporting; and compliance with applicable laws and regulations. The control environment sets the tone of an organization, which influences the control consciousness of its people. The key factors impacting the control environment include, among other things, management's philosophy and operating style, organizational structure, assignment of authority and responsibility and policies and practices with respect to human resources.

Condition:

During our audit procedures, we noted that for a period of three months during fiscal 2015, due to vacancies in the controller's office, certain employees involved in the journal entry process were given system rights that could pose a potential threat to the segregation of duties surrounding this area. During our audit procedures, we noted one instance whereby a College employee entered, posted, and approved a journal entry to the general ledger. We noted that the entry was supported and represented a valid and appropriate journal entry. We recommend that the system rights be reviewed to ensure that duties are segregated to serve as a check and balance on the employee's integrity to maintain the strongest internal controls possible. Additionally, we recommend that management review and enhance the journal entry process to ensure evidence of documented review and approval are maintained.

Cause:

The College's accounting system lacked the functionality to require the appropriate approvals prior to posting journal entries. Furthermore, management did not have a documented review and approval process in place to ensure recorded entries were proper.

Effect:

Although we did not identify any inappropriate journal entries through our testing, the potential exists that a material misstatement could occur through the journal entry process that would not have been prevented or detected through the normal course of management performing their assigned duties.

Recommendation:

We recommend that the policies and procedures regarding the internal controls over the journal entry process be reviewed and strengthened.

Management's response:

We concur with the finding. Management will review system rights to ensure duties are segregated where warranted. Evidence of review and approval of journal entries will be maintained.

NEW YORK INSTITUTE OF TECHNOLOGY
Schedule of Findings and Questioned Costs (continued)
For the year ended August 31, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings identified.

NEW YORK INSTITUTE OF TECHNOLOGY
Schedule of Status of Prior Year Findings
For the year ended August 31, 2015

Financial Statement Findings

2014-001 - FINANCIAL REPORTING PROCESS

Criteria:

As required by The Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Condition:

During 2014, there were changes to the financial close process which were primarily due to the implementation of the College’s new student financial system. Specifically, certain key reports supporting material balances in the consolidated financial statements were not developed and verified for completeness and accuracy until after the system was implemented. Although management had issues during the financial close process producing account details and reconciliations for certain balances (i.e., student accounts receivable, A/P, deferred revenue and several accrued expense accounts), ultimately management was able to provide the details to substantiate the balances. Additionally, we noted that the secondary review and approval of manual journal entries was occasionally delegated to the Senior Accountant when prepared by the Accounting Manager; and the support provided for the consolidated financial statements and related notes were not always complete and accurate when it was initially presented to the auditors.

Cause:

The implementation of the new student financial system during fiscal 2014 and the inadequate planning for reports needed for the financial reporting close process negatively impacted the College’s ability to produce complete and accurate information. In addition, delegation of the review and approval of manual journal entries to the Senior Accountant, along with incomplete account reconciliations and support for the consolidated financial statements and related notes was the result of staff turnover and other changes in roles within the Accounting Department.

Effect:

The lack of consideration of key reports during the implementation of the student financial system created issues described above during the audit. The delegation of authority for the review and approval of manual journal entries may result in certain account balances being misstated.

Recommendation:

The College should enhance their processes during the implementation of a new system. This process should include enhanced upfront communication by appropriate personnel from each department to ensure key reports are being written timely that are complete and accurate to support the financial close process. The predecessor auditor recommended that the College enhance their processes related to reviews of journal entries, account reconciliations, and producing a comprehensive financial statement package.

Fiscal 2015 update:

No such finding noted in the current year.

NEW YORK INSTITUTE OF TECHNOLOGY
Schedule of Status of Prior Year Findings
For the year ended August 31, 2015

2014-002 - STUDENT FINANCIAL AID PACKAGING PROCESS AND RECORDING WITHIN THE STUDENT'S INDIVIDUAL ACCOUNT

Criteria:

As required by Department of Education regulations for disbursement of student financial aid, management is responsible for timely application of financial aid awards to student accounts in order to ensure financial reporting is complete and accurate.

Condition:

Although student financial aid was disbursed in accordance with federal guidelines, management noted instances where the packaging process of the student's financial aid was applied several months after the close of a semester. For example, fiscal year 2013-2014 financial aid for certain students were not allocated within the student individual accounts until October 2014, which is fiscal year 2015 for the College. Packaging a student's financial aid involves assigning the various aid that a student is receiving into the appropriate category (i.e., federal and merit based awards, grants, etc).

Cause:

The primary cause for the delay in the packaging student financial aid within the individual student accounts was due to resources being allocated to the implementation of the new student financial system. In order to ensure student records reconciled at the go live date, the Financial Aid Office was entering data into both the new and former student financial systems which created a more than usual backlog of student financial aid not being packaged. Reporting delays in the new system created the need for additional manual reconciliations.

Effect:

Student financial aid that is not being packaged timely creates delays in finalizing loan documents with students, potential collectability issues when a student's total financial aid changes after initial communication, and budgetary issues for the College.

Recommendation:

The College should enhance their current process of packaging student financial aid on a more timely basis (i.e., within 90 days after the start of the semester for the majority of all students accounts).

Fiscal 2015 update:

No such finding noted in the current year.

NEW YORK INSTITUTE OF TECHNOLOGY
Schedule of Status of Prior Year Findings
For the year ended August 31, 2015

Federal Award Findings and Questioned Costs

2014-003 - Completeness of Schedule of Expenditures of Federal Awards (“SEFA”)

<u>Financial Program:</u>	<u>Federal CFDA No.:</u>	<u>Award Year:</u>
Research and Development Cluster Sub Contract from RMC Research Corporation for the Northeast Regional Comprehensive Center	84.283B	2012-2013
Research Sub-Award Agreement from the Research Foundation of SUNY Stony Brook for the Eunice Kennedy Shriver National Institute of Child Health & Human Development	93.865	2012-2013

Criteria:

Circular A-110 paragraph 21 (b) (1) states that the award recipient must maintain accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements.

Condition:

The College did not report two grants in the fiscal 2013 SEFA. The grants were erroneously coded as private awards in the general ledger instead of federal awards. However, the College did execute the required compliance requirements over these awards and correctly reported them in fiscal year 2014.

Cause:

These errors were caused by insufficient review of the classification of grants within the College’s financial reporting process within fiscal 2013.

Effect:

This resulted in the fiscal 2013 expenditures within the SEFA to be understated by \$157,380, of which \$129,324 related to CFDA No. 84.283B and \$28,056 related to CFDA No. 93.865. The College reported the 2013 expenditures and the actual fiscal year 2014 expenditures in its fiscal year 2014 SEFA report.

Recommendation:

The College should strengthen their review process around reporting new grants and related coding (i.e., Federal, State, Private) in the general ledger to ensure they are coded correctly and accurately in the SEFA.

Fiscal 2015 update:

No such finding noted in the current year.