

**HARVARD CLUB  
OF  
NEW YORK  
FOUNDATION**

**Financial Statements  
for the year ended  
June 30, 2011**

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**CONDON  
O'MEARA  
MCGINTY &  
DONNELLY LLP**

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**Independent Auditors' Report**

Board of Directors  
Harvard Club of New York Foundation

We have audited the accompanying statement of financial position of the Harvard Club of New York Foundation as of June 30, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for the year ended June 30, 2010 were audited by other auditors and, in their report dated December 13, 2010, they expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Harvard Club of New York Foundation at June 30, 2011 and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Condon O'Meara McGinty & Donnelly LLP*

November 16, 2011

**HARVARD CLUB OF NEW YORK FOUNDATION**

**Statement of Financial Position**

**Assets**

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Cash and cash equivalents	\$ 71,346	\$ 169,304
Investment, at fair value	4,176,207	3,212,607
Due from Harvard Club of New York City	178,260	121,843
<b>Total assets</b>	<b>\$4,425,813</b>	<b>\$3,503,754</b>

**Liabilities and Net Assets**

<b>Liabilities</b>		
Scholarship awards payable	\$ 150,000	\$ 180,000
<b>Net assets</b>		
Unrestricted	3,124,525	2,401,746
Temporarily restricted	790,739	718,783
Permanently restricted	360,549	203,225
Total net assets	4,275,813	3,323,754
<b>Total liabilities and net assets</b>	<b>\$4,425,813</b>	<b>\$3,503,754</b>

See notes to financial statements.



**HARVARD CLUB OF NEW YORK FOUNDATION**

**Statement of Cash Flows**

	<b>Year Ended</b>	
	<b>June 30</b>	
	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 952,059	\$ 321,226
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Change in unrealized appreciation of investment	(496,436)	(137,676)
Permanently restricted contributions	(157,324)	-
(Increase) decrease in assets		
Due from Harvard Club of New York City	(56,417)	19,378
Scholarship awards payable	<u>(30,000)</u>	<u>(45,000)</u>
Net cash provided by operating activities	<u>211,882</u>	<u>157,928</u>
<b>Cash flows (used in) investing activities</b>		
Purchase of investments	(467,164)	(112,168)
Permanently restricted contributions	<u>157,324</u>	<u>-</u>
Net cash (used in) investing activities	<u>(309,840)</u>	<u>(112,168)</u>
<b>Net increase (decrease) in cash and money market funds</b>	<b>(97,958)</b>	<b>45,760</b>
<b>Cash and money market funds, beginning of year</b>	<b><u>169,304</u></b>	<b><u>123,544</u></b>
<b>Cash and money market funds, end of year</b>	<b><u>\$ 71,346</u></b>	<b><u>\$ 169,304</u></b>

See notes to financial statements.

## HARVARD CLUB OF NEW YORK FOUNDATION

### Notes to Financial Statements

June 30, 2011

#### Note 1 – Nature of organization and purpose

The Harvard Club of New York Foundation (the “Foundation”) was incorporated in March 1953 under the Membership Corporations Law of the State of New York as a non-profit corporation organized to foster scientific, literary and educational interests among members of the Harvard Club of New York City, to provide scholarships for students at Harvard University and otherwise to advance the interests and promote the welfare of Harvard University.

#### Note 2 – Summary of significant accounting policies

##### Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America.

##### Net asset classifications

To ensure compliance with restrictions placed on the resources available, the Foundation has reflected amounts that have similar characteristics into three categories of net assets as follows:

Unrestricted net assets - represents funds that are fully available, at the discretion of management and the Board of Directors, for the Foundation to utilize in any of its programs or supporting services. The funds are not restricted by donors or the donor-imposed restrictions have expired.

Temporarily restricted net assets - comprised of funds that are restricted by donors for specific purposes or time periods. The restrictions are satisfied either by the passage of time or by actions of the Foundation.

Permanently restricted net assets - includes contributions that donors have specified must be maintained in perpetuity. The related income may be expended for such purpose as specified by the donor, or, if none, then for any purpose of the Foundation.

##### Net assets released from restrictions

Contributions received and investment income earned on permanently restricted net assets with donor stipulations that limit the use of the contributions or income are reported as temporarily restricted. When a donor restriction expires (i.e., when a time restriction ends or purpose restriction is fulfilled), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

## HARVARD CLUB OF NEW YORK FOUNDATION

### Notes to Financial Statements (continued)

June 30, 2011

#### Note 2 – Summary of significant accounting policies (continued)

##### Contributions and gifts

The Foundation records unconditional contributions as revenue at their fair value when they are received. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

##### In-kind contributions

The Foundation receives a variety of donated goods and services from the Harvard Club of New York City (the “Club”), an affiliated organization, including donated staff time and administrative costs that the Club pays on the Foundation’s behalf.

The Foundation records contributed services that meet the criteria for recognition as revenue and expense in the accompanying financial statements. Approximately \$46,000 and \$49,000 of revenue and expense has been recognized for administrative services contributed by the Club for the year ended June 30, 2011 and 2010, respectively.

##### Contributed services

A number of volunteers, including the members of the Board of Directors, have made significant contributions of time to the Foundation’s policymaking, programs, and support functions. The value of this contributed time does not meet criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

##### Cash and cash equivalents

Cash and cash equivalents include cash balances and highly liquid investments that have maturities of three months or less at the time of purchase. Cash and cash equivalents are held at one financial institution and amounts may, from time to time, exceed federally insured limits.

##### Investment

The Foundation has an agreement with Harvard Management Company for Harvard University to manage certain assets, which were turned over to Harvard University. Under the agreement, the Foundation owns units in the Harvard University Endowment Fund (the “Endowment Fund”). The Foundation’s continued involvement in this arrangement is at the Foundation’s discretion and it reserves the right to withdraw any or all of the units upon two weeks’ notice.

**HARVARD CLUB OF NEW YORK FOUNDATION****Notes to Financial Statements (continued)****June 30, 2011****Note 2 – Summary of significant accounting policies (continued)****Investment (continued)**

The Foundation's investment in the Endowment Fund is stated at fair value as estimated in an unquoted market. Fair value is determined by the Foundation's management based upon the net asset value of the Foundation's units reported to the Foundation and with consideration given to other factors that might affect fair value determination in accordance with accounting standards. Financial information used by the Foundation to evaluate its investment is provided by Harvard Management Company for Harvard University. Such fair value is based on the fair values of the underlying securities in the Endowment Fund, which include both market-traded and non-marketable assets, including alternative investments such as hedge funds, private equity funds, and other hard-to-value securities. Generally, fair value reflects net contributions to the Endowment Fund and an ownership share of realized and unrealized investment income and expenses. The value may be based on estimates that require varying degrees of determining the fair value of the investment arising from factors such as lack of active markets (primary and secondary) and lack of transparency into underlying holdings. As a result, the estimated fair value reported in the accompanying statement of financial position might differ from the value that would have been used had a ready market for the investment existed and there is at least a reasonable possibility that such estimates may change in the near term and such changes may be material. The financial statements of Harvard University are audited annually by independent auditors.

**Harvard University Scholarships**

The Foundation recognizes expenses for scholarships when the scholarships are approved by the Board of Directors and are unconditionally promised to the recipients. Scholarship awards are conditioned on the recipients remaining enrolled as students at Harvard University and the awards are recorded as expenses annually as this condition is met. At June 30, 2011, the Foundation had outstanding scholarship commitments of approximately \$225,000, payable as follows: \$112,500 in fiscal 2012; \$75,000 in fiscal 2013 and \$37,500 in fiscal 2014. These commitments are not recognized as scholarship expenses or scholarship awards in the accompanying financial statements.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

**HARVARD CLUB OF NEW YORK FOUNDATION**

**Notes to Financial Statements (continued)**

**June 30, 2011**

**Note 2 – Summary of significant accounting policies (continued)**

**Concentration of credit risk**

The Foundation's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, money market funds and investments. The Foundation places its cash and money market funds with what it believes to be a quality financial institution. The Foundation invests in the Harvard University Endowment Fund represented by partial ownership in all investments held by the Endowment. The Foundation believes no significant concentration of credit risk exists with respect to its cash, money market funds and investments.

**Subsequent events**

The Foundation has evaluated events and transactions for potential recognition or disclosure through November 16, 2011, which is the date the financial statements were available to be issued.

**Note 3 – Investment**

The following is a summary of the Foundation's investment:

	June 30			
	2011		2010	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Harvard University Endowment Fund – General investment account	<u>\$3,210,450</u>	<u>\$4,176,207</u>	<u>\$2,743,286</u>	<u>\$3,212,607</u>

Through its investment in the Endowment Fund, the Foundation is involved indirectly in investment activities, such as securities lending, short sales of securities, options, trading in futures and forwards contracts, swap contracts, exchange agreements, interest rate cap, and floor agreements and other derivative products. Derivatives are tools used to maintain asset mix or adjust portfolio risk exposure. While these financial instruments may contain varying degrees of risk, the Foundation's risk with respect to such transactions is limited to its capital balance in the investment.

**HARVARD CLUB OF NEW YORK FOUNDATION**

**Notes to Financial Statements (continued)**

**June 30, 2011**

**Note 4 – Fair value measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounting standards establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to measurements involving significant unobservable inputs (Level 3 inputs). The three levels are defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 - Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.
- Level 3 - Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers nonperformance risk in its assessment of fair value.

Financial assets carried at fair value as of June 30, 2011 are classified in the table below in one of the three categories described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents (money market funds)	\$ 68,477	\$ -	\$ -	\$ 68,477
Investment	-	-	4,176,207	4,176,207

The following is a description of the Foundation's valuation methodologies for assets measured at fair value. Fair value for Level 1 is based upon quoted market prices. Level 3 assets consist of the Foundation's investment in the Endowment Fund, the valuation for which is described in note 2. The methods described above may produce a fair value that may not indicate net realizable value or reflect future fair values.

**HARVARD CLUB OF NEW YORK FOUNDATION**

**Notes to Financial Statements (continued)**

**June 30, 2011**

**Note 4 – Fair value measurements (continued)**

Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The changes in the Foundation's investment measured at fair value for which the Foundation has used Level 3 inputs to determine fair value for the years ended June 30, 2011 and June 30, 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 3,212,607	\$ 2,962,763
Purchases of investments	467,164	112,168
Change in unrealized appreciation of investment	<u>496,436</u>	<u>137,676</u>
Balance, end of year	<u>\$ 4,176,207</u>	<u>\$ 3,212,607</u>

**Note 5 – Temporarily restricted net assets**

The transactions in temporarily restricted net assets for the year ended June 30, 2011 are as follows:

	<u>Balance June 30, 2010</u>	<u>Investment Income</u>	<u>Change in Unrealized Appreciation of Investment</u>	<u>Less Scholarships and Awards Paid</u>	<u>Balance June 30, 2011</u>
Scholarship programs and other	<u>\$ 718,783</u>	<u>\$ 35,959</u>	<u>\$ 43,949</u>	<u>\$ 7,952</u>	<u>\$ 790,739</u>

**HARVARD CLUB OF NEW YORK FOUNDATION****Notes to Financial Statements (continued)****June 30, 2011****Note 6 – Permanently restricted funds**

Permanently restricted net assets are required by donors to be invested in perpetuity. Income on permanently restricted net assets held at June 30, 2011 is expendable for scholarships to Harvard University students. Certain donors have restricted the income to be expended on scholarships for specific programs of study.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the endowment funds while seeking to maintain the purchasing power of the funds. To satisfy long-term return objectives, the Foundation 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 Foundation's endowment assets are invested in the Endowment Fund, which employs multiple investment strategies to achieve returns. Endowment assets are expended based on program needs. Long-term expected returns on endowment assets and the duration and preservation of the endowments are considered in determining expenditures of endowment assets.

**Note 7 – Related-party transactions**

During the normal course of business, the Foundation occasionally engages in transactions with entities with which members of the Board of Directors may be affiliated. The Foundation's Board of Directors' policy requires Board members to disclose such affiliations and to review and authorize such transactions as appropriate.

**Note 8 – Tax status**

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been determined, by the Internal Revenue Service, to be a publicly supported organization, and not a private foundation, under the meaning of Section 509(a) of the Internal Revenue Code. As of June 30, 2011, no amounts have been recognized for uncertain tax positions. The Foundation's tax returns for the year 2008 and forward are subject to the usual review by the appropriate taxing authorities.