HARVARD CLUB OF NEW YORK FOUNDATION

Financial Statements
For the Year Ended June 30, 2010
With Report of Independent Auditors

HARVARD CLUB OF NEW YORK FOUNDATION
Financial Statements
Year Ended June 30, 2010

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Harvard Club of New York Foundation

We have audited the accompanying statement of financial position of Harvard Club of New York Foundation (the "Foundation") as of June 30, 2010, 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Foundation's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 Harvard Club of New York Foundation at June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Mitchell & Titus, LLP

December 13, 2010

HARVARD CLUB OF NEW YORK FOUNDATION
Statement of Financial Position
June 30, 2010

ASSETS	
Cash and cash equivalents	$ 169,304
Investment	3,212,607
Due from Harvard Club of New York City	121,843
Total assets	$ 3,503,754
LIABILITIES AND NET ASSETS	
Liabilities	
Scholarship awards payable	$ 180,000
Total liabilities	180,000
Net assets	
Unrestricted	2,401,746
Temporarily restricted	718,783
Permanently restricted	203,225
Total net assets	3,323,754
Total liabilities and net assets	$ 3,503,754

HARVARD CLUB OF NEW YORK FOUNDATION

Statement of Activities

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Contributions and gifts	$ 225,384	$ -	$ -	$ 225,384
Harvard Club of New York City – contribution	48,746	-	-	48,746
Investment income	96,251	37,829		134,080
Change in unrealized appreciation on investment	108,556	29,120	-	137,676
Net assets released from restrictions	30,340	(30,340)	-	-
Total support, revenue, and reclassifications	509,277	36,609	-	545,886
EXPENSES				
Harvard University scholarships	173,556	-	-	173,556
Trophy awards	340			340
Administrative expenses	50,764	-	-	50,764
Total expenses	224,660	-	-	224,660
Change in net assets	284,617	36,609	-	321,226
Net assets, beginning of year	2,117,129	682,174	203,225	3,002,528
Net assets, end of year	$ 2,401,746	$ 718,783	$ 203,225	$ 3,323,754

HARVARD CLUB OF NEW YORK FOUNDATION
Statement of Cash Flows
Year Ended June 30, 2010

OPERATING ACTIVITIES	
Change in net assets	$ 321,226
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Change in unrealized appreciation on investment	(137,676)
Changes in operating assets and liabilities	
Due from Harvard Club of New York City	19,378
Scholarship awards payable	(45,000)
Net cash provided by operating activities	157,928
INVESTING ACTIVITIES	
Purchases of investment	(112,168)
Net cash used in investing activities	(112,168)
Net increase in cash and cash equivalents	45,760
Cash and cash equivalents, beginning of year	123,544
Cash and cash equivalents, end of year	$ 169,304

NOTE 1 NATURE OF ORGANIZATION

The purpose of Harvard Club of New York Foundation (the "Foundation") is to foster scientific, literary, and educational interests among members of Harvard Club of New York City, to provide scholarships for students at Harvard University, and to advance the interests and promote the welfare of Harvard University.

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Internal Revenue Service has determined that the Foundation is a publicly supported organization, and not a private foundation, under Section 509(a) of the Code. The Foundation is also exempt from state and local taxes. The Foundation qualifies for the maximum charitable contribution deduction by donors.

Effective in June 2009, the Board of Directors of the Foundation changed the Foundation's fiscal year end from December 31 to June 30.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Net Asset Classifications

To ensure compliance with restrictions placed on the resources available to the Foundation, the Foundation's accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds according to their nature and purpose. The Foundation has reflected amounts that have similar characteristics into three categories of net assets – unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets represent 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 are 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Permanently restricted net assets include 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.

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.

Contributions and Gifts

The Foundation records as revenue the following types of contributions when they are received unconditionally at their fair value: cash, promises to give, and in-kind contributions. 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 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.

In accordance with U.S. generally accepted accounting principles, the Foundation records contributed services that meet the criteria for recognition as revenue and expense in the accompanying financial statements. Approximately $49,000 of revenue and expense has been recognized for administrative services contributed by the Club for the year ended June 30, 2010.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

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 Codification ("ASC") 820 ("ASC 820"), *Fair Value Measurements and Disclosures*. 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 nonmarketable 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 judgment where readily available fair value does not exist. There is uncertainty in 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 estimates will change by material amounts in the near term. The financial statements of Harvard University are audited annually by independent auditors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related-Party Transactions

During the normal course of business, the Foundation occasionally engages in transactions with entities with which members of its 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.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles 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. Estimates also affect the amounts of revenue and expenses reported during the period. Actual results could differ from these estimates.

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, 2010, the Foundation had outstanding scholarship commitments of approximately $225,000, payable as follows: $112,500 in fiscal 2011; $75,000 in fiscal 2012 and $37,500 in fiscal 2013. These commitments are not recognized as scholarship expenses or scholarship awards payable in the accompanying financial statements.

NOTE 3 INVESTMENT

The following is a summary of the Foundation's investment as of June 30, 2010:

	Cost	Fair Value
Interest in Harvard University Endowment Fund – general investment account	$ 2,743,286	$ 3,212,607

NOTE 3 INVESTMENT *(continued)*

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.

NOTE 4 FAIR VALUE MEASUREMENTS

The Foundation follows the methods as described in ASC 820 to value its financial assets and liabilities. ASC 820 defines fair value as 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 and establishes a framework for measuring fair value. ASC 820 applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, ASC 820 does not require any new fair value measurements. Fair value measurements are applied based on the unit of account from the reporting entity's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

ASC 820 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.

NOTE 4 FAIR VALUE MEASUREMENTS *(continued)*

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, 2010 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Cash equivalents (money market fund)	$ 140,373	$ -	$ -	$ 140,373
Investment	-	-	3,212,607	3,212,607

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.

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 year ended June 30, 2010, and which continues to be held at June 30, 2010, is as follows:

Fair value at July 1, 2009	$ 2,962,763
Purchases of investment	112,168
Change in unrealized appreciation on investment	137,676
Fair value at June 30, 2010	$ 3,212,607

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2010 are available for the following specific purposes:

Purpose restrictions		
Scholarship programs	$	715,032
Trophy award program		3,751
	$	718,783

NOTE 6 RECLASSIFICATION OF TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended June 30, 2010 as follows:

Scholarship programs	$	30,000
Trophy award program		340
Trophy awards	$	30,340

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are required by donors to be invested in perpetuity. Income on permanently restricted net assets held at June 30, 2010 is expendable for scholarships to Harvard University students. Certain donors have restricted the income to be expended on scholarships for specific programs of study.

ASC 958.205.45 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and additional disclosures about an organization's endowment funds.

New York State adopted UPMIFA subsequent to June 30, 2010. Therefore, UPMIFA has had no effect on the Foundation's accounting for its endowment funds. The Foundation's endowment consists of various donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS *(continued)*

The Board of Directors of the Foundation has interpreted New York State law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies permanently restricted net assets as: (a) the original value of the 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 as permanently restricted net assets is classified as unrestricted or temporarily restricted net assets until the amounts are expended.

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.

At June 30, 2010, there was a deficiency of approximately $29,000 for certain endowment funds due to the fair value of the endowment fund assets being less than the levels required by the donors.

Accordingly, at June 30, 2010, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ (28,608)	$ 31,920	$ 203,225	$ 206,537

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS *(continued)*

Changes in endowment net assets for the year ended June 30, 2010 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (38,330)	$ 24,498	$ 203,225	$ 189,393
Investment return				
Investment income	4,797	3,662	-	8,459
Change in unrealized appreciation on investments	4,925	3,760	-	8,685
Total investment return	9,722	7,422	-	17,144
Endowment net assets, end of year	$ (28,608)	$ 31,920	$ 203,225	$ 206,537

NOTE 8 CONCENTRATION OF CREDIT RISK

The Foundation's investment consists entirely of an interest in the Endowment Fund. The Endowment Fund is invested in a diverse portfolio of underlying investments, which reduces the level of risk associated with this concentration.

NOTE 9 SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring between July 1, 2010 and December 13, 2010, which is the date that the financial statements were available to be issued, for disclosure and recognition in the financial statements, and determined that there were no subsequent events for disclosure and recognition in the financial statements.