New York Law School
Financial Statements
As of June 30, 2012 and 2011
Together with Auditor's Report

Nawrocki Smith LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees of
New York Law School:

We have audited the accompanying statements of financial position of New York Law School (the "School") as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits provide 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 New York Law School as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012, on our consideration of New York Law School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Nawrocki Smith LLP

Melville, New York
November 21, 2012

New York Law School
Statements of Financial Position
As of June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 1,911,827	$ 1,687,899
Receivables:		
Accounts receivable, net of allowance for doubtful accounts of $874,416 in 2012 and $558,379 in 2011	836,154	827,169
Investment income receivable	18,094	37,628
Student loans receivable, net of allowance for doubtful accounts of $1,013,197 in 2012 and $970,588 in 2011	2,058,095	2,201,150
Contributions receivable	8,977,476	14,274,413
Investments	241,522,413	256,477,650
Inventory	12,285	17,573
Prepaid expenses, deferred charges and other assets	4,451,670	4,629,275
Cash and government securities held in trust by others	617,482	4,662,154
Land, buildings and equipment, net of accumulated depreciation of $51,259,674 in 2012 and $41,977,200 in 2011	187,134,360	186,166,856
Total assets	$ 447,539,856	$ 470,981,767
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 5,498,171	$ 11,956,876
Accrued interest payable	10,851	-
Government grants refundable	2,832,765	2,773,337
Deferred revenue	427,376	557,715
Postretirement benefit liabilities	10,633,921	9,340,153
Interest rate swap payable	36,838,000	19,290,000
Bonds payable	172,450,000	175,500,000
Total liabilities	228,691,084	219,418,081
Net assets:		
Unrestricted	181,372,775	213,686,999
Temporarily restricted	5,818,686	7,101,224
Permanently restricted	31,657,311	30,775,463
Total net assets	218,848,772	251,563,686
Total liabilities and net assets	$ 447,539,856	$ 470,981,767

The accompanying notes to financial statements
are an integral part of these statements.

New York Law School
Statements of Activities and Changes in Net Assets
For the years ended June 30, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:								
Tuition and fees income	$ 78,759,130	$ -	$ -	$ 78,759,130	$ 84,407,296	$ -	$ -	$ 84,407,296
Less: Student aid	6,847,980	-	-	6,847,980	8,459,143	-	-	8,459,143
Net tuition and fees	71,911,150	-	-	71,911,150	75,948,153	-	-	75,948,153
Contributions	1,133,799	1,130,108	881,848	3,145,755	1,670,213	1,198,226	1,987,455	4,855,894
Government grants, contracts and appropriations	1,366,591	-	-	1,366,591	1,488,743	-	-	1,488,743
Investment income	2,637,198	367,248	-	3,004,446	2,544,956	311,343	-	2,856,299
Interest on cash and government securities held in trust by others	1,799	-	-	1,799	17,774	-	-	17,774
Net realized gain on investments	6,840,561	890,237	-	7,730,798	7,719,324	898,602	-	8,617,926
Net unrealized appreciation (depreciation) on investments	(16,405,919)	(2,150,180)	-	(18,556,099)	20,306,471	2,396,069	-	22,702,540
Rebate on 2006 bonds	-	-	-	-	(1,120,630)	-	-	(1,120,630)
Auxiliary enterprises	2,066,708	-	-	2,066,708	2,382,418	-	-	2,382,418
Other sources	361,683	88,003	-	449,686	317,679	106,651	-	424,330
Net assets released from restrictions	1,607,954	(1,607,954)	-	-	1,365,304	(1,365,304)	-	-
Total revenues and support	71,521,524	(1,282,538)	881,848	71,120,834	112,640,405	3,545,587	1,987,455	118,173,447
Expenses:								
Program services:								
Instruction	26,663,314	-	-	26,663,314	25,824,002	-	-	25,824,002
Library	4,095,668	-	-	4,095,668	4,167,978	-	-	4,167,978
Student services	5,734,150	-	-	5,734,150	5,781,370	-	-	5,781,370
Management and general	20,606,226	-	-	20,606,226	20,176,788	-	-	20,176,788
Fundraising	971,548	-	-	971,548	943,271	-	-	943,271
Plant maintenance and operation	10,599,129	-	-	10,599,129	11,175,444	-	-	11,175,444
Research grants	431,000	-	-	431,000	470,617	-	-	470,617
Auxiliary enterprises	2,552,328	-	-	2,552,328	2,493,844	-	-	2,493,844
Interest	5,351,910	-	-	5,351,910	5,793,085	-	-	5,793,085
Depreciation	9,282,475	-	-	9,282,475	8,584,346	-	-	8,584,346
Total expenses	86,287,748	-	-	86,287,748	85,410,745	-	-	85,410,745
Change in net assets before change in valuation of interest rate swap agreement	(14,766,224)	(1,282,538)	881,848	(15,166,914)	27,229,660	3,545,587	1,987,455	32,762,702
Change in valuation of interest rate swap agreement	(17,548,000)	-	-	(17,548,000)	4,710,000	-	-	4,710,000
Change in net assets	(32,314,224)	(1,282,538)	881,848	(32,714,914)	31,939,660	3,545,587	1,987,455	37,472,702
Net assets, beginning of year	213,686,999	7,101,224	30,775,463	251,563,686	181,747,339	3,555,637	28,788,008	214,090,984
Net assets, end of year	$ 181,372,775	$ 5,818,686	$ 31,657,311	$ 218,848,772	$ 213,686,999	$ 7,101,224	$ 30,775,463	$ 251,563,686

The accompanying notes to financial statements
are an integral part of these statements.

New York Law School
Statements of Cash Flow
For the years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ (32,714,914)	$ 37,472,702
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	9,282,475	8,584,346
Net unrealized depreciation (appreciation) on investments	18,556,099	(22,702,540)
Net realized gains on investments	(7,730,798)	(8,617,926)
Change in valuation of interest rate swap agreement	17,548,000	(4,710,000)
Contributions restricted for endowment	(881,848)	(1,987,455)
(Increase) decrease in accounts receivable, net	(8,985)	21,834
Decrease in investment income receivable	19,534	300,231
Decrease in student loans receivable, net	143,055	232,224
Decrease in contributions receivable	5,296,937	4,788,529
Decrease in inventory	5,288	1,480
Decrease in prepaid expenses, deferred charges and other assets	177,605	61,322
Increase (decrease) in accounts payable and accrued expenses	(6,458,705)	3,496,055
Increase (decrease) in accrued interest payable	10,851	(8,322)
Decrease in deferred revenue	(130,339)	(81,310)
Increase in postretirement benefit liabilities	1,293,768	1,367,370
Net cash provided (used) by operating activities	4,408,023	18,218,540
Cash flows from investing activities:		
Payments for buildings, equipment and leasehold improvements	(10,249,978)	(17,969,992)
Purchase of investments	(99,324,527)	(107,640,716)
Proceeds from sale of investments	103,454,462	98,930,476
Decrease in cash and government securities held in trust by others	4,044,672	6,351,742
Net cash provided (used) by investing activities	(2,075,371)	(20,328,490)
Cash flows from financing activities:		
Contributions restricted for permanent investments	881,848	1,987,455
Principal payments on bonds and notes payable	(3,050,000)	-
Increase in government grants refundable	59,428	29,176
Net cash provided (used) by financing activities	(2,108,724)	2,016,631
Net increase (decrease) in cash and cash equivalents	223,928	(93,319)
Cash and cash equivalents, Beginning of year	1,687,899	1,781,218
Cash and cash equivalents, End of year	$ 1,911,827	$ 1,687,899
Supplemental data:		
Interest paid	$ 5,341,059	$ 5,802,580

The accompanying notes to financial statements
are an integral part of these statements.

(1) Organization and summary of significant accounting policies:

New York Law School (the "School") is an independent, non-profit educational institution primarily focused on providing students with a higher education in law.

The accompanying financial statements include the assets, liabilities, revenues and expenses of the School which are reflected under the accrual basis of accounting. The following is a summary of significant accounting policies followed by the School:

U.S. generally accepted accounting principles require that the School's financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets and changes in net assets, depending on the existence and/or nature of any donor restrictions. The net assets of the School 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 School or may be limited by contractual agreements with outside parties.

Temporarily restricted - net assets subject to donor-imposed restrictions that will be met either by actions of the School or the passage of time.

Permanently restricted - net assets subject to donor-imposed restrictions that stipulate they must be maintained permanently but permit the School to expend part or all of the income derived there-from.

The School follows U.S. generally accepted accounting principles with respect to endowments. The Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires 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, the School 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 accompanying financial statements are prepared on a functional basis whereby expenses are allocated to program services, general administration and fundraising based on a combination of time sheets and estimates of the percentages of the expenses allocated to each program or service.

As required by U.S. generally accepted accounting principles, the School has also presented Statements of Cash Flows for the years ended June 30, 2012 and 2011.

Revenue recognition -

Revenues and gains and losses on investments and other assets are reported as changes in unrestricted net assets unless limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished or the stipulated time period has elapsed, are reported as net assets released from restrictions.

Contributions, including unconditional promises to give (pledges), 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, otherwise they are reported as increases in temporarily restricted 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.

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 and equipment are recorded as unrestricted support.

Cash and cash equivalents -

Cash equivalents consist primarily of highly liquid investments purchased with original maturities of three months or less.

Investments -

Investments are recorded at fair value. 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. U.S. generally accepted accounting principles have established a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Accounts and student loans receivable -

Management determines whether an allowance for uncollectible receivables should be provided for tuition, pledges and other receivables. Such estimates are based on management's assessment of the aged basis of the receivables, current economic conditions, subsequent cash receipts and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

Land, buildings and equipment -

Land, buildings and equipment are recorded at cost. Depreciation is computed by using the straight-line method over 30 years for buildings and improvements and 3 to 12 ½ years for furniture and equipment. Library books are recorded as an expense because library book purchases are primarily for serials which are updated annually. Maintenance and repair expenditures are charged to expense as incurred. Art collection items are recorded at fair market value at date of receipt and are not depreciated.

Accounting for the impairment or disposal of long-lived assets -

U.S. generally accepted accounting principles require that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The provisions of this Statement did not have a material impact on the School's financial position, results of activities or liquidity during the years ended June 30, 2012 and 2011.

Accounting for conditional asset retirement obligations -

U.S. generally accepted accounting principles provide clarity surrounding the recognition of conditional asset retirement obligations. A conditional asset retirement obligation is defined as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation, does not defer the recognition of a liability. The obligation to perform an asset retirement activity is unconditional, and accordingly, a liability should be recognized. U.S. generally accepted accounting principles also provide guidance with respect to the criteria to be used to determine whether sufficient information exists to reasonably estimate the fair value of an asset retirement obligation. Based on the guidance, management of the School determined that sufficient information was available to reasonably estimate the fair value of known asset retirement obligations.

The School has identified existing conditions within its buildings including plastered ceilings, ballasts in light fixtures, pipe insulation, VAT flooring materials, roofing materials and hydraulic fluids that require an obligation to be recognized. As of June 30, 2012 and 2011, the balance of $400,000 is included within accounts payable and accrued expenses in the Statements of Financial Position.

Deferred revenue -

Deferred revenue represents payments received from students through June 30 relating to registration for the succeeding semesters. Such amounts will be reflected in revenues during the subsequent fiscal year.

Tuition discounting and loan programs -

The School maintains a policy of offering qualified applicants admission to the School without regard to financial circumstances. The School 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 School participates in certain student loan programs. Under these programs, the School is required to make matching contributions of funds at contractual percentage rates.

Grants -

Grants are reported as revenue when expenses are incurred in terms of the respective agreements. Amounts received in advance are recorded as refundable grants. Financial awards from Federal, state and local governmental entities in the form of grants are subject to a special audit. Such audits could result in claims against the School for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Financial instruments -

Financial instruments which potentially subject the School to concentrations of credit risk consist principally of temporary cash investments and marketable securities. The School's temporary cash investments and marketable securities are placed with high credit quality institutions. The carrying amount of student accounts receivable, accounts payable and accrued expenses approximates fair value because of the short maturity of these financial instruments.

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

In addition, the fair value of long-term debt approximates the carrying amount as the related interest rates represent current market rates.

Tax status -

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

The School has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The School's Form 990, "Return of Organization Exempt from Income Tax" for the years ended 2009 and subsequent remain subject to examination by the applicable taxing authorities.

The use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the period. Significant estimates include allowance for doubtful accounts, useful lives of plant assets, valuation of non-marketable investments and liability for postretirement benefits. Actual results may differ from those estimates.

(2) Investments

The cost and fair values of investments at June 30, 2012 and 2011 are as follows:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
U.S. equities	$ 38,006,020	$ 40,743,297	$ 38,105,154	$ 46,899,964
International equities	38,323,303	33,684,120	40,236,008	40,235,701
Hedge funds	53,133,539	60,914,248	46,501,729	61,109,202
Private investments	18,687,996	18,784,427	15,603,138	16,002,509
Commodities/natural resources	5,172,897	5,676,644	5,307,400	6,227,299
Fixed income	17,818,125	18,509,259	23,371,133	24,381,340
Cash equivalents	45,509,365	45,509,365	43,823,494	43,807,961
Government securities	17,703,809	17,701,053	17,806,137	17,813,674
	$234,355,054	$241,522,413	$230,754,193	$256,477,650

As of June 30, 2012, the School has a commitment of $15,563,039 to further invest in limited partnerships.

(3) Fair value measurement

The Financial Accounting Standards Board ("FASB") Fair Value Measurement standard clarifies the definition of fair value for financial reporting, establishes framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The School has adopted the standard for its financial assets and liabilities measured on a recurring and nonrecurring basis.

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reported entity has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability.

Cash equivalents

The carrying amounts reported on the Statements of Financial Position for cash and cash equivalents approximate those assets' fair values.

U.S. and international equities

U.S. and international equities are invested principally in stocks, which can be actively or passively (index fund) managed. U.S. and international equities are principally categorized according to company size, the investment style of the holdings in the portfolio and geography. Size is determined by a company's market capitalization, while the investment style, reflected in the fund's stock holdings, is also used to categorize equity mutual funds. This category is also categorized by whether they are domestic (U.S.) or international and can be broad market, regional or single-country funds.

Fixed income

Fixed income is a type of investing for which real return rates or periodic income is received at regular intervals at reasonably predictable levels.

Private investments

Private investments represent investments in non-publicly traded domestic and foreign buy-out and venture capital funds. Private equity funds are structured as limited partnerships and are valued according to the valuation policy of each partnership, subject to prevailing accounting and other regulatory guidelines.

Commodities/natural resources

Commodities/natural resources are investments in securities related to natural resource sectors including energy, metals, materials, agriculture, as well as companies in associated sectors. Commodities/natural resource equities are influenced by the price of underlying commodities which trade on various exchanges and have price fluctuations based on short-term dynamics partially driven by supply and demand.

Hedge funds

Hedge funds are aggressively managed portfolios of investments that use advanced investment strategies such as leveraged, long, short and derivative positions in both domestic and international markets with the goal of generating high returns (either in an absolute sense or over a specified market benchmark).

Government securities

Government securities are government debt obligations (local or national) backed by the credit and taxing power of a country with very little risk of default.

The following table represents the School's fair value hierarchy for investments and other financial instruments at fair value as of June 30, 2012:

	Fair Value	Level 1	Level 2	Level 3
U.S. equities	$ 40,743,297	$ 40,743,297	$ -	$ -
International equities	33,684,120	33,684,120	-	-
Hedge funds	60,914,248	5,483,101	49,862,664	5,568,483
Private investments	18,784,427	-	-	18,784,427
Commodities/natural resources	5,676,644	4,177,937	-	1,498,707
Fixed income	18,509,259	16,610,051	1,899,208	-
Cash equivalents	45,509,365	45,509,365	-	-
Government securities	17,701,053	17,701,053	-	-
Total investments	$ 241,522,413	$ 163,908,924	$ 51,761,872	$ 25,851,617

The following table represents the School's fair value hierarchy for investments and other financial instruments at fair value as of June 30, 2011:

	Fair Value	Level 1	Level 2	Level 3
U.S. equities	$ 46,899,964	$ 46,899,964	$ -	$ -
International equities	40,235,701	40,235,701	-	-
Hedge funds	61,109,202	4,655,893	48,733,260	7,720,049
Private investments	16,002,509	-	-	16,002,509
Commodities/natural resources	6,227,299	4,698,760	-	1,528,539
Fixed income	24,381,340	23,656,482	724,858	-
Cash equivalents	43,807,961	43,807,961	-	-
Government securities	17,813,674	17,813,674	-	-
Total investments	$256,477,650	$181,768,435	$ 49,458,118	$ 25,251,097

The following is a reconciliation of activity for assets measured at fair value based on inputs other than quoted market prices (Level 2):

	2012	2011
Beginning balance	$ 49,458,118	$ 45,752,021
Add: Investment income	2,761,485	5,518,097
Add: Issuances	13,158,795	188,000
Less: Unrealized loss	(6,169,390)	-
Less: Transfers out (net)	(7,447,136)	(2,000,000)
Ending balance	$ 51,761,872	$ 49,458,118

The following is a reconciliation of activity for assets measured at fair value based on significant unobservable outputs (Level 3):

	2012	2011
Beginning balance	$ 25,251,097	$ 24,741,936
Add: Investment income	1,074,934	2,840,834
Add: Issuances	3,957,383	2,222,674
Less: Unrealized loss	(284,056)	-
Less: Transfers out (net)	(4,147,741)	(4,554,347)
Ending balance	$ 25,851,617	$ 25,251,097

(4) Land, buildings and equipment

As of June 30, 2012 and 2011, land, buildings and equipment consisted of the following:

	2012	2011
Land	$ 704,458	$ 704,458
Buildings and leasehold improvements	202,557,945	195,417,222
Furniture and equipment	34,363,150	31,593,376
Art collection	768,481	429,000
	238,394,034	228,144,056
Less: Accumulated depreciation	51,259,674	41,977,200
	$ 187,134,360	$ 186,166,856

(5) Bonds payable

On June 30, 2006, New York City Industrial Development Agency Civic Facility Revenue Bonds (Series 2006A and Series 2006, New York Law School Project) were issued in the amount of $135,000,000, initially as Auction Rate Securities (ARS) and bear interest at Auction Rates for generally successive seven-day Auction Periods. These bonds were issued for the purpose of financing a portion of the costs of the School's building project.

Concurrently with delivery of the Series 2006 Bonds, the New York City Industrial Development Agency (the "Agency") and the School entered into a Company Lease Agreement with respect to the Facility, dated as of June 1, 2006, pursuant to which the School, as lessor, will lease the Facility to the Agency, as lessee, for the term of the Series 2006 Bonds for a rental of one ($1) dollar and simultaneously, the Agency as seller, and the School as purchaser, will enter into an Industrial Sale Agreement and Assignment of Lease with respect to the Facility, dated as of June 1, 2006, pursuant to which the School will make monthly installment purchase payments for the term of the Series 2006 Bonds to purchase the Agency's leasehold interest in the Facility. The Installment Sales Agreement requires the payment of monthly installment purchase payments sufficient to provide for the timely payment of the principal and redemption price of, if applicable, and interest on, the Series 2006 Bonds, together with certain other fees and expenses as the same become due.

Prior to the issuance of the Series 2006 Bonds, the School entered into two interest rate exchange agreements (the "Swap Contracts') with the Bank of New York ("Swap Provider") for the purpose of converting the School's variable rate exposure relating to the Series 2006 Bonds to a fixed rate. Each Swap Contract is in an initial notional amount of $67,500,000. Under the terms of the Swap Contracts, the School will make fixed rate payments to the Swap Provider in an amount equal to 3.97% per annum multiplied by the notional amount of each such Swap Contract, and the School will receive floating rate payments from the Swap Provider equal to the Swap Contract. The floating rate for each calculation period shall be calculated at 68% of 1 month USD-LIBOR. Ambac Assurance issued an insurance policy for each Swap Contract to insure the School's swap payments to the Swap Provider under the applicable Swap Contract. In November 2008, the School's insurer, Ambac had its rating downgraded. This triggered a collateral requirement tied to the 20 year Libor Rate. The swap agreement with BONY Mellon (successor to the Bank of New York) contains a requirement of collateral posting in the event that the School is no longer supported by a AAA insurance company. The Ambac insurance was cancelled in December 2008. As of June 30, 2012 and 2011, the collateral requirement was $36,838,000 and $19,290,000, respectively. As of June 30, 2012 and 2011, the fair value of the interest rate swap was a liability of approximately $36.8 million and $19.2 million, respectively which is reflected in the Statements of Financial Position. The change in fair value of the interest rate swap is included in the accompanying Statements of Activities and Changes in Net Assets.

The proceeds of the Bonds were invested and recorded as cash and government securities held in trust by others. Bond issuance costs totaling $5,200,738 were recorded as deferred charges. Deferred charges are amortized over the life of the debt. Amortization expense was $108,837 each year for the years ended June 30, 2012 and 2011.

In December 2008, the bonds were remarketed from auction rate securities to bank letter of credit based on weekly variable rate demand bonds. The banks providing the letters of credit included JP Morgan Bank ($62.5 million), Allied Irish Bank ($47.5 million) and RBS Citizens, N.A. ($20 million). The remarketing process included a mandatory tender of the existing insured auction rate securities and cancellation of the bond issuance. The amount, final maturity and amortization of the Series 2006 Bonds did not change. During the year ended June 30, 2012, the bonds fixed interest rate was 4.05%.

In September 2010, the bonds were remarketed. They remained as bank letter of credit backed securities, but changed the letter of credit banks, substituting TD Bank for Allied Irish Bank ($47.5 million) and JP Morgan Bank for RBS Citizens N.A. ($20 million).

In June 2009, The Dormitory Authority of the State of New York (DASNY) issued New York Law School Revenue Bonds Series 2009 in the amount of $40,500,000. These bonds were used as bank letter of credit backed weekly variable rate demand bonds maturing on July 1, 2038. The letter of credit bank is TD Bank. The bonds were issued to finance the School's building projects.

The proceeds of the DASNY bonds were invested and recorded as cash and government securities held in trust for others. Bond issuance costs totaled $1,141,916 and were recorded as deferred charges. Amortization expense was $38,780 for both of the years ended June 30, 2012 and 2011, respectively.

The Bonds underlying the School's indebtedness as of June 30, 2012 and 2011, respectively, are as follows:

	2012	**2011**
The Agency Principal Series 2006A	$ 65,975,000	$ 67,500,000
The Agency Principal Series 2006B	65,975,000	67,500,000
DASNY Series 2009	40,500,000	40,500,000
	$ 172,450,000	$ 175,500,000

The School has made various covenants in the agreement to provide the Bank of New York Mellon Corporation, as Trustee, and the Agency with various program and financial documents during the year. The School has complied with all of the debt covenants as of June 30, 2012.

The School's total debt service, representing minimum payments of principal and interest over each of the next five years ending June 30, is as follows:

	IDA	**DASNY**	**Total**
2013	$ 8,531,910	$ 600,000	$ 9,131,910
2014	8,382,750	595,000	8,977,750
2015	8,393,025	595,000	8,988,025
2016	8,344,137	650,000	8,994,137
2017	8,375,230	660,000	9,035,230

(6) Contributions receivable

Unconditional promises to give at June 30, 2012 are expected to be collected in:

Less than one year	$ 4,371,178
One to five years	4,592,173
Over five years	14,125
	$ 8,977,476

(7) Functional expenses

Expenses have been presented below by major class of program service and supporting activity. Expenses related to more than one major class have been allocated based on management's best estimate of each function's proportionate share of square footage.

	Year Ended June 30, 2012						
	Instruction	Library	Student Services	Auxiliary Enterprises	Management and General	Fundraising	Total
Program and supporting activity	$26,663,314	$ 4,095,668	$ 5,734,150	$ 2,552,328	$20,606,226	$ 971,548	$60,623,234
Research grants	431,000	-	-	-	-	-	431,000
Plant maintenance and operation	5,403,864	1,793,780	2,002,582	347,442	872,987	178,474	10,599,129
Depreciation	4,732,580	1,570,953	1,753,815	304,282	764,541	156,304	9,282,475
Interest	2,728,619	905,750	1,011,181	175,437	440,806	90,117	5,351,910
	$39,959,377	$ 8,366,151	$10,501,728	$ 3,379,489	$22,684,560	$ 1,396,443	$86,287,748

	Year Ended June 30, 2011						
	Instruction	Library	Student Services	Auxiliary Enterprises	Management and General	Fundraising	Total
Program and supporting activity	$25,824,002	$ 4,167,978	$ 5,781,370	$ 2,493,844	$20,176,788	$ 943,271	$59,387,253
Research grants	470,617	-	-	-	-	-	470,617
Plant maintenance and operation	5,697,691	1,891,316	2,111,470	366,333	920,455	188,179	11,175,444
Depreciation	4,376,646	1,452,802	1,621,912	281,397	707,041	144,548	8,584,346
Interest	2,953,548	980,413	1,094,536	189,899	477,143	97,546	5,793,085
	$39,322,504	$ 8,492,509	$10,609,288	$ 3,331,473	$22,281,427	$ 1,373,544	$85,410,745

Total program service expenses (Instruction, Library, Student Services and Auxiliary Enterprises) for the years ended June 30, 2012 and 2011 were $62,206,745 and $61,755,774, respectively.

(8) Retirement and other postretirement benefit plans

The School has a contributory defined contribution retirement plan under arrangements with the Teachers Insurance and Annuity Association and College Retirement Equities Fund for the purchase of individually funded annuity contracts for a majority of its faculty and other employees. The School's contribution under the plan is based on 10% of a participant's base salary during the year. Benefits vest upon contribution to the fund. Pension expense which is allocated between appropriate functional categories in the Statements of Activities for the years ended June 30, 2012 and 2011 amounted to $2,131,921 and $2,098,469, respectively.

The School sponsors a defined benefit postretirement health insurance plan for certain employees. The net periodic postretirement benefit cost recognized in the Statements of Activities for the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
Interest cost	$ 758,870	$ 682,599
Service cost	516,567	535,758
Amortization of loss	156,343	182,329
Amortization of transition obligation	53,955	53,955
Net periodic benefit cost	$ 1,485,735	$ 1,454,641

The actuarial value of benefit obligations and the amount recognized in the Statements of Financial Position as of June 30, 2012 and 2011 were as follows:

	2012	2011
Change in accumulated postretirement benefit obligation:		
Benefit obligation at beginning of year	$ 12,386,164	$ 12,068,314
Service cost	516,567	535,758
Interest cost	758,870	682,599
Plan participants' contributions	22,971	26,123
Actuarial (gain) loss	4,806,684	(813,236)
Benefits paid	(214,938)	(113,394)
Benefit obligation at end of year	$ 18,276,318	$ 12,386,164
Change in plan assets:		
Fair value of plan assets at beginning of year	$ -	$ -
School contribution	191,967	87,271
Plan participants' contributions	22,971	26,123
Benefits paid	(214,938)	(113,394)
Fair value of plan assets at end of year	$ -	$ -
Funded status at end of year	$ (18,276,318)	$ (12,386,164)
Unrecognized actuarial gain	7,480,540	2,830,199
Unrecognized transition obligation	161,857	215,812
Accrued postretirement benefit cost	$ (10,633,921)	$ (9,340,153)

Weighted-average assumptions used to determine net postretirement cost and the accumulated postretirement benefit obligation were:

	2012	2011
Discount rate	4.44%	6.18%
Rate of compensation increase	N/A	N/A
Discount rate used for net periodic benefit cost	5.92%	5.70%
Expected long-term return on plan assets	N/A	N/A
Health care cost trend rate assumed for next year	8.00%	9.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year in which ultimate is reached	2021	2016
Effect of a 1% point change in the assumed healthcare cost trend rates for 2011	**1% Point Increase**	**1% Point Increase**
Effect on total of service and interest cost	$ 305,191	$ 291,533
Effect on postretirement benefit obligation	$ 3,777,346	$ 2,674,276

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act introduces a prescription drug benefit under Medicare Part D, as well as a Federal subsidy to employers whose plans provide an "actuarial equivalent" prescription drug benefit. The School's postretirement prescription drug benefits may qualify for this subsidy and consequently the School will treat the effects of the Act as an actuarial gain.

The FASB Accounting Standards Codification on Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 requires that employers recognize the Act no later than the first interim measurement date following June 15, 2004. The School thus far has elected not to apply for the subsidy as the costs for doing so are estimated to outweigh the benefits.

Projected net employer contributions:*

Year ending June 30,		
2013	$	290,012
2014		345,921
2015		399,022
2016		458,801
2017		512,049
2018-2022		3,670,747

*based on estimated benefit payments

(9) Restricted net assets

Temporarily restricted net assets as of June 30, 2012 and 2011 were available for the following purposes:

	2012	2011
Scholarships and awards	$ 2,311,359	$ 3,119,557
Professorships and fellowships	2,253,620	2,809,893
Educational symposium	1,082,202	987,115
Library	84,147	95,575
Student loan disbursements	87,358	89,084
	$ 5,818,686	$ 7,101,224

Net assets were released from donor restrictions for the years ended June 30, 2012 and 2011 by incurring expenses satisfying the restrictions or by occurrence of other events specified by donors. Purpose restrictions accomplished were:

	2012	2011
Educational symposium	$ 928,573	$ 863,368
Scholarships and awards	482,301	316,653
Professorships and fellowships	183,200	164,492
Library	13,780	17,880
Student loan disbursements	100	2,911
	$ 1,607,954	$ 1,365,304

Permanently restricted net assets as of June 30, 2012 and 2011 consisted of funds to be invested in perpetuity, the income and gains from which are expendable to support:

	2012	2011
Scholarships and awards	$12,704,111	$12,230,156
Professorships and fellowships	10,054,196	10,039,196
Capital campaign	5,130,716	7,880,168
Educational symposium	3,696,306	553,961
Library	71,057	71,057
Student loan disbursements	925	925
	$31,657,311	$30,775,463

The Board of Trustees has determined that when the School receives a contribution which is restricted by the donor to be maintained in perpetuity, the original fair value of the contribution shall be maintained as an endowment. Such amount is recorded as permanently restricted and the investment return is recorded as temporarily restricted or unrestricted based on the purpose for which the endowment was created.

The School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowments:

(1) The duration and preservation of the endowment
(2) The purposes of the School and the donor-restricted endowment
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the School
(7) The investment policies of the School

Changes in endowment net assets for the years ended June 30, 2012 and 2011 are as follows:

	2012	**2011**
Endowment net assets, Beginning of year	$30,775,463	$28,788,008
Endowment contributions	881,848	1,987,455
Endowment net assets, End of year	$31,657,311	$30,775,463

From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor or applicable law requires the School to retain in perpetuity. There were no such deficiencies as of June 30, 2012 and 2011.

The Board of Trustees has adopted an investment policy to protect its endowment investment principal, while obtaining a reasonable and competitive return on its assets. The School has a policy of appropriating for distribution each year a portion of its endowment earnings. In establishing this policy, the School considers the long-term expected return on its endowments. This is consistent with the School's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

(10) Commitments

The School has various lease agreements for additional office space and student housing with obligations that extend through 2029. Future minimum rental payments at June 30, 2012, under agreements classified as operating leases with terms in excess of one year, are as follows:

Year ending June 30,	
2013	$ 4,019,748
2014	4,095,248
2015	4,256,804
2016	2,775,834
2017	2,655,639
2018 and thereafter	37,895,011
Total	$ 55,698,284

Rent expense in fiscal 2012 and 2011 was $3,879,106 and $4,331,390, respectively.

(11) Contingencies

The School, in its normal operations, is a defendant in various legal actions. Management is of the opinion that the outcome of those matters will not have a material effect on the School's financial position.

(12) Subsequent events

The School has evaluated subsequent events through the date of November 21, 2012, which is the date the financial statements were available to be issued.