Yeshiva University and Related Entities

Consolidated Financial Statements
June 30, 2011 and 2010

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Report of Independent Auditors

The Board of Trustees of
Yeshiva University and Related Entities

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of Yeshiva University and Related Entities (the "University") at June 30, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 5, with the enactment of The New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the University adopted authoritative guidance related to Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds for the year ended June 30, 2011.

PricewaterhouseCoopers LLP

February 17, 2012

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Yeshiva University and Related Entities
Consolidated Statements of Financial Position
June 30, 2011 and 2010

(in thousands of dollars)	**2011**	**2010**
Assets		
Cash and cash equivalents	$ 4,851	$ 7,232
Contributions receivable, net (Note 7)	141,442	145,826
Grants and contracts receivable	40,165	34,327
Mortgage loans receivable	21,047	21,002
Due from affiliated organizations (Note 8)	-	2,648
Student loans receivable, net (Note 7)	54,239	54,486
Prepaid expenses and other assets	24,348	21,694
Investments (Note 3, 5 and 6)	1,023,694	1,014,053
Funds held by bond trustees (Note 11)	15,906	19,141
Trusts and split-interest agreements held by others	21,140	20,641
Land, buildings, and equipment, net (Note 9)	736,310	740,189
Total assets	$ 2,083,142	$ 2,081,239
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	$ 98,123	$ 96,764
Deferred revenue	9,434	8,342
Line of credit (Note 11)	27,516	15,000
Trusts held for others	5,449	7,359
Other liabilities (Note 12)	28,046	26,583
Refundable advances from the U.S. Government	5,995	5,520
Bonds payable and other debt (Note 11)	347,071	352,215
Capital lease obligation (Note 12)	38,515	38,946
Asset retirement obligations (Note 13)	14,996	14,693
Total liabilities	575,145	565,422
Net assets		
Unrestricted	402,013	623,618
Temporarily restricted (Note 15)	428,744	233,712
Permanently restricted (Note 16)	677,240	658,487
Total net assets	1,507,997	1,515,817
Total liabilities and net assets	$ 2,083,142	$ 2,081,239

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

Yeshiva University and Related Entities
Consolidated Statements of Activities
Years Ended June 30, 2011 and 2010

(in thousands of dollars)	2011 Unrestricted	2011 Temporarily Restricted	2011 Permanently Restricted	2011 Total	2010 Unrestricted	2010 Temporarily Restricted	2010 Permanently Restricted	2010 Total
Operating revenues								
Tuition and fees, net of scholarships and fellowships of $88,507 in 2011 and $82,034 in 2010	$ 118,613	$ -	$ -	$ 118,613	$ 121,225	$ -	$ -	$ 121,225
Grants and contracts	277,812	-	-	277,812	248,737	-	-	248,737
Private gifts and bequests	35,977	-	-	35,977	19,367	-	-	19,367
Services under affiliation agreements	13,510	-	-	13,510	13,258	-	-	13,258
Investment return utilized (Note 4)	56,545	-	-	56,545	61,262	-	-	61,262
Auxiliary enterprises	28,847	-	-	28,847	29,721	-	-	29,721
Other revenue	19,640	-	-	19,640	20,049	-	-	20,049
Net assets released from restrictions (Note 14)	42,628	-	-	42,628	27,140	-	-	27,140
Appropriation of accumulated endowment gains	45,287	-	-	45,287	-	-	-	-
Total operating revenues	638,859	-	-	638,859	540,759	-	-	540,759
Operating expenses								
Instruction, clinical, and departmental research	216,025	-	-	216,025	217,759	-	-	217,759
Sponsored research and training	249,793	-	-	249,793	225,888	-	-	225,888
Academic support	42,278	-	-	42,278	41,083	-	-	41,083
Student services	31,147	-	-	31,147	30,754	-	-	30,754
Institutional support	99,621	-	-	99,621	88,416	-	-	88,416
Auxiliary enterprises	27,770	-	-	27,770	26,946	-	-	26,946
Development	18,950	-	-	18,950	17,447	-	-	17,447
Total operating expenses	685,584	-	-	685,584	648,293	-	-	648,293
Decrease from operating activities	(46,725)	-	-	(46,725)	(107,534)	-	-	(107,534)
Nonoperating activities								
Private gifts and bequests	-	12,395	14,720	27,115	-	12,993	21,519	34,512
Net assets released from restrictions (Note 14)	-	(42,628)	-	(42,628)	-	(27,140)	-	(27,140)
Appropriation of accumulated endowment gains	-	(45,287)	-	(45,287)	-	-	-	-
Change in value of split-interest agreements	-	4,546	1,534	6,080	-	(404)	340	(64)
Investment return in excess of amount utilized (Note 4)	30,114	58,459	3,307	91,880	25,163	14,184	1,143	40,490
Prior period unrealized loss adjustment (Note 4)	5,134	(2,267)	(131)	2,736	(5,134)	2,267	131	(2,736)
Provision for uncollectible contributions receivable	-	(272)	(719)	(991)	-	(12,645)	(15,002)	(27,647)
Other (Note 8)	-	-	-	-	(4,731)	-	-	(4,731)
Change in net assets before net asset reclassification based on change in law	(11,477)	(15,054)	18,711	(7,820)	(92,236)	(10,745)	8,131	(94,850)
Net asset reclassification based on change in law	(210,128)	210,086	42	-	-	-	-	-
Change in net assets	(221,605)	195,032	18,753	(7,820)	(92,236)	(10,745)	8,131	(94,850)
Net assets								
Beginning of year	623,618	233,712	658,487	1,515,817	715,854	244,457	650,356	1,610,667
Change in net assets	(221,605)	195,032	18,753	(7,820)	(92,236)	(10,745)	8,131	(94,850)
End of year	$ 402,013	$ 428,744	$ 677,240	$ 1,507,997	$ 623,618	$ 233,712	$ 658,487	$ 1,515,817

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

Yeshiva University and Related Entities
Consolidated Statements of Cash Flows
Years Ended June 30, 2011 and 2010

(in thousands of dollars)	**2011**	**2010**
Cash flows from operating activities		
Decrease in net assets	$ (7,820)	$ (94,850)
Adjustments to reconcile decrease in net assets to net cash used in operating activities		
Realized and unrealized gains	(143,891)	(94,863)
Proceeds from fire loss insurance recovery	-	(2,800)
Interest and dividends reinvested for long-term investment	(1,946)	(24)
Receipt of contributed securities	(7,180)	(6,248)
Depreciation, accretion, and amortization expense	49,772	44,037
Increase in trusts and split-interest agreements held by others	(499)	(5,600)
Provision for uncollectible loans and receivables	8,791	44,059
Contributions restricted for long-term investment	(14,710)	(21,519)
Contributions restricted for investment in plant assets	(6,967)	(8,038)
Changes in operating assets and liabilities		
Receivables	(7,896)	(10,940)
Prepaid expenses and other assets	(8,519)	(9,143)
Asset retirement obligations	(255)	(222)
Accounts payable and accrued expenses, deferred revenue, and other liabilities	2,004	4,969
Net cash used in operating activities	(139,116)	(161,182)
Cash flows from investing activities		
Decrease (increase) in student and faculty loans receivables, net	202	(3,212)
Proceeds from sale of contributed securities	7,180	6,248
Additions to plant assets	(45,745)	(43,700)
Proceeds from fire loss insurance recovery	-	2,800
Change in funds held by bond trustees	3,235	(1,738)
Purchases of investments	(516,289)	(1,041,690)
Proceeds from sales of investments	650,539	1,133,470
Net cash provided by investing activities	99,122	52,178
Cash flows from financing activities		
Contributions restricted for long-term investment	14,710	21,519
Change in permanently restricted contributions receivable	(2,710)	(10,609)
Contributions restricted for investment in plant assets	6,967	8,038
Change in capital contributions receivable	8,874	17,161
Interest and dividends reinvested for long-term investment	1,946	24
Change in refundable advances from the U.S. Government	475	(243)
Proceeds from issuance of bonds, notes, and mortgages payable	12,516	157,206
Payment of bonds, notes, and mortgages payable	(5,165)	(93,633)
Net cash provided by financing activities	37,613	99,463
Net decrease in cash and cash equivalents	(2,381)	(9,541)
Cash and cash equivalents		
Beginning of year	7,232	16,773
End of year	$ 4,851	$ 7,232
Supplemental disclosure		
Interest paid	$ 16,433	$ 14,724
Decrease in accounts payable and accrued expenses relating to plant assets	(1,671)	(3,462)

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

(in thousands of dollars)

1. Discussion of Operations

Yeshiva University (the “University”) is a private, nonprofit institution of higher education primarily based in New York City. The University is composed of several colleges and schools providing undergraduate, graduate, professional, and post doctoral education and training. The University performs research and clinical services at its Albert Einstein College of Medicine (“Einstein”) under grants, contracts, and similar agreements with sponsoring organizations. The Manhattan Campuses of Yeshiva University (“Manhattan Campuses”) include all units of the University other than Einstein. The University provides instruction to approximately 6,500 students. In addition, the University operates a museum in New York City and is associated with programs in Israel and Canada.

Grants and Contracts

Grants and contracts received in support of the University’s research, clinical, and training activities represented approximately 45% and 46% of the University’s total operating revenues in 2011 and 2010, respectively, with more than half of that revenue derived from grants and contracts from the U.S. Government, primarily the Department of Health and Human Services (“DHHS”). Grants and contracts revenue includes the recovery of research facility and administrative costs (indirect costs) and fringe benefit costs that have been charged to DHHS and other governmental agencies’ research grants and contracts through the application of indirect cost and fringe benefit rates, which are applied on a percentage basis to modified total direct costs and salary expenses, respectively, in accordance with applicable federal regulations.

Applications for renewal of existing grants and contracts and for new grants and contracts are submitted and approved at varying times during the year. At June 30, 2011 and 2010, Einstein had future commitments from various agencies of the U.S. Government, New York State, and New York City of approximately $243,000 and $251,000, and commitments from private sources of approximately $24,000 and $30,000 for grants and contracts during 2011 and 2010, respectively, for expenditures in future periods. These commitments are excluded from the accompanying consolidated statements of financial position at June 30, 2011 and 2010, respectively.

Affiliation Agreements

Einstein has long-standing affiliation agreements with the New York City Health and Hospitals Corporation (“HHC”) and with several area hospitals including Jacobi Medical Center (“Jacobi”), North Shore-Long Island Jewish Health Systems, Maimonides Medical Center, Beth Israel Medical Center, Bronx Lebanon Hospital, and Montefiore Medical Center (“Montefiore”). Under the terms of these agreements, the affiliated institutions provide a clinical training site for Einstein’s students and Einstein pays a limited amount for the supervision and direction of its students provided by the affiliated institutions. In addition, Einstein provides certain professional and related supporting services in exchange for payment by the affiliated institutions of certain direct contract and overhead costs incurred by Einstein in connection with graduate educational programs and research programs conducted at the affiliated institutions. From time to time, Einstein subcontracts with researchers or physicians at the affiliated institutions to conduct research for Einstein in connection with Einstein’s grants from the National Institutes of Health (“NIH”); in such instances Einstein reimburses those researchers or physicians in accordance with the budget approved by NIH.

(in thousands of dollars)

In addition, Einstein entered into a lease agreement with Montefiore in 1979, whereby Einstein granted exclusive occupation, management, and control of Weiler Hospital of Albert Einstein College of Medicine ("WHAECOM") to Montefiore. The lease expires in 2045. The agreement provides for payments of rent, personal services, and various other charges. The lease payments for fiscal 2012 amount to $2,050 with annual escalations thereafter of approximately 2% through 2045. The rental income on this lease is recognized evenly over the life of the lease, and accordingly, a rent receivable of $6,227 and $5,515 is included in prepaid expenses and other assets in the consolidated statements of financial position at June 30, 2011 and 2010, respectively.

Clinical Programs
Einstein operates numerous clinics for several programs under contracts with various agencies of New York State and New York City. The clinics primarily provide mental health and rehabilitation services to adults and children, and treatment for drug and alcohol abuse. Grants and contracts revenue includes $44,080 and $41,344 of funded patient care revenue for the years ended June 30, 2011 and 2010, respectively.

Related Entities
The Albert Einstein College of Medicine Staff Housing Co., Inc. (the "Housing Company") owns and operates a 635 unit, limited profit housing project under the supervision of the Housing Development Corporation of the City of New York through the Mitchell-Lama Housing Program. The Housing Company, a not-for-profit entity, provides housing primarily for students of Einstein.

The Yeshiva Endowment Foundation, Inc. (the "Foundation") was formed in 1927 as a separate not-for-profit corporation organized for the benefit of the University and its affiliate. The Foundation includes five wholly owned, for-profit real estate corporations.

The University also owns several real estate entities, some of which are for-profit, that provide, among other things, housing for University affiliated individuals and others.

All of the aforementioned related entities are included in the consolidated financial statements.

Affiliated Organizations
Rabbi Isaac Elchanan Theological Seminary ("RIETS") and the Yeshiva University High Schools (the "High Schools"), an education corporation that maintains separate secondary school programs for boys and girls, are independently incorporated not-for-profit institutions separately chartered by the Board of Regents of the State of New York in 1970 and 2003, respectively. Control of RIETS and the High Schools is vested in their respective boards of trustees, a minority of whose membership includes board members of the University. The financial results for these two entities are not included in the consolidated financial statements.

Tax Status
The University is a not-for-profit corporation described in Internal Revenue Code Section 501(c)(3) and is exempt from federal income taxes under Internal Revenue Code Section 501(a). The University is, however, subject to the unrelated business income tax on revenue generated by activities unrelated to its tax exempt mission primarily from income generated by certain alternative investments. For the years ended June 30, 2011 and 2010, the University generated net unrelated trade or business income (losses) of $1,649 and ($1,582), respectively. The University has approximately $2,669 of ordinary loss carry-forwards and approximately $2,045 of capital loss carry-forwards to offset unrelated business income generated in 2011 and future years.

(in thousands of dollars)

The Housing Company is a not-for-profit corporation described in Internal Revenue Code Section 501(c)(2) and is exempt from federal income taxes under Internal Revenue Code Section 501(a).

The Foundation is a not-for-profit corporation described in Internal Revenue Code Section 501(c)(3) and is exempt from federal income taxes under Internal Revenue Code Section 501(a). The Foundation operates as a supporting organization of the University.

The real estate entities are wholly owned by either the University or the Foundation and operate as for-profit entities which are either disregarded or are subject to income tax at the federal, state, and local levels. In the opinion of management, these corporations generate recurring losses and de minimus tax liabilities that are not material to the consolidated financial statements.

Management has taken the position not to record a deferred tax asset with respect to these losses, as it is uncertain whether such losses will be utilized in the future.

The University does not believe that the University, the Foundation, or the Housing Company has taken any significant uncertain tax positions.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the University and its related entities are described below:

Basis of Presentation
The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the University, the Housing Company, the Foundation, and wholly owned real estate entities. Amounts included for the Housing Company and certain real estate entities are as of and for the years ended December 31, 2010 and 2009.

Net assets of the University and changes therein are classified and reported as follows:

Unrestricted Net Assets
Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets
Net assets subject to donor-imposed restrictions that permit the University to use up or expend the donated asset as specified. The restriction will be met by actions of the University and/or the passage of time.

Permanently Restricted Net Assets
Net assets subject to donor-imposed restrictions stipulating that the corpus be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for specified or unspecified purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in temporary restricted net assets until appropriated by the University. Contributions subject to donor-imposed restrictions that the

(in thousands of dollars)

corpus be maintained permanently are recognized as increases in permanently restricted net assets. Contributions and investment return subject to donor-imposed restrictions that are met in the same reporting period as received are reported as increases in unrestricted net assets. Expirations of temporary restrictions on prior year net asset balances are reported as net assets released from restriction.

Tuition and Fees
Tuition and fees are recognized on the accrual basis. Students are billed in advance of the services rendered, and revenues are recognized as earned.

Scholarships, Tuition Grants and Aid
The policy of the University has been to award scholarships, tuition grants and aid to deserving students in lieu of accepting only students who have the ability to pay full tuition. Scholarships, tuition grants and aid are netted against tuition and fees.

Grants and Contracts
Grants and contracts are treated as exchange transactions, and accordingly, are reported as unrestricted revenue when expenses are incurred in accordance with the terms of the agreement.

Contributions
Contributions, including unconditional promises to give ("pledges"), are reported as revenues in the period received or pledged.

Conditional promises to give are not recognized until they become unconditional, i.e., when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of receipt if the University received certain goods and services that meet criteria under generally accepted accounting principles ("GAAP") in the United States of America for recognition as contributions. Contributions of property and equipment are recorded as increases in unrestricted net assets unless the donor places restrictions on their use. Pledges not expected to be received within one year are discounted at a risk adjusted rate that includes a premium for credit risk, if any. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. In addition, an allowance for contributions receivable estimated to be uncollectible is provided.

Cash Equivalents
Highly liquid debt instruments with maturities at date of purchase of three months or less are classified as cash equivalents, except for those that are held by bond trustees or are managed by external investment managers as part of their long-term strategies.

Use of Estimates
The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions include allowances for uncollectible receivables, the present value of multi-year pledges, the valuation of alternative investments, and the allocation of expenses to functional classifications.

(in thousands of dollars)

Investments and Investment Income
Investments, with the exception of certain real estate investments which are at carrying value, are stated at estimated fair value. The fair value of all debt and equity securities with a readily determinable fair value is based on quoted market prices. The alternative investments, which are not readily marketable, are carried at estimated fair values based on net asset values provided by the investment managers. The University reviews and evaluates the values provided by the investment managers and assesses the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed. It is the University's policy to record certain real estate investments at carrying value. These investments are valued at approximately $3 million and are tested for impairment on an annual basis.

Purchase and sale of short-term instruments, fixed income and equity securities are reflected on a trade date basis. Gains and losses on the sale of securities are based on the difference between the sale price and average historical cost basis, where such basis represents the cost of securities purchased or the fair market value at the date of receipt for securities received by donation. Interest income is recorded on an accrual basis and dividend income is recorded on the ex-dividend date.

Income received from distributions from alternative investments is recorded as realized gains/losses.

Land, Buildings, and Equipment
Land, buildings, and equipment are stated substantially at cost, except for those received by gift, which are stated at appraised value at date of gift. Library books are valued at a nominal value of one dollar per volume. Equipment, furniture and fixtures having a useful life of one year or more and an acquisition cost of three thousand dollars or more per unit are capitalized.

In the opinion of management, the University has title to all equipment purchased with grant funds, except for certain specialized equipment. In certain cases, the granting agencies retain certain rights thereto and may request transfer of such property to others. At such time, the University recognizes equipment disposals for these items. Items of equipment purchased under affiliation agreements and various clinical program agreements are not capitalized when the terms of the agreements specify that title to such property remains with the funding agency.

Depreciation is computed on a straight line basis over their estimated useful lives. Depreciable lives of buildings and improvements range from 13 to 50 years, depreciable lives of equipment, furniture, and fixtures range from 5 to 15 years and 5 years for software.

Annually, in accordance with the terms of the lease of WHAECOM (Note 1), Montefiore contributes to the "Weiler Hospital Capital Account". These funds are kept in a separate account segregated from all other assets of the University held for the benefit of Einstein and can be used only to fund capital expenditures for WHAECOM. While the capital account, as well as all items purchased using its funds, are property of the University for the benefit of Einstein, the account remains restricted under terms of the lease.

(in thousands of dollars)

Student Accounts Receivable and Allowance for Doubtful Accounts

Student accounts receivable are recorded when billed to the student. Student accounts receivable are also reduced for allowance for doubtful accounts. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. Historical collection is an integral part of the estimation process related to reserves for uncollectible accounts. Revisions in allowance for doubtful accounts estimates are recorded as an adjustment to the provision for bad debts.

Refundable Advances from the U.S. Government

Funds provided by the U.S. Government under the Federal Perkins Loan, the Health Professions Student Loan, and the Disadvantaged Student Loan programs are loaned to eligible students and may be re-loaned after collections. These funds are ultimately refundable to the government and are presented in the accompanying consolidated statements of financial position as a liability.

Split-Interest Agreements and Perpetual Trusts

The University's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts for which the University serves as trustee. Assets held in these trusts are included in investments (Note 3). Contribution revenue is recognized at the date that the trusts are established, after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

The University is also the beneficiary of certain perpetual trusts and other split-interest agreements held and administered by others. The present value of the estimated future cash receipts from the trusts and agreements is recognized as an asset and as a contribution when the University is notified that the trusts or agreements have been funded. Distributions from the trusts and agreements are recorded as investment income and the carrying value of the assets is adjusted annually for changes in the estimates of future receipts. Changes in the fair values of assets of perpetual trusts and agreements are recorded as increases or decreases in permanently restricted net assets.

Operating and Nonoperating Activities

The consolidated statements of activities present the changes in net assets in two sections – operating activities and nonoperating activities. Nonoperating activities consist of (a) temporarily and permanently restricted contributions, (b) temporarily restricted net assets released from restriction, (c) changes in value of split-interest agreements, (d) investment return in excess of (less than) the authorized spending level, (e) provision for uncollectible contributions receivable, (f) bad debt expense on receivables from affiliated organizations, and (g) nonrecurring items.

(in thousands of dollars)

Expenses

Expenses are reported in the accompanying consolidated statements of activities in categories recommended by the National Association of College and University Business Officers. The University's primary program services are instruction, research, and training. Expenses reported as academic support, student services, institutional support, and auxiliary enterprises are incurred in support of these primary program services. For purposes of reporting development (fundraising) expenses, the University includes only those fundraising and various support costs incurred by its development function.

Recently Adopted Accounting Standards

Effective for the fiscal year ended June 30, 2011, the University has included disclosures required by Accounting Standards Codification ("ASC") 2010-20: *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. The new disclosures provide enhanced information about credit quality and losses, primarily of student loans receivables (Note 7).

In January 2010, the Financial Accounting Standards Board ("FASB") issued guidance that requires new disclosures and clarifies existing disclosure requirements, about fair value measurements. The guidance requires (a) disclosure of gross significant transfers in and/or out between Levels 1 and 2 and the reasons for those transfers, (b) disclosure of all transfers in/out of Level 3 (significant transfers to be presented gross) and the reasons for those transfers, and (c) purchases, sales, issuances and settlements to be disclosed separately (i.e. gross) within the Level 3 roll-forward (Note 6). The guidance also clarifies (i) the levels of disaggregation in presenting fair value disclosures for each class of assets and liabilities and (ii) the disclosures about valuation techniques and inputs that are required for fair value measurements that fall within either Level 2 or Level 3. The guidance enhances the fair value disclosure requirements and thus, its adoption during the year had no impact on the consolidated statements of financial position, statements of activities or statements of cash flows.

The new requirement to disclose purchases, sales, issuances and settlements in the Level 3 roll-forward on a gross basis is effective for fiscal years beginning after December 15, 2010, however, the University has early adopted this specific aspect of the guidance prior to such date. The University has concluded that its early adoption has had no impact on the consolidated statements of financial position, statements of activities or statements of cash flows.

Reclassifications

Certain previously reported amounts in the fiscal 2010 consolidated financial statements have been reclassified in order to conform to the fiscal 2011 presentation.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the following notes.

(in thousands of dollars)

3. Investments

The University manages an investment portfolio on behalf of the University, its related entities, and its unconsolidated affiliated organizations (Note 1). At June 30, 2011 and 2010, the University's investments, on a consolidated basis, consisted of the following:

	2011		2010	
	Cost or Contributed Value	Fair Value	Cost or Contributed Value	Fair Value
Cash and cash equivalents	$ 28,952	$ 28,952	$ -	$ -
Mutual funds	133,446	167,751	144,482	155,394
U.S. Government obligations	76,238	75,793	93,308	93,017
State of Israel bonds	13,455	13,455	14,397	14,397
Corporate bonds	1,533	875	7,510	6,564
Corporate stocks	41,035	44,763	35,586	32,359
Alternative investments	559,671	797,616	601,542	825,711
Prepaid alternative investment	-	-	15,000	15,000
Alternative investment receivables	12,336	27,935	3,568	4,945
Gift annuities	795	877	960	951
Other	5,062	4,578	6,404	4,959
	872,523	1,162,595	922,757	1,153,297
Less: Unconsolidated affiliates' (RIETS and the High Schools) interests in the investment portfolio	(111,512)	(138,901)	(118,000)	(139,244)
	$ 761,011	$ 1,023,694	$ 804,757	$ 1,014,053

Prepaid alternative investment represents a subscription paid in advance on June 30, 2010 for a hedge fund investment that was effective July 1, 2010.

Alternative investment receivables include those alternative investments for which the University has filed for redemption, or received notification of distribution, but not collected as of June 30, 2011 and 2010 and of which the amount is considered fixed and determinable.

The alternative investment portfolio includes limited partnerships, limited liability corporations, and off-shore investment funds. The underlying investments held by these investment funds may include financial instruments with off-balance-sheet risk, such as futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against equity, market, currency or interest rate risk.

All investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported in the consolidated statements of financial position.

(in thousands of dollars)

The University manages substantially all of its investments and those of certain consolidated and unconsolidated affiliated entities in two investment pools. The first pool, the pooled asset fund, invests principally in short-term obligations, and the second pool, the consolidated investment pool, invests principally in longer term investments, including alternative investments, as described above. Substantially all of these invested funds are invested with third party investment managers.

At June 30, 2011 and 2010, the value of the University's interest in these pools, as well as certain separately invested investments, was as follows:

	2011		2010	
	Cost or Contributed Value	**Fair Value**	**Cost or Contributed Value**	**Fair Value**
Pooled asset fund	$ 18,296	$ 18,213	$ 28,878	$ 28,442
Consolidated investment pool	720,038	983,151	744,863	955,128
Other – separately invested	22,677	22,330	31,016	30,483
	$ 761,011	$ 1,023,694	$ 804,757	$ 1,014,053

The fair value of the University's investments include assets held in irrevocable charitable remainder trusts in the amount of $9,318 (of which $6,300 is in the pooled asset fund and $3,018 is in other separately invested investments) and $30,917 (of which $22,504 is in the pooled asset fund and $8,413 is in other separately invested investments) at June 30, 2011 and 2010, respectively.

Under the terms of certain alternative investment agreements, the University is obligated to periodically advance additional funding. The University had commitments of approximately $28,898 and $41,908 at June 30, 2011 and 2010, respectively, to investment funds and limited partnerships for which capital calls had not been exercised. These amounts have not been recorded as liabilities in the accompanying consolidated statements of financial position. Such commitments generally have fixed expiration dates or other termination clauses. The University maintains sufficient liquidity in its investment portfolio to cover such calls.

4. Spending Rate and Investment Return

The University utilizes a spending rate in allocating income earned on the consolidated investment pool. In accordance with the current spending rate policy, 5.5% of the fair value per unit in the consolidated investment pool, based on a 12-quarter rolling average at December 31 of the previous fiscal year, is available for expenditure for the fiscal year commencing July 1. If interest and dividends earned during the year are not sufficient to support the authorized spending level, the balance is provided from current and, if necessary, prior period realized gains to the extent permitted by applicable law. If investment return is in excess of the authorized spending level, the balance is reinvested. In addition to the customary spending rate, an appropriation of accumulated endowment gains for expenditure was also approved by the Board of Trustees, please refer to Note 5 for specific amounts and transaction details.

(in thousands of dollars)

The following summarizes the University's total investment return by net asset classification, for the years ended June 30, 2011 and 2010:

	2011			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Investment income, net of certain management and custodian fees, taxes and other	$ 5,879	$ 1,169	$ 222	$ 7,270
Net appreciation on investments-realized and unrealized	80,780	57,290	3,085	141,155
Prior period unrealized loss adjustment	5,134	(2,267)	(131)	2,736
Total investment return	91,793	56,192	3,176	151,161
Investment return recognized in operating activities	56,545	-	-	56,545
Investment gain recognized in nonoperating activities	$ 35,248	$ 56,192	$ 3,176	$ 94,616

	2010			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Investment income, net of certain management and custodian fees, taxes and other	$ 3,590	$ 561	$ 2	$ 4,153
Net appreciation on investments-realized and unrealized	82,835	13,623	1,141	97,599
Prior period unrealized loss adjustment	(5,134)	2,267	131	(2,736)
Total investment return	81,291	16,451	1,274	99,016
Investment return recognized in operating activities	61,262	-	-	61,262
Investment gain recognized in nonoperating activities	$ 20,029	$ 16,451	$ 1,274	$ 37,754

Included in the 2011 financial statements is an adjustment of $2,736 to increase investment and investment return in excess of amount utilized that relates to fiscal year 2010. As a result, actual net appreciation on investments – realized and unrealized as shown in the table above was $141,155 and $97,599 for fiscal years 2011 and 2010, respectively. The adjustment of $2,736 is not significant to the 2011 and 2010 financial statements.

5. Endowment Funds

The University's endowment consists of approximately 1,600 individual funds established for a variety of purposes and 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.

(in thousands of dollars)

New York Prudent Management of Institutional Funds Act ("NYPMIFA")
On September 17, 2010, NYPMIFA became effective in New York State. NYPMIFA contains provisions that govern appropriation and use, among other things, of donor-restricted endowment funds. NYPMIFA updated certain provisions of prior endowment management law that had become outdated. Most significantly, under prior law, nonprofit institutions were required to maintain the "historic dollar value" of endowment funds, meaning that the institutions could appropriate only a prudent portion of any appreciation in a fund over the original dollar value of the donor's contribution(s) to the fund (i.e., the "historic dollar value"), or a prudent portion of the income from the fund, but could not appropriate if the value of the fund were less than the historic dollar value.

Under NYPMIFA, a detailed prudence standard governs appropriation from endowment funds, and there is no longer a requirement to always maintain historic dollar value. Prudent appropriation from a fund whose value is less than its historic dollar value is permitted under certain circumstances. In particular, NYPMIFA provides that, unless a donor expresses a contrary intention in a gift instrument, a charitable institution may appropriate as much of an endowment fund as it "determines is prudent for the uses, benefits, purposes and duration for which the fund is established," without regard for historic dollar value. As with prior law, NYPMIFA retains the requirement that in making any decision to appropriate, "the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances." It further provides a new requirement that the institution "shall consider, if relevant" the following eight factors in deciding whether or not to appropriate from a fund:

- The duration and preservation of the endowment fund;
- The purposes of the Institution and the endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Institution;
- Alternatives to expenditure of the endowment fund; and
- The investment policy of the Institution.

(in thousands of dollars)

The provisions of NYPMIFA allowing prudent appropriation without regard to historic dollar value apply to funds created after its effective date of September 17, 2010. Donors of funds created before that date were given the option of requiring institutions to continue to observe the historic dollar value restrictions contained in prior law. Some donors of University funds have elected this option. Moreover, as with prior law, a donor may incorporate in a gift instrument specific restrictions on appropriation that are different from either NYPMIFA or prior law. Certain of the University's funds are governed by such restrictions. Thus the University has funds that fall into three categories with respect to appropriation: those from which it may prudently appropriate without regard to historic dollar value; those from which it may prudently appropriate appreciation only above historic dollar value; and those whose appropriation is governed by specific instructions in the constitutive gift instrument.

The University's spending policies are consistent with the University's objectives to utilize income to support mission-critical programs while preserving capital and ensuring future growth of the endowment. Under these policies, and as approved by the University's Board of Trustees, the long-term focus of the endowment is to support the University's mission by providing a reliable source of funds for current and future use.

The investment objectives for the University's endowment are to preserve the principal value of those funds, in both absolute as well as real terms, and to maximize over the long-term the total rate of return earned without assuming an unreasonable degree of risk. In connection with these investment objectives, the Board of Trustees has adopted a spending policy, which is further described in Note 4.

Financial Reporting of Endowments

The University classifies, as permanently restricted net assets, the original value of gifts to the permanent endowment, as well as additions to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, when applicable. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as either temporarily restricted net assets or unrestricted net assets. Such amounts recorded as temporarily restricted net assets are released from restriction when the donor–stipulated purpose has been fulfilled and/or the required time period has elapsed.

For financial reporting purposes, donor-restricted endowment fund appreciation, gains and income exceeding donor restrictions are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by law. Upon appropriation, appreciation and earnings are reclassified as unrestricted net assets.

For each donor-restricted endowment fund, the University classifies the portion of the fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure by the University. In initially applying the guidance to its donor-restricted endowment funds in existence upon NYPMIFA's enactment, the University determined the accumulated amounts earned on donor restricted endowment funds in excess of appropriation which were previously reflected within unrestricted net assets. As a result, a reclassification from unrestricted net assets to temporarily restricted net assets of approximately $210 million was reflected within the Consolidated Statement of Activities until they are appropriated for expenditure.

(in thousands of dollars)

The following represents the University's endowment composition by type of fund as of June 30, 2011 and 2010:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (15,153)	$ 279,215	$ 551,859	$ 815,921
Board-designated endowment funds	98,942	4,337	-	103,279
Total endowment net assets	$ 83,789	$ 283,552	$ 551,859	919,200
Life income funds liabilities				5,449
Other funds				99,045
Total investments				$ 1,023,694

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 175,352	$ 87,444	$ 534,746	$ 797,542
Board-designated endowment funds	91,338	4,337	-	95,675
Total endowment net assets	$ 266,690	$ 91,781	$ 534,746	893,217
Life income funds liabilities				7,359
Other funds				113,477
Total investments				$ 1,014,053

Changes in endowment net assets for the year ended June 30, 2011 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2010	$ 266,690	$ 91,781	$ 534,746	$ 893,217
Investment return				
Investment income, net of certain management and custodian fees, taxes and other expenses	-	649	2,078	2,727
Net appreciation-realized and unrealized	66,943	55,023	2,954	124,920
Sub-total	333,633	147,453	539,778	1,020,864
Contributions	-	-	14,335	14,335
Appropriation of endowment assets for expenditure	(85,003)	(32,062)	(2,463)	(119,528)
Appropriation of endowment gains	45,287	(45,287)	-	-
Net asset reclassification based on change in law	(210,128)	210,086	42	-
Change in actuarial present value of split interest agreements	-	3,362	167	3,529
Endowment net assets, June 30, 2011	$ 83,789	$ 283,552	$ 551,859	$ 919,200

(in thousands of dollars)

Changes in endowment net assets for the year ended June 30, 2010 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2009	$ 255,770	$ 85,906	$ 520,242	$ 861,918
Investment return				
Investment income, net of certain management and custodian fees, taxes and other expenses	-	99	338	437
Net appreciation-realized and unrealized	70,537	15,890	1,272	87,699
Sub-total	326,307	101,895	521,852	950,054
Contributions	-	(1,912)	13,941	12,029
Appropriation of endowment assets for expenditure	(59,617)	(7,774)	(997)	(68,388)
Change in actuarial present value of split interest agreements	-	(428)	(50)	(478)
Endowment net assets, June 30, 2010	$ 266,690	$ 91,781	$ 534,746	$ 893,217

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below its original value. Deficiencies of this nature approximated $15 million and $22 million as of June 30, 2011 and 2010, respectively.

Appropriations of Accumulated Endowment Gains

During fiscal years 2008 through 2011, the University utilized a total of approximately $110 million from the University Consolidated Investment Pool (“CIP”) to fund operating deficits of approximately $80.2 million related to the Manhattan Campuses, approximately $9 million related to operating deficits of RIETS and approximately $20.8 million related to operating deficits of the High Schools. In fiscal year 2011, the CIP, maintained on the books of Manhattan Campuses, included a receivable due from Manhattan Campuses of $110 million and Manhattan Campuses recorded a corresponding payable to the CIP of $110 million. Manhattan Campuses subsidized the operating deficits of RIETS and the High Schools noted above with the funds from the CIP and recorded such amounts in the Due From affiliated organizations account. RIETS and the High Schools recorded the corresponding payable in their respective Due To affiliated organizations account on their books. As of June 30, 2011, the University determined, consistent with donor intent and related donor restricted endowment fund restrictions, that certain related accumulated endowment fund gains were available in individual donor restricted endowment funds, whose purposes were to support activities of the Manhattan Campuses, RIETS and the High Schools, to offset some of the accumulated operating deficit spending noted above in fiscal years 2008 through 2011.

Effective as of June 30, 2011, the Boards of Trustees of the respective entities approved resolutions to appropriate for expenditure approximately $45 million of accumulated donor restricted endowment fund gains held by individual endowment funds in support of the Manhattan Campuses, approximately $9 million of accumulated donor restricted endowment fund gains held by individual endowment funds in support of RIETS, maintained on the books of RIETS, and $1 million of accumulated donor restricted endowment fund gains held by individual endowment funds in support of the High Schools, maintained on the books of the High Schools, to settle a significant

(in thousands of dollars)

portion of the accumulated borrowing owed by the Manhattan Campuses to the CIP. The appropriation was based on spending no more than 75% of the total accumulated gains at June 30, 2011 and a limit on total spending of 15% per year of the average market value of the individual donor restricted endowment fund, including the 5.5% available under the spending rate policy. Had the actual appropriation of accumulated donor restricted endowment gains as described above been made in the years the Manhattan Campuses operating deficits were incurred, the actual endowment spending rate related to these donor restricted endowment funds would have ranged from: for the University approximately 8%-12%, for RIETS approximately 8%-15% and for the High Schools approximately 11%-12%, with respect to each of the years 2008 through 2011.

The Board of Trustees' appropriation of $45 million related to Manhattan Campuses resulted in a transfer of accumulated donor restricted endowment fund gains previously included in temporarily restricted net assets to unrestricted net assets. The settlement of the amount owed to the CIP also resulted in a reduction of the number of unit shares among the donor restricted endowment fund unit holders held by Manhattan Campuses in the CIP at June 30, 2011.

The University has reported the appropriation related to Manhattan Campuses of $45 million, and the transfer of temporarily restricted net assets to unrestricted net assets, in a separate line item, "Appropriation of Accumulated Endowment Gains," in the Consolidated Statements of Activities and also within the endowment composition table in Note 5.

The appropriation related to RIETS of approximately $9 million and the High Schools of approximately $1 million resulted in a transfer of temporarily restricted net assets to unrestricted net assets in the financial statements of RIETS and the High Schools, and corresponding reductions of the number of unit shares among the donor restricted endowment fund unit holders. The settlement of these amounts reduced the Due To affiliated organizations and Investments balance in their respective financial statements at June 30, 2011. The RIETS and the High Schools settlement has been recorded in the corresponding Due From affiliated organizations on the books of the University (Note 8).

The University believes that the above described appropriation of accumulated donor restricted endowment gains and related settlement of a portion of the $110 million CIP borrowing is prudent and in accordance with New York State Not for Profit Corporation Law and NYPMIFA.

At June 30, 2011, the remaining amount of the CIP borrowing outstanding and not settled as part of the transactions discussed above is approximately $54.8 million. This amount is reflected on the books of Manhattan Campuses as a reduction of the Manhattan Campuses Investments balance reported in the Consolidated Statements of Financial Position.

6. Fair Value of Financial Instruments

The carrying amount of the University's financial instruments, except as follows, approximates fair value because of their short maturity. The fair value of investments and deposits with bond trustees is discussed in Notes 2, 3 and 11, respectively. A reasonable estimate of the fair value of loans receivable from students under government loan programs could not be made because the loans are not saleable and can only be assigned to the U.S. Government or its designees.

(in thousands of dollars)

At June 30, 2011 and 2010, the fair value of the line of credit, bonds payable, and other debt is determined based on the discounted future cash payments to be made for each issue. The discount rate used approximates current market rates for loans of similar maturities and credit quality. At June 30, 2011 and 2010, the fair value of the line of credit, bonds payable, and other debt excluding the Housing Company's mortgage notes, was $321,406 and $326,430, respectively. The aggregate fair value of the Housing Company's mortgage notes at December 31, 2010 and 2009 approximates $14.7 million and $14.6 million, respectively. The fair value of the mortgage loans receivable at June 30, 2011 and 2010 approximated $15.3 million and $15.0 million, respectively.

Fair value is defined as the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair Value Accounting establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value by giving 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).

Under Fair Value Accounting, the three levels of the fair value hierarchy are as follows:

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

Level 2 Valuation inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 Valuation inputs are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(in thousands of dollars)

The following table presents the fair value hierarchy for those assets reported at fair value per the consolidated statement of financial position as of June 30, 2011 and 2010 (no liabilities per the consolidated statement of financial position are reported at fair value):

	As of June 30, 2011				
	Level 1	**Level 2**	**Level 3**	**Unconsolidated Affiliates**	**Total**
Investments					
Cash and cash equivalents	$ 28,952	$ -	$ -	$ -	$ 28,952
Mutual funds	167,751	-	-	-	167,751
U.S. Government obligations	75,793	-	-	-	75,793
State of Israel bonds	-	-	13,455		13,455
Corporate bonds	875	-	-	-	875
Corporate stocks	44,763	-	-	-	44,763
Alternative investments	-	150,713	646,903		797,616
Alternative investment receivables	-	17,393	10,542	-	27,935
Gift annuities	877	-	-	-	877
Other	305	-	4,273	-	4,578
Less: Unconsolidated affiliates' (RIETS and the High Schools) interests in the investment portfolio	-	-	-	(138,901)	(138,901)
Investments, at fair value	319,316	168,106	675,173	(138,901)	1,023,694
Trusts and split-interest agreements held by others	19,142	-	1,998	-	21,140
Funds held by Bond Trustees	15,906	-	-	-	15,906
Total investments and assets at fair value	$ 354,364	$ 168,106	$ 677,171	$ (138,901)	$ 1,060,740

(in thousands of dollars)

	As of June 30, 2010				
	Level 1	**Level 2**	**Level 3**	**Unconsolidated Affiliates**	**Total**
Investments					
Mutual funds	$ 155,394	$ -	$ -	$ -	$ 155,394
U.S. Government obligations	93,017	-	-	-	93,017
State of Israel bonds		-	14,397	-	14,397
Corporate bonds	6,564	-	-	-	6,564
Corporate stocks	32,359	-	-	-	32,359
Alternative investments	-	157,078	668,633	-	825,711
Prepaid alternative investment	-	-	15,000	-	15,000
Alternative investment receivables	-	-	4,945	-	4,945
Gift annuities	951	-	-	-	951
Other	315	-	4,644	-	4,959
Less: Unconsolidated affiliates'					-
(RIETS and the High Schools)					-
interests in the investment portfolio	-	-	-	(139,244)	(139,244)
Investments, at fair value	288,600	157,078	707,619	(139,244)	1,014,053
Trusts and split-interest agreements held by others	18,779	-	1,862	-	20,641
Funds held by Bond Trustees	19,141	-	-	-	19,141
Total investments and assets at fair value	$ 326,520	$ 157,078	$ 709,481	$ (139,244)	$ 1,053,835

There were no transfers between Levels during the year ended June 30, 2011. Approximately $28,528 was transferred from Level 2 to Level 3 during the year ended June 30, 2010.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings. Because the net asset value reported by each fund is used as a practical expedient to estimate the fair value of the University's interest therein, its classification in Level 2 or 3 is based on the University's ability to redeem its interest at or near June 30. If the interest can be redeemed in the near term, defined as within 90 days from the measurement date of June 30, 2011, then the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

(in thousands of dollars)

The following table presents the University's activity in 2011 for those assets classified as Level 3 within the fair value hierarchy:

	Alternative Investments, Prepaid Alternative Investment and Alternative Investment Receivables	State of Israel Bonds	Other	Trusts and Split Interest Agreements	Total
Beginning balance at June 30, 2010	$ 688,578	$ 14,397	$ 4,644	$ 1,862	$ 709,481
Net unrealized and realized activity	95,828	-	-	(519)	95,309
Purchases/contributions	94,752	2,535	-	655	97,942
Sales/settlements	(221,713)	(3,477)	(371)	-	(225,561)
Ending balance at June 30, 2011	$ 657,445	$ 13,455	$ 4,273	$ 1,998	$ 677,171

The following table presents the University's activity in 2010 for those assets classified as Level 3 within the fair value hierarchy:

Beginning balance at June 30, 2009	$ 579,875
Net unrealized and realized activity	136,577
Net purchases/contributions (sales/settlements)	(35,499)
Transfers in	28,528
Ending balance at June 30, 2010	$ 709,481

(in thousands of dollars)

The University uses Net Asset Value ("NAV") to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) do not prepare their financial statements consistent with the measurement policies of an investment company or have the attributes of an investment company. Per the applicable guidance, the following table lists investments in other investment companies by investment strategy including alternative investment receivables. All percentages are based on NAV as of June 30, 2011.

Investment Strategy	Number of Funds	Fair Value Determined Using NAV	Remaining Life (Years)	Unfunded Commitments	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in place at June 30, 2011
Absolute return - multi-strategy and other	9	$ 247,140	N/A	N/A	Periodically - 5% (90 days notice) Quarterly - 58% (Notice periods range between 30 and 90 days) Semi-Annually - 6% (60 days notice) Annually - 31% (180 days notice)	One fund is hard locked for 24 months. Redemption available at 12/31/11. One fund has a soft lock through 6/30/12 with withdrawal penalties between 3-5%. One fund has a soft lock through 12/31/11 with a 3% penalty.	Full redemption requests submitted for 3 funds and partial redemption request submitted for 1 fund (15% of strategy type balance). One redemption is suspended but the fund intends to make periodic distributions as assets are liquidated (5% of strategy type balance). One redemption allows for 6.25% of total investment redeemable each quarter (6% of strategy type balance). All other requested payments are estimated to be received by June 30, 2012.
Absolute Return- Credit	3	56,134	N/A	N/A	Periodically - 15% (90 days notice) Quarterly - 46% (180 days notice) Annually - 39% (90 days notice)	One fund has a hard re-locking every 36 months.	Full redemption requests submitted for all 3 funds (100% of strategy type balance). Two funds are in wind-down mode and redemptions are suspended (85% of strategy type balance). All other payments are estimated to be received by June 30, 2012.
Event Driven	5	120,581	N/A	N/A	Quarterly - 31 % (65 days notice) Semi-annually - 9% (45 days notice) Annually - 60% (Notice periods range between 45 and 65 days)	Funds are in redemption or lock-ups have expired.	Full redemption submitted for 2 funds and partial redemption submitted for 1 fund (19% of strategy type balance). All other requested payments are estimated to be received by June 30, 2012.
Fund of Funds	1	6,294	N/A	N/A	Quarterly - 100% (90 days notice)	N/A	Full redemption request submitted for the fund (100% of strategy type balance).
Long/short Equity	8	204,995	N/A	N/A	Quarterly - 54% (Notice periods range between 30 and 60 days) Semi-annual - 3% (45 days notice) Annually - 29% (60 days notice) Rolling 3 Years - 14% (60 days notice)	One fund has a hard re-locking every 36 months. One fund has a soft lock with 7% penalty in the 2nd year. Redemption available on 12/31/12. One fund has a portion locked up until 6/30/12	Full redemption requests submitted for 1 fund (1% of strategy type balance). All other requested payments are estimated to be received by June 30, 2012.
Managed Futures	1	23,484	N/A	N/A	Monthly - 100% (30 days notice)	N/A	N/A
Side pockets (a)	14	17,024	N/A	N/A	N/A	N/A	N/A
Private equity	26	123,872	0–3 years - 20% 3–5 years - 14% >5 years - 66%	$ 22,963	N/A	N/A	N/A
Real estate	4	26,027	0–3 years - 15% 3-5 years - 67% >5 years - 18%	5,935	N/A	N/A	N/A
	71	$ 825,551		$ 28,898			

(a) Side pockets represent the illiquid portion of hedge fund investments that have been fully redeemed or are currently in the process of liquidation. Payout of side pockets are subject to when the asset manager of the fund determines it has the ability to sell the underlying assets to generate cash for payment and to benefit the fund as a whole. As such, payout of such investments may take a significant and undeterminable amount of time. Side pockets held as of June 30, 2011 consist of the following strategies: Distressed securities: <1%, Fund of funds: 11%, and Multi-Strategy: 1%, Credit: 12%, Event Driven: 27%, and Long/Short Equity: 49%. As of the redemption date, the length of time that the side pockets (amounting to $17,024) have remained outstanding is as follows: 0-3 years: 79%, 3-5 years: 0%; >5 years: 21%.

(in thousands of dollars)

The University uses Net Asset Value ("NAV") to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) do not prepare their financial statements consistent with the measurement policies of an investment company or have the attributes of an investment company. Per the applicable guidance, the following table lists investments in other investment companies by investment strategy including alternative investment receivables. All percentages are based on NAV as of June 30, 2010.

Investment Strategy	Number of Funds	Fair Value Determined Using NAV	Remaining Life (Years)	Unfunded Commitments	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in place at June 30, 2010
Absolute return - multi-strategy and other	7	$ 226,274	N/A	N/A	Periodically - 5% (90 days notice) Quarterly - 50% (Notice periods range between 45 and 90 days) Annually - 45% (Notice periods range between 90 and 180 days)	One fund is hard locked for 24 months. Redemption available at 12/31/2011 One fund has a soft lock through April 2011 with a 5% withdrawal penalty	Full redemption requests submitted for 3 funds and partial (13% of strategy type balance). One redemption is suspended but the fund intends to make periodic distributions as assets are liquidated (5% of strategy type balance). One redemption allows for 6.25% of total investment redeemable each quarter (6% of strategy type balance).
Absolute return- credit	4	100,072	N/A	N/A	Periodically - 5% (90 days notice) Quarterly - 46% (180 days notice) Annually - 49% (90 days notice)	One fund has a hard re-locking every 36 months	Full redemption requests submitted for all 4 funds (100% of strategy type balance). One fund is In wind-down mode and redemptions are suspended. All other payments are due between July 2010 and September 2011.
Distressed securities	1	1,755	N/A	N/A	Quarterly - 100% (90 days notice)	N/A	Full redemption request submitted for this fund (100% of strategy type balance). Distributions are expected to be made quarterly or more frequently.
Event driven	7	72,889	N/A	N/A	Monthly - 49% (90 days notice) First day of Feb, May, Aug, Nov - 2% (90 days notice) Semi-annually - 13% (45 days notice) Annually - 36% (Notice periods range between 45 and 90 days)	One fund is hard locked for 12 months through 2/28/11 and soft locked for 12 months through 2/28/2012	Full redemption submitted for 5 funds (38% of strategy type balance). Payments are due between July 2010 and June 2011.
Fund of funds	1	8,432	N/A	N/A	Quarterly - 100% (90 days notice)	N/A	Full redemption request submitted for the fund (100% of strategy type balance).
Long/short equity	12	267,427	N/A	N/A	Periodically - 1% (90 days notice) Monthly - 7% (In redemption) Quarterly - 73% (Notice periods range between 30 and 90 days) Annually - 19% (60 days notice)	One fund is locked through 12/31/10, one fund is locked through 3/31/11 and one fund has hard re-locking every 36 months	Full redemption requests submitted for 4 funds (20% of strategy type balance). Payments are due in 2010 and 2011
Managed futures	1	20,403	N/A	N/A	Monthly - 100% (30 days notice)	N/A	N/A
Side pockets [(a)]	8	2,502	N/A	N/A	N/A	N/A	N/A
Private equity	25	103,615	0–3 years - 20% 3–5 years - 21% >5 years - 59%	$ 34,579	N/A	N/A	N/A
Real estate	5	27,287	0–3 years - 17% 3–5 years - 64% >5 years - 19%	7,329	N/A	N/A	N/A
	71	$ 830,656		$ 41,908			

(a) Side pockets represent the illiquid portion of hedge fund investments that have been fully redeemed or are currently in the process of liquidation. Payout of side pockets are subject to when the asset manager of the fund determines it has the ability to sell the underlying assets to generate cash for payment and to benefit the fund as a whole. As such, payout of such investments may take a significant and undeterminable amount of time. Side pockets held as of June 30, 2010 consist of the following strategies: Distressed securities: 2%, Fund of funds: 78%, and Multi-Strategy: 20%. As of the redemption date, the length of time that the side pockets (amounting to $2,502) have remained outstanding is as follows: 0-3 years: 79%, 3-5 years: 0%; >5 years: 21%.

(in thousands of dollars)

7. Receivables

Contributions Receivable

Contributions receivable consist of the following at June 30, 2011 and 2010:

	2011	2010
Amounts expected to be collected in		
Less than one year	$ 65,854	$ 71,992
One to five years	83,841	28,402
Greater than five years	19,816	77,088
	169,511	177,482
Less: Discount to present value (2.0%–5.0%)	(14,246)	(17,096)
Less: Allowance for uncollectible amounts	(13,823)	(14,560)
	$ 141,442	$ 145,826

As of June 30, 2011 and 2010, approximately 55% and 53% of gross contributions receivable was from five donors and four donors, respectively.

During 2010, the University wrote-off approximately $21.7 million in pledge receivables related to documented pledges in which the remaining balance due on the pledge was determined to likely be paid by donor advised funds after a detailed review of pledge payments received in 2010.
ASC 958-605 states that the University should not recognize a pledge made if the donor explicitly grants a third party organization variance power. It is anticipated that the total amount of the original pledge will be paid to the University from a donor advised fund. As a result, revenue will be recognized at the time of payment. The write-off was to maintain compliance with ASC 958-605 and does not represent a true economic change in expected donor payment streams in the ordinary course of philanthropic giving to the University.

Student Loans Receivable

Many students receive financial aid that consists of scholarship/fellowship grants, work-study opportunities and, when appropriate, student loans. The University participates in various federal revolving loan programs, in addition to administering institutional loan programs.

Student loan programs are funded by donor contributions, other institutional sources, and governmental programs, primarily the Federal Perkins Loan Program. The amounts received from the federal government’s portion of the Perkins program are ultimately refundable to the federal government and are reported as a liability on the University’s consolidated statements of financial position as refundable advances from the U.S Government.

Credit worthiness is not the principal factor when granting a student a loan from institutional or federal resources; it is based on financial need. However, once the loan is in repayment status, the University monitors, no less than quarterly, the aging of the student loans receivable. If the loan is past due, the University evaluates whether to assign the account to an external agency for collection.

(in thousands of dollars)

Write-offs of a student loan receivable are based primarily on the aging report and an evaluation of any recent activity in the account. Overall default rates and an evaluation of general economic conditions are reviewed at least annually. The University, because of its close and continuing relationship with its students and graduates, seeks to work closely with the students to help ensure repayment. At June 30, 2011, the average overall default rate approximated 11.2 percent, with a rate of approximately 7.3 percent on the federal revolving loan portfolio.

Student loans are often subject to unique restrictions and conditions and, therefore, it is not practical to determine their fair values.

The two tables below provide enhanced disclosures about the student loan receivables and the allowances associated with federal and institutional loan programs at June 30:

	2011			2010		
	Receivable	Allowance	Net Receivable	Receivable	Allowance	Net Receivable
Federal revolving loans	$ 7,805	$ (1,229)	$ 6,576	$ 8,411	$ (1,806)	$ 6,605
Institutional loans	53,045	(6,241)	46,804	52,836	(5,844)	46,992
Accrued interest	2,979	(2,120)	859	2,663	(1,774)	889
Total student loans receivable	$ 63,829	$ (9,590)	$ 54,239	$ 63,910	$ (9,424)	$ 54,486

	2011				2010			
	Federal Revolving	Institutional	Accrued Interest	Total Allowance	Federal Revolving	Institutional	Accrued Interest	Total Allowance
Allowance at beginning of year	$ (1,805)	$ (5,844)	$ (1,775)	$ (9,424)	$ (1,530)	$ (7,907)	$ (2,321)	$ (11,758)
Decrease (increase) in current year provision	576	(397)	(345)	(166)	(275)	2,063	546	2,334
Allowance at end of year	$ (1,229)	$ (6,241)	$ (2,120)	$ (9,590)	$ (1,805)	$ (5,844)	$ (1,775)	$ (9,424)

8. Transactions With Affiliated Organizations

The University acts as an agent for RIETS and the High Schools, providing management services (such as accounting, treasury operations, human resources, and procurement) as well as facilities maintenance. The cost to the University for management services provided to RIETS and High Schools in 2011 was $4,479 ($4,593 in 2010) and $2,572 ($2,526 in 2010), respectively. In addition, in 2011 there was an operating deficit amounting to $0, ($703 in 2010) and $2,291 ($2,127 in 2010) for RIETS and the High Schools, respectively. Repayments to the University in 2011 amounted to $7,127 and $1,007 for RIETS and the High Schools, respectively. There were no repayments in 2010.

In fiscal 2011, the Board of Trustees approved accepting approximately $9 million of accumulated donor restricted endowment gains relating to RIETS and $1 million relating to the High Schools to settle the borrowing from RIETS and the High Schools that related to the University's funding of prior year operating deficits of both entities (Note 5).

The repayment of $7,127 above is comprised of approximately a $9 million settlement and $2 million of reinstatement of a prior year forgiven debt. The net amount is included in "Other revenue" within the consolidated statements of activities.

(in thousands of dollars)

Total support in 2011 provided to RIETS was $0 ($5,296 in 2010); the total support in 2011 provided to the High Schools was $3,856 ($4,653 in 2010). The total amount of support reserved for High Schools in 2011 was $3,856 and is included in "Institutional Support" on the Statements of Activities. The total amount of support written off for RIETS and High Schools during 2010 was $2,648 and $4,653, respectively. These amounts were included in "Other" in the Nonoperating section of the Statements of Activities.

The following table is a breakdown of the amounts due from affiliated organizations and the write-off for RIETS and the High Schools:

	June 30, 2011	June 30, 2010
RIETS		
Opening balance	$ 2,648	$ -
Space and general and administrative allocations	4,479	4,593
RIETS deficit funded by the University	-	703
Repayments	(7,127)	-
Total RIETS deficit - gross amount due to the University	-	5,296
0% write-off for 2011 and 50% write-off for 2010	-	(2,648)
Due from affiliated organizations, net	$ -	$ 2,648
High Schools		
Space and general and administrative allocations	$ 2,572	$ 2,526
High Schools net deficit funded by the University	2,291	2,127
Repayments	(1,007)	-
Total High Schools deficit - gross amount due to the University	3,856	4,653
100% write-off for 2011 and 2010	(3,856)	(4,653)
Due from affiliated organizations, net	$ -	$ -
Reserve for RIETS	$ -	$ 2,648
Reserve for High Schools	3,856	4,653
Total write-off for RIETS and the High Schools	$ 3,856	$ 7,301

In December 2010, the Finance Committee of the University's Board of Trustees approved forgiving the accumulated debt from RIETS and the High Schools through and including June 30, 2010; the University took this action as it did not expect to collect these debts.

The University's 2011 budget which was approved by the Finance Committee of the Board of Trustees provided a subsidy for the operating deficit and the allocated expenses associated with the High Schools.

(in thousands of dollars)

9. Land, Building, and Equipment

Land, buildings, and equipment consisted of the following at June 30, 2011 and 2010:

	2011	2010
Land	$ 24,398	$ 24,443
Buildings and improvements	986,704	967,289
Equipment, furniture, and fixtures	137,195	119,189
Capitalized asbestos remediation costs (Note 13)	8,419	8,418
Library books and microfilm collections	4,715	4,198
Building under capital lease	36,151	36,150
	1,197,582	1,159,687
Less: Accumulated depreciation and amortization	(461,272)	(419,498)
	$ 736,310	$ 740,189

During the fiscal years ended 2011 and 2010, the University capitalized into building and improvements $618 and $786 for the Waters Place Facility, $922 and $268 for the Price Center/Block Pavilion, and $93 and $5,367 for the Glueck Center, respectively. The University also capitalized $4,829 and $2,201 of computer software implementation costs during the year ended June 30, 2011 and 2010, respectively.

Depreciation and amortization expense related to land, buildings and equipment for the year ended June 30, 2011 and 2010 was approximately $48.5 million and $43.3 million, respectively. The University wrote off fully depreciated assets of approximately $7.4 million and $8.8 million during the years ended June 30, 2011 and 2010, respectively.

10. Defined Contribution Plans

The University and related entities have several defined contribution retirement plans in which most full-time and many part-time employees participate. The University's contributions are based on specified percentages of each employee's annual salary. It is the University's policy to fund retirement plan costs currently. Total retirement expense for the years ended June 30, 2011 and 2010 were $20,913 and $22,149, respectively.

(in thousands of dollars)

11. Line of Credit, Bonds Payable, and Other Debt

Yeshiva University and Related Entities

Details of the line of credit, bonds payable, and other debt as of June 30, 2011 and 2010 are as follows:

Description	Maturity Date	Interest Rate	Amount Outstanding at June 30, 2011	Amount Outstanding at June 30, 2010
Bonds payable				
Dormitory Authority of the State of New York Insured Revenue Bonds				
Series 2009 [(a)]	September 1, 2038	3.500% – 5.180%	$ 142,304	$ 142,274
Series 2004 [(b)]	July 1, 2034	2.590% – 5.250%	91,863	93,718
Series 2001 [(c)]	July 1, 2030	4.000% – 5.375%	50,360	52,255
Mortgages payable [(d)]	Varied	4.500% – 6.500%	16,187	17,232
Notes payable [(e)]	Varied	5.290% – 5.500%	3,159	3,255
The Housing Company obligations [(g)]	April 30, 2035	0.000% – 6.500%	43,198	43,481
Bonds payable and other debt			$ 347,071	$ 352,215
Line of credit [(f)]	Varied	Variable	$ 27,516	$ 15,000

[(a)] In July 2009, the Dormitory Authority of the State of New York ("DASNY") issued $140,820 of revenue bonds (Series 2009 Bonds) on behalf of the University. Principal payments commence September 1, 2016. The Series 2009 bonds are general unsecured obligations of the University; no security interest or mortgage encumbering University revenues or assets was granted in connection with the issuance of the Series 2009 Bonds. A portion of the proceeds of the Series 2009 Bonds was used for the payment of, or to reimburse the University for the payment of, certain capital expenditures. A portion of the Series 2009 Bonds was used to refund the outstanding DASNY Series 1998 Bonds.

[(b)] In June 2004, DASNY issued $100,000 of insured revenue bonds (Series 2004 Bonds) on behalf of the University. Of this amount, $90,000 was utilized for the construction of a biomedical facility, which houses the Michael F. Price Center for Genetic and Translational Medicine in the Harold and Muriel Block Research Pavilion (the Price Center/Block Pavilion) at Einstein. The remaining $10,000 was used for projects at the Manhattan Campuses. The Series 2004 Bonds are secured, subject to prior secured revenues, by a portion of the University's unrestricted revenues equal to the amount of principal and interest due in any year. Payment of principal and interest on the Series 2004 Bonds is guaranteed by Ambac Assurance Corporation.

(in thousands of dollars)

(c) In April 2001, DASNY issued $65,000 of Insured Revenue Bonds Series 2001 (Series 2001 Bonds) on behalf of the University. Of this amount, $41,815 was issued to renovate existing facilities and acquire new facilities. The remaining amount of $23,185 was issued to defease the DASNY Series 1994 Bonds. The University was released from its obligation with respect to the Series 1994 Bonds, and accordingly, the trusteed assets and debt are excluded from the University's consolidated statements of financial position. The Series 2001 Bonds are secured, subject to prior secured revenues, by a portion of the University's unrestricted revenues equal to the amount of principal and interest due in any year. Payment of principal and interest on the Series 2001 Bonds is guaranteed by Municipal Bond Investors Assurance Corporation.

(d) In January 2007, in connection with the purchase of 12 Manhattan residential apartment buildings, the University assumed outstanding mortgage debt of $20,698. At the time of the purchase, these mortgages were owed to various banks or commercial lenders and the seller had not secured the consent of the lenders to the transfer prior to the closing (in one case for a mortgage of approximately $4,000, no consent was required). The University was willing to take title to the buildings subject to the outstanding mortgages, because, in the opinion of management, the risk of the banks' refusal to subsequently consent to the conveyance of any particular mortgage was remote. However, should a given lender refuse, such mortgage would either be repaid or refinanced. The process of re-financing, repaying in full, or securing bank approval for assumption of all mortgages by the respective purchasers has been completed. The University or its related entities have made and continue to make payments on all of these mortgages, which mature on various dates through between 2014 and 2021, and management believes that any potential liability arising from the increase in interest rates will not have a material impact on the University's financial position.

At June 30, 2011, approximately $1.1 million of the mortgages payable were scheduled to mature within the next year. The note payable has been subsequently refinanced effective November 1, 2011, at 4.75% and over a period of 5 years with renewal options at varying rates up to 25 years.

(e) The notes payable mature on various dates through March 31, 2029.

(f) In January 2007, the University entered into a bank line of credit for up to $75 million in financing to acquire certain real estate. Such credit line, which was renewable annually for periods up to 1 year, was renewed through August 3, 2009. Interest on the renewed line was accrued and paid monthly and was calculated, at the discretion of the University, based upon (i) LIBOR plus 90 basis points or (ii) a negotiated rate as provided by the bank. In July 2009, the University repaid the outstanding line of credit balance of $71.15 million.

In May 2010, the University entered into a revolving loan agreement for up to $50 million to be used for capital expenditures and working capital purposes. Interest is calculated, at the discretion of the University, based upon (i) LIBOR or (ii) a negotiated rate as provided by the bank, plus 115 basis points. The revolving loan agreement matures on May 18, 2012.

(g) The Housing Company has outstanding a first mortgage note and a subordinated mortgage note. The Housing Company's first mortgage note was obtained in December 2004 with a principal amount of $8,918. The note is payable monthly with interest at the rate of 6.5% per annum. Installments of principal and interest are payable in 360 fixed monthly amounts of $56. Prepayment of the loan is not permitted until December 1, 2019. The mortgage requires the Housing Company to make a monthly escrow payment to the New York City Housing Development Corporation ("HDC") for, among other things, fire and extended coverage, and

(in thousands of dollars)

such other insurance as may be required so that there will be sufficient money on deposit to secure payment of each such item one month before the due date of such item. The mortgage provides for a reserve for replacements currently held by HDC pursuant to the original mortgage note. The reserve is increased by monthly payments in the amount of $25 until HDC conducts its next assessment. The outstanding balance of the first mortgage note was $8,223 at December 31, 2010 (the close of the Housing Company's fiscal year).

The subordinated mortgage note is noninterest-bearing with a principal amount of $35,121 that is due on April 30, 2035. The University is not obligated for this or any other debt of the Housing Company.

Projected debt service payments on the bonds payable and other debt, other than the Housing Company, are as follows:

	Principal	Interest	Total
Year ending June 30			
2012	$ 6,238	$ 14,755	$ 20,993
2013	4,588	14,522	19,110
2014	6,985	14,269	21,254
2015	6,407	13,876	20,283
2016	12,779	13,292	26,071
Thereafter	263,324	152,096	415,420
	300,321	$ 222,810	$ 523,131
Add: Unamortized premium	3,552		
	$ 303,873		

The unamortized bond issuance costs were $4,290 and $4,320 at June 30, 2011 and 2010, respectively.

See Note 12 for capital lease obligations.

Projected debt service payments on the Housing Company's mortgage notes are as follows:

	Principal	Interest	Total
Year ending December 31			
2011	$ 146	$ 530	$ 676
2012	156	520	676
2013	167	510	677
2014	178	499	677
2015	190	487	677
Thereafter	42,361	5,522	47,883
	$ 43,198	$ 8,068	$ 51,266

(in thousands of dollars)

In September 2011, DASNY issued $90,000 of Revenue Bonds Series 2011A (Series 2011A Bonds) on behalf of the University. The Series 2011A Bonds bear interest at rates ranging from 4.00% to 5.00% with principal payments due at various dates commencing November 1, 2014, with a final maturity date of November 1, 2040. The Series 2011A Bonds are secured by the pledge of revenues, and all funds established by and for the Series 2011A Bonds. A portion of the proceeds of the Series 2011A Bonds is to be used for the payment of, or to reimburse the University for the payment of, certain capital expenditures and to reimburse $ 20.5 million on the line of credit. A portion of the Series 2011A Bonds was used to refund all but $3.1 million of the Series 2001 Bonds.

The New York State Office of Alcoholism and Substance Abuse Services (“OASAS”) required the University to borrow approximately $19.6 million from DASNY in order to reimburse OASAS for costs paid by OASAS to construct a substance abuse treatment facility owned and operated by the University at Waters Place. The loan closed in October 2011 and is payable over 20 years and is secured by a mortgage on the facility. Although the loan is an obligation of the University, debt service on the loan is expected to be funded in the first instance by OASAS first increasing the amount of payments anticipated to be made by OASAS to the University for the operation of certain programs at such facility in amounts equal to the debt service, and then deducting the amounts of the debt service and transferring such amounts to DASNY.

Funds Held by Bond Trustees

Deposits with trustees are primarily invested in government securities. At June 30, 2011 and 2010, the fair value of amounts held by bond trustees under these loan agreements was as follows:

	2011	**2010**
Debt service fund	$ 14,268	$ 13,116
Unexpended construction fund	1,638	6,025
	$ 15,906	$ 19,141

Interest expense on line of credit, bonds, and other debt for the years ended June 30, 2011 and 2010 was $16,343 and $15,887, respectively.

(in thousands of dollars)

12. Leases

Operating Lease – Van Etten

During 2005, the University, on behalf of Einstein, entered into a 30 year noncancelable operating lease with the HHC. The lease (known as the Van Etten lease) includes clauses that allow the University, on behalf of Einstein, to renew the lease for an additional 20 year period and five more renewable periods of 10 years each. The lease includes a facility and a 10 acre parcel of vacant land directly across the street from Einstein. Einstein is using this facility to support its research, clinical, and teaching activities. Also on this parcel, Einstein has constructed the Price Center/Block Pavilion. Total rent expense under this lease was $2,533 in 2011 and in 2010. Included in other liabilities on the consolidated statements of financial position is a deferred rent obligation of $10,733 and $11,200 at June 30, 2011 and 2010, respectively, which is a result of straight-lining the total minimum lease payments over the 30-year noncancelable period. Minimum lease payments are as follows:

Year ending June 30		
2012	$	3,000
2013		3,000
2014		3,000
2015		3,000
2016		3,000
Thereafter		54,000
	$	69,000

Operating Lease – 5.1 acres

During 2008, the University, on behalf of Einstein, entered into a 30 year lease of approximately 5.1 acres of land on the grounds of Jacobi with HHC. The lease includes clauses that allow Einstein to renew the lease for an additional 20 years and thereafter for two more renewal periods of 25 years and 24 years each.

The initial base rent is $1,355 per annum through December 31, 2020, and increases by 12% every five years through December 31, 2038 and for any renewal periods thereafter. In addition, the base rent is reduced by a base rent credit, as defined in the agreement, which commences January 1, 2015, increases annually by 7%, and continues for a 10 year period ending December 31, 2024.

Any improvements to the space by the University in excess of 440,000 square feet are subject to certain base rent escalations. In addition, beginning in 2038, the leased premises and certain improvements may be subject to appraisal and may result in changes in the base rent. Currently, there are no specific plans for development of this site, but management has earmarked the property for multiple potential purposes, including housing of students and faculty.

(in thousands of dollars)

Total rent expense under this lease was $1,483 in 2011 and in 2010. Included in other liabilities on the consolidated statements of financial position is a deferred rent obligation of $510 and $128 at June 30, 2011 and 2010, respectively, which is a result of straight-lining the total minimum lease payments over the 30-year noncancelable period. Minimum lease payments are as follows:

Year ending June 30	
2012	$ 1,355
2013	1,355
2014	1,355
2015	1,246
2016	1,130
Thereafter	33,300
	$ 39,741

Capital Lease – Kennedy

During 2005, the University, on behalf of Einstein, entered into a lease with the HHC for an existing facility on the Jacobi campus with an initial term of 50 years. The University has the right to cancel the lease after 25 years. The lease (known as the Kennedy lease) allows for the University to renew the lease for five additional periods of 10 years each. Included in the minimum lease payments are utility expenses of the facility for the first 7 years of the lease, and the remaining lease term has a utility credit for 2.5% of the lease payment. Einstein is using this facility to support its research, clinical, and teaching activities. The lease has been accounted for as a capital lease; and therefore, the related asset and liability have been recorded on the consolidated statements of financial position. The interest rate on this capital lease obligation is approximately 4.8%. Minimum lease payments under this lease are as follows:

Year ending June 30	
2012	$ 3,000
2013	3,000
2014	3,000
2015	3,200
2016	3,200
Thereafter	44,600
	60,000
Less: Amounts representing interest	(19,985)
Less: Amounts representing utility costs	(1,500)
	$ 38,515

13. Asset Retirement Obligations

The University has asset retirement obligations for asbestos related removal costs. The University accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability amount recorded.

(in thousands of dollars)

A reconciliation of the beginning and ending carrying amounts of such obligations is as follows:

	2011	2010
Asset retirement obligations, June 30, 2010	$ 14,693	$ 14,524
Accretion expense	558	392
Asset retirement obligations settled	(255)	(223)
Asset retirement obligations, June 30, 2011	$ 14,996	$ 14,693

14. Net Assets Released From Restrictions

Net assets were released from restrictions during June 30, 2011 and 2010 for the following purposes:

	2011	2010
General operations	$ 22,408	$ -
Faculty scholars	217	-
Fellowships	1,484	1,157
Instruction and training	3,551	6,829
Lectureships	32	107
Library	4	163
Other	1,135	1,554
Pledges for use in future years	6,660	12,027
Prizes	54	65
Public service	329	207
Publications	255	266
Research	-	4
Student loans	135	33
Student scholarships	6,364	4,728
	$ 42,628	$ 27,140

(in thousands of dollars)

15. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2011 and 2010 were available for the following purposes:

	2011	2010
Academic chairs	$ 62,462	$ 748
Academic support	600	494
Facility maintenance	17,654	14,650
Faculty scholars	2,159	217
Fellowships	21,632	9,196
Working capital purposes	-	18,977
Instruction and training	72,668	52,288
Lectureships	760	687
Library	662	562
Other	40,333	37,817
Patient care	3,911	-
Pledges for use in future years	31,016	32,737
Prizes	24,752	1,438
Publications	737	796
Public service	5,583	4,662
Research	46,463	7,376
Student loans	745	829
Student scholarships	96,607	50,238
	$ 428,744	$ 233,712

(in thousands of dollars)

16. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2011 and 2010 were restricted to investment in perpetuity, with investment return available to support the following activities:

	2011	2010
Academic chairs	$ 108,934	$ 104,718
Academic support	2,357	2,357
Capital projects	6,055	5,055
Facility maintenance	3,642	3,642
Faculty scholars	9,259	7,457
Fellowships	24,214	24,201
Instruction and training	86,701	87,267
Lectureships	932	932
Library	2,207	2,207
Other	4,812	4,014
Patient care	4,874	4,874
Pledges for use in future years	201	1,612
Prizes	1,124	1,115
Publications	1,000	1,000
Public service	2,043	2,043
Research	56,713	55,925
Revolving fund for special projects	92,279	87,309
Student loans	44,818	45,314
Student scholarships	200,303	194,593
Trusts held by others in perpetuity	10,575	8,675
Undesignated	14,197	14,177
	$ 677,240	$ 658,487

In addition to certain of the above permanently restricted net assets, the University's endowment includes funds functioning as endowments, and realized and unrealized gains on investments, which are classified as unrestricted and temporarily restricted net assets.

17. Contingencies

The University is a party to various litigation and other claims arising in the ordinary course of business. In the opinion of management, appropriate provision has been made for possible losses and the ultimate resolution of these matters will not have a significant effect on the University's consolidated financial position.

Amounts received and expended by the University under various federal and state grants and contracts are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the University's consolidated financial position.

(in thousands of dollars)

The actions of Bernard Madoff and J. Ezra Merkin and Ascot Partners, discussed in the 2009 consolidated financial statements' Note 14 (Contingencies), led to the appointment of a trustee and receiver, respectively, for Bernard Madoff's, J.Ezra Merkin's and Ascot Partners' assets. It continues to be uncertain whether any funds will be recoverable by or for the benefit of the University, from either law enforcement officials, the trustee, or the receiver, or recoverable from the University, by either the trustee or the receiver.

A court-appointed trustee seeking to recover funds to benefit Madoff investors who sustained losses has sued the University to recover approximately $1 million in charitable contributions made by Bernard Madoff to the University across a 6 year period. The case is in the very early stages, and the University has presented the trustee with what the University believes to be valid defenses.

18. Subsequent Events

Subsequent event guidance requires the University to evaluate subsequent events to determine whether they provide additional evidence about conditions that existed of the date of the consolidated statement of financial position, and to determine if those events require recognition or disclosure on the consolidated financial statements. The University has performed an evaluation of subsequent events through February 17, 2012, which is the date the consolidated financial statements were issued.