KPMG

YESHIVA UNIVERSITY AND RELATED ENTITIES

Consolidated Financial Statements

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
Yeshiva University:

We have audited the accompanying consolidated balance sheets of Yeshiva University (the University) and related entities as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Yeshiva University and related entities as of June 30, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 to the consolidated financial statements, the University adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, as amended; and Financial Accounting Standards Board Staff Position FAS 117-1, *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*, in 2009.

KPMG LLP

November 18, 2009

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YESHIVA UNIVERSITY AND RELATED ENTITIES

Consolidated Balance Sheets

June 30, 2009 and 2008

(Dollars in thousands)

Assets		2009	2008
Cash and cash equivalents	$	16,773	15,573
Contributions receivable, net (note 10)		188,145	202,738
Grants and contracts receivable		34,804	31,581
Mortgage loans receivable		21,459	19,327
Student loans receivable, net (note 10)		50,817	48,391
Prepaid expenses and other assets		17,019	24,465
Investments (note 3)		1,006,025	1,445,710
Funds held by bond trustees (note 7)		17,403	19,345
Trusts and split-interest agreements held by others		15,041	18,827
Land, buildings, and equipment, net (notes 11, 14, and 16)		739,639	724,069
Total assets	$	2,107,125	2,550,026
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	92,395	89,826
Deferred revenue		6,056	5,386
Line of credit (note 7)		71,150	69,000
Other liabilities (note 15)		35,628	27,368
Refundable advances from the U.S. government		5,763	5,539
Bonds payable and other long-term debt (note 7)		232,188	239,838
Capital lease obligation (note 15)		38,754	38,182
Asset retirement obligations (note 16)		14,524	13,882
Total liabilities		496,458	489,021
Commitments and contingencies (notes 3, 14, 15, 16, and 17)			
Net assets:			
Unrestricted		715,854	1,142,456
Temporarily restricted (note 12)		244,457	279,927
Permanently restricted (note 13)		650,356	638,622
Total net assets		1,610,667	2,061,005
Total liabilities and net assets	$	2,107,125	2,550,026

See accompanying notes to consolidated financial statements.

YESHIVA UNIVERSITY AND
RELATED ENTITIES

Consolidated Statements of Activities

Years ended June 30, 2009 and 2008

(Dollars in thousands)

	2009				2008			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Operating revenues:								
Tuition and fees, net of scholarships and fellowships of $81,178 in 2009 and $72,963 in 2008	$ 125,042	—	—	125,042	120,137	—	—	120,137
Grants and contracts	235,570	—	—	235,570	256,382	—	—	256,382
Private gifts and bequests	16,543	—	—	16,543	26,728	—	—	26,728
Services under affiliation agreements	12,926	—	—	12,926	12,585	—	—	12,585
Investment return utilized (note 4)	66,609	—	—	66,609	65,078	—	—	65,078
Auxiliary enterprises	30,081	—	—	30,081	29,299	—	—	29,299
Other revenue	15,854	—	—	15,854	16,265	—	—	16,265
Net assets released from restriction	44,115	—	—	44,115	31,605	—	—	31,605
Total operating revenues	546,740	—	—	546,740	558,079	—	—	558,079
Operating expenses:								
Instruction, clinical, and departmental research	210,323	—	—	210,323	195,069	—	—	195,069
Sponsored research and training	220,522	—	—	220,522	214,531	—	—	214,531
Academic support	44,511	—	—	44,511	45,263	—	—	45,263
Student services	32,024	—	—	32,024	31,364	—	—	31,364
Institutional support	88,107	—	—	88,107	73,981	—	—	73,981
Auxiliary enterprises	28,399	—	—	28,399	29,499	—	—	29,499
Development	17,922	—	—	17,922	20,003	—	—	20,003
Total operating expenses	641,808	—	—	641,808	609,710	—	—	609,710
Decrease from operating activities	(95,068)	—	—	(95,068)	(51,631)	—	—	(51,631)
Nonoperating activities:								
Private gifts and bequests	—	46,891	17,776	64,667	—	56,707	53,923	110,630
Net assets released from restriction	—	(44,115)	—	(44,115)	—	(31,605)	—	(31,605)
Change in value of split-interest agreements	—	(1,207)	(3,208)	(4,415)	—	855	(968)	(113)
Investment return (less than) in excess of amount utilized (note 4)	(323,715)	(33,115)	(1,208)	(358,038)	(61,394)	769	704	(59,921)
Provision for uncollectible contributions receivable	—	(3,924)	(1,626)	(5,550)	—	(715)	(810)	(1,525)
Other (notes 9 and 14)	(7,819)	—	—	(7,819)	(6,771)	—	—	(6,771)
Change in net assets before loss from investment write-off	(426,602)	(35,470)	11,734	(450,338)	(119,796)	26,011	52,849	(40,936)
Loss from investment write-off (note 4)	—	—	—	—	(83,439)	(11,851)	—	(95,290)
Change in net assets	(426,602)	(35,470)	11,734	(450,338)	(203,235)	14,160	52,849	(136,226)
Net assets at beginning of year	1,142,456	279,927	638,622	2,061,005	1,345,691	265,767	585,773	2,197,231
Net assets at end of year	$ 715,854	244,457	650,356	1,610,667	1,142,456	279,927	638,622	2,061,005

See accompanying notes to consolidated financial statements.

YESHIVA UNIVERSITY AND RELATED ENTITIES

Consolidated Statements of Cash Flows

Years ended June 30, 2009 and 2008

(Dollars in thousands)

		2009	2008
Cash flows from operating activities:			
Decrease in net assets	$	(450,338)	(136,226)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:			
Net depreciation in value of investments		294,073	3,593
Loss from investment write-off		—	95,290
Proceeds from insurance recovery		(1,000)	(3,190)
Interest and dividends reinvested for long-term investment		(63)	(140)
Contributions of investments		—	(10,010)
Depreciation, accretion, and amortization expense		45,577	44,127
Decrease (increase) in trusts and split-interest agreements held by others		3,786	(2,026)
Provision for uncollectible loans and receivables		10,012	13,839
Contributions restricted for long-term investment		(17,776)	(53,923)
Contributions restricted for investment in plant assets		(8,429)	(10,200)
Changes in operating assets and liabilities:			
Receivables		(21,525)	(25,240)
Prepaid expenses and other assets		3,893	(14,336)
Asset retirement obligations		(237)	2,074
Accounts payable and accrued expenses, deferred revenue, and other liabilities		15,154	6,699
Net cash used in operating activities		(126,873)	(89,669)
Cash flows from investing activities:			
Increase in student and faculty loans receivables, net		(4,558)	(6,265)
Additions to plant assets		(59,770)	(129,176)
Proceeds from insurance recovery		1,000	3,190
Decrease in accounts payable and accrued expenses relating to plant assets		(3,655)	(4,843)
Purchases of investments		(770,349)	(529,053)
Proceeds from sales of investments		915,961	718,143
Net cash provided by investing activities		78,629	51,996
Cash flows from financing activities:			
Contributions restricted for long-term investment		17,776	53,923
Increase in permanently restricted contributions receivable		21,244	(38,715)
Contributions restricted for investment in plant assets		8,429	10,200
Decrease in capital contributions receivable		5,192	9,108
Interest and dividends reinvested for long-term investment		63	140
Change in refundable advances from the U.S. government		224	(91)
Proceeds from issuance of bonds, notes, and mortgages payable		2,150	10,000
Payment of bonds, notes, and mortgages payable		(7,576)	(5,207)
Decrease in funds held by bond trustees		1,942	3,607
Net cash provided by financing activities		49,444	42,965
Net increase in cash and cash equivalents		1,200	5,292
Cash and cash equivalents at beginning of year		15,573	10,281
Cash and cash equivalents at end of year	$	16,773	15,573
Supplemental disclosure:			
Interest paid	$	12,526	13,877

See accompanying notes to consolidated financial statements.

(1) Discussion of Operations

Yeshiva University (the University) is a private, nonprofit institution of higher education 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. Instruction is provided to approximately 6,600 students. In addition, the University operates or is associated with programs in Israel, Canada, and a museum in New York City.

(a) Grants and Contracts

Grants and contracts received in support of the University's research, clinical, and training activities represented approximately 43% and 46% of the University's total operating revenues in 2009 and 2008, 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, 2009, Einstein had commitments from various agencies of the U.S. government, New York State, and New York City of approximately $222,000, and commitments from private sources of approximately $27,000 for grants and contracts during 2010. These commitments are excluded from the accompanying consolidated balance sheet at June 30, 2009.

(b) Affiliation Agreements

Einstein has entered into affiliations with the New York City Health and Hospitals Corporation (HHC) and with several hospitals. Included among these affiliations are agreements with Jacobi Medical Center (Jacobi) (an HHC hospital), North Shore-Long Island Jewish Health System, 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. In addition, Einstein has agreed to provide certain professional and related supporting services in exchange for payment of certain direct contract and overhead costs incurred by Einstein in connection with graduate medical educational programs conducted at the medical centers.

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 future minimum lease payments for fiscal 2010 amount to $1,932 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 deferred rent receivable of $4,764 and $3,975 is included in prepaid expenses and other assets in the consolidated balance sheets at June 30, 2009 and 2008, respectively.

(c) 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 $46,466 and $44,686 of funded patient care revenue for the years ended June 30, 2009 and 2008, respectively.

(d) Related Entities

The Albert Einstein College of Medicine Staff Housing Co., Inc. (the Housing Company) is a 635-unit, limited-profit housing project under the supervision of the Housing Development Administration of the City of New York through the Mitchell-Lama Housing Program. The Housing Company provides housing primarily for students of Einstein.

The Yeshiva Endowment Foundation, Inc. (the Foundation) was formed in 1927 as a separate corporation organized for the benefit of the University and its affiliate. Control of the Foundation is vested in a board of trustees, a majority of whose membership includes board members and officers of the University. The Foundation includes five wholly owned, for-profit real estate corporations.

The University also owns several for-profit real estate entities 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.

(e) Affiliated Organizations

Rabbi Isaac Elchanan Theological Seminary (RIETS) and the Yeshiva University High Schools (the High Schools), an association 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.

(f) 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 unrelated business income tax on some of its income generated from investments in alternative investments. Unrelated business income tax (benefit) expense for the years ended June 30, 2009 and 2008 was $(876) and $169, respectively.

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 it, 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:

(a) 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, 2008 and 2007.

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 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 that they 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 general or specific 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 unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Contributions subject to donor-imposed restrictions that the 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.

(b) 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.

(c) 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. 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.

(d) 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.

(e) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (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.

(f) Investments and Investment Income

Investments 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.

Dividends, interest, and net gains on investments are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of permanently restricted net assets
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the current use of the income or net gains and the University has not spent such amounts in the year earned
- as increases in unrestricted net assets in all other cases.

(g) Land, Buildings, and Equipment

Land, buildings, and equipment is 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. Tangible personal property having a useful life of one year or more and an acquisition cost of $3 or more per unit is 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.

(Continued)

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 and depreciable lives of equipment, furniture, and fixtures range from 5 to 15 years.

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

(h) 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 balance sheets as a liability.

(i) 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. 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 is recognized as an asset and as a contribution when the University is notified that the trusts have been funded. Distributions from trusts 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 are recorded as increases or decreases in permanently restricted net assets.

(j) 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 (i) temporarily and permanently restricted contributions, (ii) temporarily restricted net assets released from restriction, (iii) changes in value of split-interest agreements, (iv) investment return in excess of (less than) the authorized spending level, (v) provision for uncollectible contributions receivable, (vi) bad debt expense on receivables from affiliated organizations, and (vii) nonrecurring items.

(k) 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 (fund-raising) expenses, the University includes only those fund-raising and various support costs incurred by its development function.

(l) Recently Adopted Accounting Standards

Effective July 1, 2008, the University adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, as amended. SFAS No. 157 defines fair value and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. It 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 SFAS No. 157, 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 conjunction with the adoption of SFAS No. 157, the University elected to early adopt the measurement provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, to its alternative investments. This guidance amends SFAS No. 157 and allows for the estimation of fair value of investment companies, for which the investment does not have a readily determinable fair value, using net asset per share or its equivalent as provided by the investment managers.

Effective July 1, 2008, the University adopted Financial Accounting Standards Board (FASB) Staff Position FAS (FSP) 117-1, *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* (UPMIFA), *and Enhanced Disclosures for All Endowment Funds*. FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations that are subject to an enacted version of UPMIFA and requires disclosures about all endowment funds. For those entities where UPMIFA is effective, the reporting not-for-profit entity as required to classify the portion of donor-restricted endowment funds that are not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure by the organization. As of June 30, 2009, New York State had not enacted the provisions of UPMIFA, and accordingly, the impact of FSP 117-1 has been limited to additional disclosures regarding the University's endowment funds.

Effective June 30, 2009, the University adopted SFAS No. 165, *Subsequent Events*. SFAS No. 165 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The University evaluated events subsequent to June 30, 2009 and through November 18, 2009, the date on which the financial statements were available to be issued.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Liabilities* (SFAS 159), which permits entities to choose to measure many financial instruments and certain other items at fair value with changes in fair value included in current earnings. The election is made on specified election dates, can be made on an instrument-by-instrument basis, and is irrevocable. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The University has not elected the fair value option with respect to any of its financial assets and liabilities.

(m) Reclassifications

Certain previously reported amounts in the 2008 consolidated financial statements have been reclassified in order to conform to the 2009 presentation.

(n) Other Significant Accounting Policies

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

(Dollars in thousands)

(3) Investments

The University manages an investment portfolio on behalf of Yeshiva University, its related entities, and its unconsolidated affiliated organizations (note 1). At June 30, 2009 and 2008, the University's investments, on a consolidated basis, consisted of the following:

	2009		2008	
	Cost or contributed value	Fair value	Cost or contributed value	Fair value
Mutual funds	$ 82,583	80,223	50,115	71,668
U.S. government obligations	201,436	201,799	31,458	33,928
State of Israel bonds	15,200	15,200	17,713	17,713
Corporate bonds	14,315	12,546	15,556	14,139
Corporate stocks	36,299	27,850	180,883	168,500
Alternative investments	546,583	789,225	714,724	1,301,526
Other	13,486	9,876	14,641	10,631
	909,902	1,136,719	1,025,090	1,618,105
Less unconsolidated affiliates' (RIETS and High Schools) interests in the investment portfolio	(111,872)	(130,694)	(122,209)	(172,395)
	$ 798,030	1,006,025	902,881	1,445,710

Alternative investments are less liquid than the other investments. The following table summarizes these investments by investment strategy at June 30, 2009 and 2008:

Alternative investment strategy	2009		2008	
	Number of funds	Fair value	Number of funds	Fair value
Multistrategy, fund of funds, and absolute return	34	$ 294,737	35	$ 506,086
Event-driven and distressed securities	17	112,186	18	215,165
Relative value	3	107,192	3	114,077
Real estate	4	29,013	4	28,260
Long/short equity	10	193,483	11	311,738
Aggressive fixed income	3	52,614	4	126,200
	71	$ 789,225	75	$ 1,301,526

(Dollars in thousands)

The alternative investment portfolio includes limited partnerships, limited liability corporations, and off-shore investment funds. The underlying investments include, among other financial instruments, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments involve varying degrees of off-balance-sheet 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 balance sheet.

At June 30, 2009 and 2008, $1,744 (the University is currently in the process of liquidating) and $272,382, respectively, were invested in alternative investment funds whose fund manager or general partner was also a member of the University's investment committee or Board of Trustees. Investment management fees charged by these funds during 2009 and 2008 were $1,490 and $6,689, respectively.

The University manages substantially all of its investments and those of certain consolidated related and its 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.

At June 30, 2009 and 2008, the value of the University's interest in these pools, as well as certain separately invested investments, was as follows:

		2009		2008	
		Cost or contributed value	**Fair value**	**Cost or contributed value**	**Fair value**
Pooled asset fund	$	35,640	35,122	28,262	27,153
Consolidated investment pool		731,111	940,833	843,154	1,387,654
Other – separately invested		31,279	30,070	31,465	30,903
	$	798,030	1,006,025	902,881	1,445,710

The University's investments include assets held in irrevocable charitable remainder annuity trusts in the amount of $30,473 (of which $21,715 is in the pooled asset fund and $8,758 is in other separately invested investments) and $31,896 (of which $19,619 is in the pooled asset fund and $12,277 is in other separately invested investments) at June 30, 2009 and 2008, respectively.

(Dollars in thousands)

Under the terms of certain alternative investment agreements, the University is obligated to periodically advance additional funding. At June 30, 2009, the University had commitments of approximately $65,341 for which capital calls had not been exercised. This amount has not been recorded as a liability in the accompanying consolidated balance sheet. 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 spending rate policy, 5.5% of the fair value per unit, 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 appreciation. If investment return is in excess of the authorized spending level, the balance is reinvested.

The following summarizes the University’s total investment return, before the investment write-off in 2008, for the years ended June 30, 2009 and 2008:

	2009			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Interest and dividends on investments, net of expenses of $5,904	$ 2,218	363	63	2,644
Net depreciation on investments	(259,324)	(33,478)	(1,271)	(294,073)
Total investment return	(257,106)	(33,115)	(1,208)	(291,429)
Investment return recognized in operating activities	66,609	—	—	66,609
Investment loss recognized in nonoperating activities	$ (323,715)	(33,115)	(1,208)	(358,038)

(Dollars in thousands)

	2008			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Interest and dividends on investments, net of expenses of $2,087	$ 7,545	1,065	140	8,750
Net (depreciation) appreciation on investments	(3,861)	(296)	564	(3,593)
Total investment return	3,684	769	704	5,157
Investment return recognized in operating activities	65,078	—	—	65,078
Investment loss recognized in nonoperating activities	$ (61,394)	769	704	(59,921)

The University wrote off all of its Madoff-related investments (further described in note 14), totaling $95,290 as of June 30, 2008. For the year ended June 30, 2008, the University's investment return includes appreciation of $6,173 on Madoff-related investments.

(5) Endowment

The University's endowment consists of approximately 1,500 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.

The Board of Trustees of the University has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the principal of the original gift as of the gift date of a donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, 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 in 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.

(Dollars in thousands)

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.

The following represents the University's endowment composition by type of fund as of June 30, 2009 and 2008:

	2009			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ 146,073	81,386	510,899	738,358
Board-designated endowment funds	88,077	4,337	—	92,414
Total endowment net assets	$ 234,150	85,723	510,899	830,772

	2008			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ 310,432	128,294	475,158	913,884
Board-designated endowment funds	123,764	1,915	—	125,679
Total endowment net assets	$ 434,196	130,209	475,158	1,039,563

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2009 are as follows:

	2009			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, June 30, 2008	$ 434,196	130,209	475,158	1,039,563
Investment return:				
Investment income	—	13	52	65
Net depreciation – realized and unrealized	(154,614)	(33,882)	(1,453)	(189,949)
Total investment return	279,582	96,340	473,757	849,679
Contributions	—	2,227	37,481	39,708
Appropriation of endowment assets for expenditure	(47,999)	(14,510)	(467)	(62,976)
Change in actuarial present value of split-interest agreements	—	(756)	128	(628)
Transfers to board-designated endowment funds	2,567	2,422	—	4,989
Endowment net assets, June 30, 2009	$ 234,150	85,723	510,899	830,772

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2008 are as follows:

		2008			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2007	$	576,623	168,784	437,267	1,182,674
Investment return:					
Investment income		160	446	724	1,330
Net appreciation – realized and unrealized		(84,667)	(12,311)	(23)	(97,001)
Total investment return		492,116	156,919	437,968	1,087,003
Contributions		—	361	38,077	38,438
Appropriation of endowment assets for expenditure		(33,476)	(15,958)	(591)	(50,025)
Change in actuarial present value if split-interest agreements		—	951	(25)	926
Transfers from board-designated endowment funds		(24,444)	(12,064)	(271)	(36,779)
Endowment net assets, June 30, 2008	$	434,196	130,209	475,158	1,039,563

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 $34,000 and $1,000 as of June 30, 2009 and 2008, respectively.

(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 7, 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.

(Dollars in thousands)

The estimated fair value of the University's line of credit, bonds payable, and other long-term 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, 2009 and 2008, the fair value of the line of credit, bonds payable, and other long-term debt, excluding the Housing Company's mortgage notes, was $256,587 and $263,634, respectively. The aggregate fair value of the Housing Company's mortgage notes at December 31, 2008 and 2007 approximates $19.8 million and $19.5 million, respectively. The fair value of the mortgage loans receivable at June 30, 2009 and 2008 approximated $17.3 million and $14.6 million, 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.

The following table presents the fair value hierarchy for those assets reported at fair value as of June 30, 2009 (no liabilities are reported at fair value). With respect to investments, amounts include the interests of unconsolidated affiliates:

	Fair value	Level 1	Level 2	Level 3
Investments:				
Mutual funds	$ 80,223	80,223	—	—
U.S. government obligations	201,799	201,523	—	276
State of Israel bonds	15,200	—	—	15,200
Corporate bonds	12,546	12,546	—	—
Corporate stocks	27,850	27,850	—	—
Alternative investments	789,225	—	230,211	559,014
Other	9,876	5,440	—	4,436
Trusts and split-interest agreements held by others	15,041	13,816	—	1,225
Funds held by bond trustees	17,403	17,403	—	—
Total	$ 1,169,163	358,801	230,211	580,151

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, which may be marketable. 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, 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.

(Continued)

(Dollars in thousands)

The following table presents the University's 2009 activity for those assets classified as Level 3 within the fair value hierarchy:

Beginning balance, July 1, 2008	$	883,630
Net unrealized and realized activity		(179,224)
Net sales		(124,255)
Ending balance, June 30, 2009	$	580,151

(7) Line of Credit, Bonds Payable, and Other Long-Term Debt

(a) Yeshiva University and Related Entities (Excluding the Housing Company)

Details of the line of credit, bonds payable, and other debt as of June 30, 2009 and 2008 are as follows:

Description	Maturity date	Interest rate	Amount outstanding at June 30 2009	Amount outstanding at June 30 2008
Bonds payable:				
Dormitory Authority of the State of New York Insured Revenue Bonds:				
Series 2004 (i)	July 1, 2034	2.590% – 5.250%	$ 95,250	97,039
Series 2001 (ii)	July 1, 2030	4.000% – 5.375%	54,075	55,825
Series 1998 (iii)	July 1, 2018	4.250%	18,165	19,580
Mortgages payable (iv)	Varied	4.500% – 6.500%	18,874	20,241
Notes payable (v)	Varied	5.290% – 5.500%	2,215	3,423
Bonds payable and other long-term debt			$ 188,579	196,108
Line of credit (vi)	Variable	—	$ 71,150	69,000

(i) On July 1, 2004, the Dormitory Authority of the State of New York (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/Block Center) 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. Total premiums paid at the time of issuance of the Series 2004 Bonds amounted to $2,208 ($1,840 and $1,914 unamortized at June 30, 2009 and 2008, respectively).

(ii) On April 6, 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 balance sheets. 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.

(iii) In December 1998, to acquire and renovate certain apartments owned by the University, and renovate various facilities, DASNY issued $30,000 of Insured Revenue Bonds Series 1998 (the Series 1998 Bonds) on behalf of the University. The Series 1998 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. Reserve requirements consist of a debt service fund and a building and equipment reserve fund totaling $2,320 and $750, respectively. Payment of principal and interest is guaranteed by Financial Security Assurance Inc.

(iv) 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. The University was willing to take title to the buildings subject to the outstanding mortgages debt, 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 largest of such lenders (57% of the aggregate mortgage indebtedness as of June 30, 2009) has stated that its consent to the mortgage assumptions is contingent upon increasing the interest rates for such mortgages to 6% as of the effective transfer date of the properties. The process of securing bank approval for assumption of the nine outstanding mortgages by the respective purchasers is expected to be consummated by December 31, 2009. The University is currently making payments on these mortgages, which mature on various dates through January 1, 2016, 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.

(Dollars in thousands)

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

(vi) 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 is renewable annually for periods up to 1 year, expired on January 8, 2009 and was renewed through August 3, 2009. Interest on the renewed line is accrued and paid monthly and is 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.

Projected debt service payments on the bonds payable and other long-term debt are as follows:

	Principal	Interest	Total
Year ending June 30:			
2010	$ 5,494	9,341	14,835
2011	8,649	9,073	17,722
2012	6,643	8,689	15,332
2013	6,224	8,310	14,534
2014	7,834	8,030	15,864
Thereafter	151,895	80,591	232,486
	186,739	$ 124,034	310,773
Add unamortized premium	1,840		
	$ 188,579		

See note 15 for capital lease obligations.

(Dollars in thousands)

(b) Albert Einstein Staff Housing Company

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 through February 1, 2035, 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 shall not be 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, real estate taxes, water and sewer charges, fire and extended coverage, and 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 shall provide for the reserve for replacements currently held by the 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 $8,488 at December 31, 2008.

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 first mortgage note are as follows:

	Principal	Interest	Total
Year ending December 31:			
2009	$ 128	548	676
2010	137	539	676
2011	146	530	676
2012	157	519	676
2013	166	510	676
Thereafter	7,754	6,508	14,262
	$ 8,488	9,154	17,642

(Dollars in thousands)

(c) Funds Held by Bond Trustees

Deposits with trustees are primarily invested in government securities. At June 30, 2009 and 2008, the fair value of amounts held by bond trustees under these loan agreements was as follows:

		2009	2008
Debt service fund	$	12,582	11,749
Building and equipment reserve fund		876	865
Unexpended construction fund		3,945	6,731
	$	17,403	19,345

Interest expense on line of credit, bonds, and other long-term debt for the years ended June 30, 2009 and 2008 was $12,443 and $13,877, respectively. There was $2,079 of capitalized interest costs in 2008, and none in 2009.

(8) Defined Contribution Plan

The University and related entities have several defined contribution postretirement 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 postretirement plan costs currently. There are no prior service costs under these plans. Total postretirement expenses for the years ended June 30, 2009 and 2008 were $22,726 and $19,397, respectively.

(9) Transactions with Affiliated Organizations

The University acts as agent for RIETS and High Schools, providing accounting services for their receipts and disbursements and other management services at cost. Charges for such services to RIETS and High Schools in 2009 were $3,757 ($4,785 in 2008) and $2,660 ($2,848 in 2008), respectively.

During the years ended June 30, 2009 and 2008, additional provisions for uncollectible amounts were recorded in the amount of $3,553 and $6,962, respectively. Such provisions are reported as other nonoperating activities in the accompanying consolidated statements of activities.

(Dollars in thousands)

(10) Receivables

(a) Contributions Receivable

Contributions receivable consist of the following at June 30, 2009 and 2008:

		2009	2008
Amounts expected to be collected in:			
Less than one year	$	94,104	92,520
One to five years		43,859	57,647
Greater than five years		91,529	93,668
		229,492	243,835
Less discount to present value (2.5% – 5.0%)		(24,438)	(30,411)
Less allowance for uncollectible amounts		(16,909)	(10,686)
	$	188,145	202,738

As of June 30, 2009, approximately 46% of gross contributions receivable are from four donors.

(b) Student Loans Receivable

Student loans receivable are reported net of allowances for uncollectible amounts of $11,759 and $11,264 at June 30, 2009 and 2008, respectively.

(11) Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following at June 30, 2009 and 2008:

		2009	2008
Land	$	24,443	23,418
Buildings and improvements		942,367	896,286
Equipment, furniture, and fixtures		109,120	104,118
Capitalized asbestos remediation costs (note 16)		8,419	8,419
Library books and microfilm collections		4,144	4,050
Building under capital lease		36,150	36,150
		1,124,643	1,072,441
Less accumulated depreciation and amortization		(385,004)	(348,372)
	$	739,639	724,069

(Continued)

(Dollars in thousands)

During fiscal years ended 2009 and 2008, the University has capitalized into building and improvements $5,635 and $10,178 for Waters Place, $6,129 and $28,507 for the Price/Block Center, and $14,214 and $8,048 for the Glueck Center, respectively.

(12) Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2009 and 2008 are available for the following purposes:

		2009	2008
Academic chairs	$	753	792
Academic support		487	1,286
Capital projects		19,323	19,968
Facility maintenance		18,087	19,829
Faculty scholars		227	230
Fellowships		7,488	14,228
Instruction and training		46,683	64,391
Lectureships		729	1,060
Library		709	1,451
Other		28,149	29,789
Pledges for use in future years		49,661	34,018
Prizes		1,196	1,803
Publications		883	1,210
Public service		2,526	1,291
Research		22,161	29,394
Student loans		510	735
Student scholarships		44,885	58,452
Total	$	244,457	279,927

(Dollars in thousands)

(13) Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2009 and 2008 are restricted to investment in perpetuity, with investment return available to support the following activities:

		2009	2008
Academic chairs	$	99,126	93,536
Academic support		2,357	2,357
Capital projects		3,055	3,055
Facility maintenance		3,218	3,218
Faculty scholars		6,106	6,106
Fellowships		20,576	20,576
Instruction and training		87,425	87,425
Lectureships		932	932
Library		2,601	2,601
Other		13,578	13,578
Patient care		4,878	4,878
Pledges for use in future years		1,418	2,646
Prizes		1,105	1,105
Publications		1,000	1,000
Public service		1,936	1,936
Research		60,834	60,834
Revolving fund for special projects		85,530	76,546
Student loans		41,392	45,241
Student scholarships		198,112	192,523
Trusts held by others in perpetuity		7,277	10,629
Undesignated		7,900	7,900
Total	$	650,356	638,622

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.

(14) Contingencies

(a) 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.

(b) In August 2007, certain building and equipment on the Resnick Campus of Einstein suffered significant fire-related damage. As a result, the University incurred costs of approximately $10,565, which consisted of asset replacements, as well as repairs, maintenance, and clean up. The University was insured for fire losses and received insurance proceeds of $1,000 and $3,190 during the years ended June 30, 2009 and 2008, respectively. The University received an additional $2,810 subsequent to June 30, 2009.

(c) In December 2008, Bernard Madoff, a former University Trustee and Treasurer, was charged with criminal securities fraud by the U.S. Attorney for the Southern District of New York, and the U.S. Securities and Exchange Commission (the SEC) charged Bernard Madoff and his investment firm, Bernard L. Madoff Investment Securities LLC (Madoff), with securities fraud, and violations of federal securities laws. Madoff pleaded guilty, was sentenced, and is now imprisoned. In addition, a federal judge in New York froze Madoff's assets, and appointed a trustee (the SIPA Trustee) for the liquidation of Madoff's assets pursuant to the Securities Investor Protection Act. Furthermore, although an SEC consent order against Bernard Madoff was entered into on February 9, 2009, it is not possible to determine the recoverability of any funds. Bernard Madoff resigned from all University positions. On December 12, 2008, the University received a communication from its then chairman of its Investment Committee, J. Ezra Merkin, a general partner of Ascot Partners L.P. (Ascot), an investment partnership in which the University was a limited partner. That communication indicated that substantially all of the Ascot assets had been invested with Madoff. In addition, the communication indicated uncertainty about the recoverability, if any, of the Ascot assets invested with Madoff. Mr. Merkin resigned from the University's Board of Trustees and Investment Committee. Also in December 2008, the University was informed by SMC Alternative Strategies Fund (a fund of funds in which the University was a limited partner) that such fund of funds had exposure to Madoff through two sub-funds.

Under certain circumstances, the SIPA Trustee may be able to recover amounts from investors who received direct or indirect distributions from Madoff. Based upon currently available information, management cannot yet determine whether any amounts previously received by the University from Ascot might be recoverable by the SIPA Trustee. Management does not believe amounts recoverable by the SIPA Trustee, if any, would be material to the University's consolidated financial statements.

(Dollars in thousands)

(15) Leases

(a) Operating Lease – Van Etten

During 2005, Einstein entered into a 30-year noncancelable operating lease with HHC. The lease (known as the Van Etten lease) includes clauses that allow 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/Block Medical Research Center for Genetic and Translational Medicine and plans to create a Center for Medical Education. Total rent expense under this lease was $2,533 for both 2009 and 2008. Included in other liabilities on the consolidated balance sheets is a deferred rent obligation of $11,667 and $9,333 at June 30, 2009 and 2008, 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:		
2010	$	3,000
2011		3,000
2012		3,000
2013		3,000
2014		3,000
Thereafter		60,000
	$	75,000

(b) Operating Lease – 5.1 Acres

On July 28, 2005, the New York City Council approved a memorandum of understanding (MOU) between Einstein and HHC providing for the long-term lease of approximately 8 acres of land on the grounds of Jacobi. The rental terms under the MOU required Einstein to make minimum annual lease payments to HHC of $1.5 million for an initial period of 30 years, plus additional options to renew for up to 70 additional years. On January 1, 2008, a revised MOU was entered into by the above parties to document their intention to enter into a long-term lease agreement for a smaller parcel, with the University leasing approximately 5.1 acres of land.

This lease agreement, entered into on July 30, 2008 and effective January 1, 2008, contains an initial lease term of 30 years, with a maximum of six optional renewal periods of various terms ranging from 20 to 25 years.

The initial base rent is $1,355 per annum through December 31, 2020, and increases by 12% annually 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 on January 1, 2015, increases annually by 7%, and continues for a 10-year period ending December 31, 2024.

(Dollars in thousands)

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 purposes, including housing of students and faculty.

Total rent expense under this lease was $1,482 for the year ended June 30, 2009. Included in other liabilities on the consolidated balance sheet is a deferred rent obligation of $64 at June 30, 2009, which is a result of straight-lining the total minimum lease payments under the new lease over the initial 30-year period. Minimum lease payments are as follows:

Year ending June 30:		
2010	$	1,355
2011		1,355
2012		1,355
2013		1,355
2014		1,355
Thereafter		35,677
	$	42,452

(Dollars in thousands)

(c) Capital Lease – Kennedy

During 2005, Einstein entered into a lease with HHC for an existing facility on the Jacobi campus with an initial term of 50 years. Einstein has the right to cancel the lease after 25 years. The lease (known as the Kennedy lease) allows for Einstein 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; therefore, the related asset and liability have been recorded on the consolidated balance sheets. 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:	
2010	$ 3,000
2011	3,000
2012	3,000
2013	3,000
2014	3,000
Thereafter	50,994
	65,994
Less:	
Amounts representing interest	(23,715)
Amounts representing utility costs	(3,525)
	$ 38,754

(Dollars in thousands)

(16) Asset Retirement Obligations

The University records its asset retirement obligations to address asbestos abatement in certain of its properties. A reconciliation of the beginning and ending carrying amounts of such obligations is as follows:

		2009	2008
Asset retirement obligations, beginning of year	$	13,882	10,916
New asset retirement obligations incurred		—	3,582
Accretion expense		879	892
Asset retirement obligations settled		(237)	(1,508)
Asset retirement obligations, end of year	$	14,524	13,882

(17) Subsequent Events

(a) In July 2009, DASNY issued $140,820 of Revenue Bonds Series 2009 (Series 2009 Bonds) on behalf of the University. The Series 2009 Bonds bear interest at rates ranging from 3.50% to 5.00%, with principal payments due at various dates commencing September 1, 2016, with a final maturity date of September 1, 2039. 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 is to be 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 redeem the DASNY Series 1998 Bonds.

In addition, in July 2009, the University repaid the outstanding line of credit balance of $71.15 million.

(b) The New York State Office of Alcoholism and Substance Abuse Services (OASAS) is requiring that the University borrow approximately $19.4 million from DASNY in order to reimburse OASAS for costs paid by OASAS to construct a recently opened substance abuse treatment facility owned by the University. The loan, which is expected to close during calendar year 2010, will be payable over 20 years and will be secured by a mortgage on the facility. Although the loan will be an obligation of the University, debt service on the loan is expected to be funded by OASAS.