

Yeshiva University and Related Entities

**Consolidated Financial Statements
June 30, 2012 and 2011**

Yeshiva University and Related Entities

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June 30, 2012 and 2011

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Report of Independent Auditors

To 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, 2012 and 2011, 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 to the consolidated financial statements, in 2011, the University changed the manner in which it classifies accumulated total investment returns within net assets as a result of the adoption of authoritative guidance, *ASC 958 Not-for-Profit Entities*.

PricewaterhouseCoopers LLP

February 28, 2013

Yeshiva University and Related Entities
Consolidated Statements of Financial Position
June 30, 2012 and 2011

<i>(in thousands of dollars)</i>	2012	Revised 2011
Assets		
Cash and cash equivalents	\$ 4,290	\$ 4,015
Contributions receivable, net (Note 7)	312,537	141,442
Grants and contracts receivable	40,505	39,892
Mortgage loans receivable	20,289	21,047
Due from affiliated organizations (Note 8)	1,674	-
Student receivable, net (Note 7)	65,459	60,610
Other assets (Note 7)	63,469	36,195
Investments (Note 3, 5 and 6)	953,766	1,023,694
Funds held by bond trustees (Note 11)	17,605	15,906
Trusts and split-interest agreements held by others	20,536	21,140
Land, buildings, and equipment, net (Note 9)	728,015	736,310
Total assets	<u>\$ 2,228,145</u>	<u>\$ 2,100,251</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 97,469	\$ 98,123
Deferred revenue	16,253	9,434
Line of credit (Note 11)	48,724	27,516
Trusts held for others	5,628	5,449
Other liabilities (Note 12)	60,094	45,155
Refundable advances from the U.S. Government	6,008	5,995
Bonds payable and other debt (Note 11)	406,863	347,071
Capital lease obligation (Note 12)	37,416	38,515
Asset retirement obligations (Note 13)	15,252	14,996
Total liabilities	<u>693,707</u>	<u>592,254</u>
Net assets		
Unrestricted	283,130	402,013
Temporarily restricted (Note 15)	556,097	428,744
Permanently restricted (Note 16)	695,211	677,240
Total net assets	<u>1,534,438</u>	<u>1,507,997</u>
Total liabilities and net assets	<u>\$ 2,228,145</u>	<u>\$ 2,100,251</u>

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

Yeshiva University and Related Entities
Consolidated Statements of Activities
June 30, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<i>(in thousands of dollars)</i>								
Operating revenues								
Tuition and fees, net of scholarships and fellowships of \$92,534 in 2012 and \$88,507 in 2011	\$ 122,635	\$ -	\$ -	\$ 122,635	\$ 118,613	\$ -	\$ -	\$ 118,613
Grants and contracts	242,607	-	-	242,607	225,562	-	-	225,562
Patient Care Revenue	53,189	-	-	53,189	52,250	-	-	52,250
Private gifts and bequests	38,907	-	-	38,907	35,977	-	-	35,977
Services under affiliation agreements	13,930	-	-	13,930	13,510	-	-	13,510
Endowment support utilized (Note 4)	48,247	-	-	48,247	56,545	-	-	56,545
Auxiliary enterprises	30,425	-	-	30,425	28,847	-	-	28,847
Other revenue	19,398	-	-	19,398	19,640	-	-	19,640
Net assets released from restrictions (Note 14)	23,058	-	-	23,058	42,628	-	-	42,628
Appropriation of accumulated endowment gains	-	-	-	-	45,287	-	-	45,287
Total operating revenues	<u>592,396</u>	<u>-</u>	<u>-</u>	<u>592,396</u>	<u>638,859</u>	<u>-</u>	<u>-</u>	<u>638,859</u>
Operating expenses								
Instruction and departmental research	220,962	-	-	220,962	216,025	-	-	216,025
Sponsored research and training	207,342	-	-	207,342	198,871	-	-	198,871
Patient Care	49,906	-	-	49,906	50,922	-	-	50,922
Academic support	41,962	-	-	41,962	42,278	-	-	42,278
Student services	30,986	-	-	30,986	31,147	-	-	31,147
Institutional support	117,227	-	-	117,227	118,571	-	-	118,571
Auxiliary enterprises	29,917	-	-	29,917	27,770	-	-	27,770
Total operating expenses	<u>698,302</u>	<u>-</u>	<u>-</u>	<u>698,302</u>	<u>685,584</u>	<u>-</u>	<u>-</u>	<u>685,584</u>
Decrease from operating activities	(105,906)	-	-	(105,906)	(46,725)	-	-	(46,725)
Nonoperating activities								
Private gifts and bequests	-	173,728	18,546	192,274	-	12,395	14,720	27,115
Net assets released from restrictions (Note 14)	-	(24,558)	1,500	(23,058)	-	(42,628)	-	(42,628)
Appropriation of accumulated endowment gains	-	-	-	-	-	(45,287)	-	(45,287)
Change in value of split-interest agreements	-	31	(444)	(413)	-	4,546	1,534	6,080
Investment return in excess (less than) of amount utilized (Note 4)	(12,977)	(19,268)	926	(31,319)	30,114	58,459	3,307	91,880
Prior period unrealized loss adjustment (Note 4)	-	-	-	-	5,134	(2,267)	(131)	2,736
Provision for uncollectible contributions receivable	-	(2,580)	(2,557)	(5,137)	-	(272)	(719)	(991)
Change in net assets before net asset reclassification based on change in law	(118,883)	127,353	17,971	26,441	(11,477)	(15,054)	18,711	(7,820)
Net asset reclassification based on change in law	-	-	-	-	(210,128)	210,086	42	-
Change in net assets	<u>(118,883)</u>	<u>127,353</u>	<u>17,971</u>	<u>26,441</u>	<u>(221,605)</u>	<u>195,032</u>	<u>18,753</u>	<u>(7,820)</u>
Net assets								
Beginning of year	402,013	428,744	677,240	1,507,997	623,618	233,712	658,487	1,515,817
Change in net assets	(118,883)	127,353	17,971	26,441	(221,605)	195,032	18,753	(7,820)
End of year	<u>\$ 283,130</u>	<u>\$ 556,097</u>	<u>\$ 695,211</u>	<u>\$ 1,534,438</u>	<u>\$ 402,013</u>	<u>\$ 428,744</u>	<u>\$ 677,240</u>	<u>\$ 1,507,997</u>

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

Yeshiva University and Related Entities
Consolidated Statements of Cash Flows
June 30, 2012 and 2011

<i>(in thousands of dollars)</i>	2012	Revised 2011
Cash flows from operating activities		
Change in net assets	\$ 26,441	\$ (7,820)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized and unrealized gains	(14,923)	(143,891)
Interest and dividends reinvested for long-term investment	-	(1,946)
Receipt of contributed securities	(5,382)	(7,180)
Depreciation, accretion, and amortization expense	50,175	49,772
Decrease (increase) in trusts and split-interest agreements held by others	604	(499)
Provision for uncollectible loans and receivables	15,032	8,791
Contributions restricted for long-term investment	(22,048)	(14,710)
Contributions restricted for investment in plant assets	(4,491)	(6,967)
Changes in operating assets and liabilities		
Receivables	(206,577)	(7,896)
Other assets	(9,329)	(26,464)
Asset retirement obligations	(304)	(255)
Accounts payable and accrued expenses, deferred revenue, and other liabilities	21,283	19,113
Net cash used in operating activities	<u>(149,519)</u>	<u>(139,952)</u>
Cash flows from investing activities		
Decrease in student and faculty loans receivables, net	11,597	202
Proceeds from sale of contributed securities	5,382	7,180
Additions to plant assets	(44,923)	(45,745)
Change in funds held by bond trustees	(1,699)	3,235
Purchases of investments	(284,280)	(516,289)
Proceeds from sales of investments	369,132	650,539
Net cash provided by investing activities	<u>55,209</u>	<u>99,122</u>
Cash flows from financing activities		
Contributions restricted for long-term investment	22,048	14,710
Change in permanently restricted contributions receivable	(442)	(2,710)
Contributions restricted for investment in plant assets	4,491	6,967
Change in capital contributions receivable	3,556	8,874
Interest and dividends reinvested for long-term investment	-	1,946
Change in refundable advances from the U.S. Government	13	475
Proceeds from issuance of bonds, notes, and mortgages payable	375,550	12,516
Payment of bonds, notes, and mortgages payable	(310,631)	(5,165)
Net cash provided by financing activities	<u>94,585</u>	<u>37,613</u>
Net increase (decrease) in cash and cash equivalents	275	(3,217)
Cash and cash equivalents		
Beginning of year	<u>4,015</u>	<u>7,232</u>
End of year	<u>\$ 4,290</u>	<u>\$ 4,015</u>
Supplemental disclosure		
Interest paid	\$ 16,172	\$ 16,433
Decrease in accounts payable and accrued expenses relating to plant assets	\$ (477)	\$ (1,671)
Mortgage proceeds held by third party	\$ 18,585	\$ -

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

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(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 the University ("Manhattan Campuses") include all units of the University other than Einstein. The University provides instruction to approximately 7,000 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 41% and 45% of the University's total operating revenues in 2012 and 2011, 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 for approval at varying times during the year. At June 30, 2012 and 2011, Einstein had future commitments from various agencies of the U.S. Government, New York State, and New York City of approximately \$255,000 and \$243,000, respectively, and commitments from private sources of approximately \$30,000 and \$24,000 for grants and contracts at June 30, 2012 and 2011, respectively, for expenditures in future periods. These commitments are excluded from the Consolidated Statements of Financial Position at June 30, 2012 and 2011, 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, Montefiore Medical Center ("Montefiore") and Bronx Psychiatric Center. 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 supervision and direction of its students provided by the affiliated institutions. In addition, Einstein also 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.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

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(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 2013 amount to \$2,091 with annual increases 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 \$6,900 and \$6,227 is included in Other assets in the Consolidated Statements of Financial Position at June 30, 2012 and 2011, 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.

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 New York City Department of Housing Preservation and Development Corporation of the City of New York through the Mitchell-Lama Housing Program. The Housing Company, a not-for-profit corporation, 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 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, 2012 and 2011, the University generated net unrelated trade or business losses of (\$3,347) and (\$703), respectively. As of June 30, 2012, the University has approximately (\$6,745) of ordinary loss carry-forwards and approximately (\$1,310) of capital loss carry-forwards to offset unrelated business income generated in future years.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

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(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 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 certain real estate entities are as of and for the years ended December 31, 2012 and 2011. Due to a change in their year end, the amounts included for the Housing Company are as of June 30, 2012 and December 31, 2011. The difference between the June 30 and December 31 amounts are immaterial.

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 asset 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.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(in thousands of dollars)

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 gift 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, that is, 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 fixed income investments with maturities at date of purchase of 90 days 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.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(in thousands of dollars)

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.

Investments and Investment Income

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. Investments, with the exception of certain real estate investments which are at carrying value, are stated at estimated fair value. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed. These investments are valued at approximately \$3 million at December 31, 2012 and 2011, are included in "Other" in Note 3, 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 are recorded as realized gains/losses or return of capital.

Other Assets

Other assets (Note 7) consists of various asset categories including, but not limited to, prepaid expenses, prepaid bond issuance costs, donated fractional interests of real estate, cash deposits required by vendors, clearing accounts, and other miscellaneous receivables. Also included at fair value are the assets of the University's 457(b) deferred compensation plan (Note 10) and a receivable from the New York State Office of Alcoholism and Substance Abuse Services ("OASAS") for the operation of a substance abuse treatment facility.

Land, Buildings, and Equipment

Land, buildings, and equipment (Note 9) 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.

Yeshiva University and Related Entities

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(in thousands of dollars)

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 the assets estimated useful lives. Depreciable lives of buildings and improvements are 50 years for building shell and up to 28 years for all other building components. Depreciable lives of equipment, furniture, and fixtures range from 5 to 15 years and 5 to 10 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 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.

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 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.

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(in thousands of dollars)

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 by distinguishing between operating and nonoperating activities. Operating activities principally include all revenue and expenses that relate to the University's educational programs, research, training, and supporting activities. Operating revenues include the investment return pursuant to the University's spending policy and earned on working capital funds. Operating revenues also include all contributions, except those intended for capital endowment or other specific purposes.

The University has defined nonoperating activities principally to include endowment investment return net of amounts distributed to support operations in accordance with the University's endowment spending policy (Note 4), temporarily and permanently restricted contributions, temporarily restricted net assets released from restriction, changes in value of split-interest agreements, provision for uncollectible contributions receivable, and bad debt expense on receivables from affiliated organizations. Certain other gains, losses or transactions considered to be of a more unusual or nonrecurring nature are also included as part of nonoperating activities.

Expenses

Expenses are reported in the 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. Development (fundraising) expenses are included in institutional support. For the years ended June 30, 2012 and 2011, such costs were \$19,442 and \$18,950, respectively. For purposes of reporting fundraising expenses, the University includes only those fundraising costs incurred by its development office.

Recent Accounting Pronouncement

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS")." ASU No. 2011-04 includes common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in fair value measurement, the valuation processes used by the reporting entity, and a narrative description of the sensitivity of the fair value measurement to changes in the unobservable inputs and the interrelationships between those unobservable inputs.

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(in thousands of dollars)

In addition, ASU No. 2011-04 will require reporting entities to make disclosure about the amounts and reasons for all transfers into and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, the University is evaluating the implications of ASU No. 2011-04 and its impact on the consolidated financial statements.

Reclassifications

Certain previously reported amounts in the fiscal 2011 consolidated financial statements and disclosures have been reclassified in order to conform to the fiscal 2012 presentation.

Other Significant Accounting Policies

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

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, 2012 and 2011, the University's investments, on a consolidated basis, consisted of the following:

	2012		2011	
	Cost or Contributed Value	Fair Value	Cost or Contributed Value	Fair Value
Cash and cash equivalents	\$ 74,326	\$ 74,326	\$ 28,952	\$ 28,952
Mutual funds and money market funds	134,481	165,202	133,446	167,751
U.S. Government bonds	56,285	56,331	76,238	75,793
State of Israel bonds	13,376	13,376	13,455	13,455
Corporate bonds	158	210	1,533	876
Corporate stocks	43,634	42,112	41,035	44,763
Alternative investments	538,362	724,084	572,223	797,616
Alternative Investment Receivables	3,815	3,815	12,336	27,933
Gift annuities	835	907	795	877
Other	4,494	4,562	5,062	4,576
	<u>869,766</u>	<u>1,084,925</u>	<u>885,075</u>	<u>1,162,592</u>
Less: Unconsolidated affiliates' (RIETS and High Schools) interests in the investment portfolio	<u>(105,696)</u>	<u>(131,159)</u>	<u>(106,559)</u>	<u>(138,898)</u>
	<u>\$ 764,070</u>	<u>\$ 953,766</u>	<u>\$ 778,516</u>	<u>\$ 1,023,694</u>

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, 2012 and 2011 and for which the amount is considered fixed and determinable within 90 days of such date.

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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.

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, 2012 and 2011, the value of the University's and its affiliates interest in these pools, as well as certain separately invested investments, was as follows:

	2012		2011	
	Cost or Contributed Value	Fair Value	Cost or Contributed Value	Fair Value
Pooled asset fund	\$ 21,732	\$ 21,686	\$ 18,296	\$ 18,213
Consolidated investment pool	718,820	907,830	737,543	983,151
Other – separately invested	23,518	24,250	22,677	22,330
	\$ 764,070	\$ 953,766	\$ 778,516	\$ 1,023,694

The fair value of the University's investments include assets held in irrevocable charitable remainder trusts in the amount of \$8,763 (of which \$5,582 is in the Pooled Asset Fund and \$3,181 is in Other separately invested investments) and \$9,318 (of which \$6,300 is in the Pooled Asset Fund and \$3,018 is in other separately invested investments) at June 30, 2012 and 2011, respectively.

Under the terms of certain alternative investment agreements, the University is obligated to periodically advance additional funding. The University had commitments of approximately \$20,659 and \$28,898 at June 30, 2012 and 2011, 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 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.

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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 in fiscal 2011, please refer to Note 5 for specific amounts and transaction details.

The following summarizes the University's total investment return by net asset classification, for the years ended June 30, 2012 and 2011:

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Investment income, net of certain management and custodian fees, taxes and other expenses	\$ 1,649	\$ 374	\$ (18)	\$ 2,005
Net appreciation (depreciation) on investments-realized and unrealized	<u>33,621</u>	<u>(19,642)</u>	<u>944</u>	<u>14,923</u>
Total investment return (loss)	35,270	(19,268)	926	16,928
Investment return recognized in operating activities	<u>48,247</u>	<u>-</u>	<u>-</u>	<u>48,247</u>
Investment gain(loss) recognized in nonoperating activities	<u>\$ (12,977)</u>	<u>\$ (19,268)</u>	<u>\$ 926</u>	<u>\$ (31,319)</u>
	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment income, net of certain management and custodian fees, taxes and other expenses	\$ 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	<u>5,134</u>	<u>(2,267)</u>	<u>(131)</u>	<u>2,736</u>
Total investment return	91,793	56,192	3,176	151,161
Investment return recognized in operating activities	<u>56,545</u>	<u>-</u>	<u>-</u>	<u>56,545</u>
Investment gain recognized in nonoperating activities	<u>\$ 35,248</u>	<u>\$ 56,192</u>	<u>\$ 3,176</u>	<u>\$ 94,616</u>

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Included in fiscal 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 for fiscal year 2011. The adjustment of \$2,736 is not significant to the fiscal 2011 financial statements.

5. Endowment

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.

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 was 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

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- Alternatives to expenditure of the endowment fund
- The investment policy of the Institution

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 governing 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 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 (noting guidance above regarding appropriation), 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, when appropriated. 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.

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As noted previously, 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, in fiscal year 2011 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.

The following represents the University's endowment composition by type of fund as of June 30, 2012 and 2011:

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (18,756)	\$ 250,129	\$ 572,408	\$ 803,781
Board-designated endowment funds	94,337	7,637	-	101,974
Total endowment net assets	<u>\$ 75,581</u>	<u>\$ 257,766</u>	<u>\$ 572,408</u>	905,755
Life income funds liabilities				5,628
Other funds				42,383
Total investments				<u>\$ 953,766</u>

	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	<u>\$ 83,789</u>	<u>\$ 283,552</u>	<u>\$ 551,859</u>	919,200
Life income funds liabilities				5,449
Other funds				99,045
Total investments				<u>\$ 1,023,694</u>

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Changes in endowment net assets for the year ended June 30, 2012 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2011	\$ 83,789	\$ 283,552	\$ 551,859	\$ 919,200
Investment return				
Investment income, net of certain management and custodian fees, taxes and other expenses	-	-	798	798
Net appreciation(depreciation)-realized and unrealized	40,187	(19,629)	947	21,505
	<u>123,976</u>	<u>263,923</u>	<u>553,604</u>	<u>941,503</u>
Contributions	-	2,294	22,363	24,657
Appropriation of endowment assets for expenditure	(48,395)	(8,372)	(3,360)	(60,127)
Change in actuarial present value of split interest agreements	-	(79)	(199)	(278)
Endowment net assets at June 30, 2012	<u>\$ 75,581</u>	<u>\$ 257,766</u>	<u>\$ 572,408</u>	<u>\$ 905,755</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at 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
	<u>333,633</u>	<u>147,453</u>	<u>539,778</u>	<u>1,020,864</u>
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 at June 30, 2011	<u>\$ 83,789</u>	<u>\$ 283,552</u>	<u>\$ 551,859</u>	<u>\$ 919,200</u>

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 \$19 million and \$15 million (noted on page 17) as of June 30, 2012 and 2011, respectively.

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Appropriations of Accumulated Endowment Gains

During fiscal years 2008 through 2011, the University utilized a total of approximately \$110 million from the University's 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 the Manhattan Campuses, included a receivable due from the Manhattan Campuses of \$110 million and the Manhattan Campuses recorded a corresponding payable to the CIP of \$110 million. The 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 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 the 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 partial settlement of the amount owed to the CIP also resulted in a corresponding reduction of the number of unit shares among the donor restricted endowment fund units, held by the 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 above.

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The appropriations related to RIETS of approximately \$9 million and to 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 each entities donor restricted endowment fund units. 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, 2012, the remaining amount of the CIP borrowing outstanding and not settled as part of the transactions discussed above is approximately \$48.8 million. This amount is reflected on the books of Manhattan Campuses as a reduction of the Manhattan Campuses Investments balance reported in the Consolidating 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.

At June 30, 2012 and 2011, 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, 2012 and 2011, the fair value of the line of credit, bonds payable, and other debt excluding the Housing Company's mortgage notes, was \$409,512 and \$321,406, respectively. The aggregate fair value of the Housing Company's mortgage notes at June 30, 2012 and December 31, 2011 approximates \$19.1 million and \$15.4 million, respectively. The fair value of the mortgage loans receivable at June 30, 2012 and 2011 approximated \$15.1 million and \$15.3 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.

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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. 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, 2012 and 2011 (no liabilities per the Consolidated Statement of Financial Position are reported at fair value):

	June 30, 2012				
	Level 1	Level 2	Level 3	Unconsolidated Affiliates	Total
Investments					
Cash and cash equivalents	\$ 74,326	\$ -	\$ -	\$ -	\$ 74,326
Mutual funds	165,202	-	-	-	165,202
U.S. Government obligations	56,331	-	-	-	56,331
State of Israel bonds	-	-	13,376	-	13,376
Corporate bonds	210	-	-	-	210
Corporate stocks	42,112	-	-	-	42,112
Alternative investments	-	263,281	460,803	-	724,084
Alternative investment receivables	8	3,807	-	-	3,815
Gift annuities	907	-	-	-	907
Other	285	-	4,277	-	4,562
Less: Unconsolidated affiliates' (RIETS and High Schools) interests in the investment portfolio	-	-	-	(131,159)	(131,159)
Investments, at fair value	339,381	267,088	478,456	(131,159)	953,766
Trusts and split-interest agreements held by others	-	-	20,536	-	20,536
Funds held by Bond Trustees	17,605	-	-	-	17,605
Total Investments and Other Assets at fair value	<u>\$ 356,986</u>	<u>\$ 267,088</u>	<u>\$ 498,992</u>	<u>\$ (131,159)</u>	<u>\$ 991,907</u>

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	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	876	-	-	-	876
Corporate stocks	44,763	-	-	-	44,763
Alternative investments	-	150,713	646,903	-	797,616
Alternative investment receivables	-	17,391	10,542	-	27,933
Gift annuities	877	-	-	-	877
Other	303	-	4,273	-	4,576
Less: Unconsolidated affiliates' (RIETS and High Schools) interests in the investment portfolio	-	-	-	(138,898)	(138,898)
Investments, at fair value	319,315	168,104	675,173	(138,898)	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	<u>\$ 354,363</u>	<u>\$ 168,104</u>	<u>\$ 677,171</u>	<u>\$ (138,898)</u>	<u>\$ 1,060,740</u>

Approximately \$114,795 in Alternative Investments were transferred from Level 3 to Level 2 and \$19,142 in Trust and split interest agreements were transferred from Level 1 to Level 3 during 2012. There were no transfers between levels during the year ended June 30, 2011.

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, 2012, 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.

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The following table presents the University's activity in 2012 and 2011 for those assets classified as Level 3 within the fair value hierarchy:

	Alternative Investments and Alternative Investment Receivables	State of Israel Bonds	Other	Subtotal	Trusts and Split Interest Agreements	Total
Beginning balances at June 30, 2011	\$ 657,445	\$ 13,455	\$ 4,273	\$ 675,173	\$ 1,998	\$ 677,171
Purchases/contributions	7,326	3,034	-	10,360	-	10,360
Sales/settlements	(74,381)	(3,113)	-	(77,494)	-	(77,494)
Transfers in(out)	(114,795)	-	-	(114,795)	19,142	(95,653)
Net unrealized and realized activity	(14,792)	-	4	(14,788)	(604)	(15,392)
Ending balances at June 30, 2012	\$ 460,803	\$ 13,376	\$ 4,277	\$ 478,456	\$ 20,536	\$ 498,992

Change in net unrealized gains or losses relating to Level 3 investments held at 6/30/2012	\$ (56,809)	\$ -	\$ 4	\$ (56,805)	\$ (604)	\$ (57,409)
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	Alternative Investments, Prepaid Alternative Investments and Alternative Investment Receivables	State of Israel Bonds	Other	Subtotal	Trusts and Split Interest Agreements	Total
Beginning balances at June 30, 2010	\$ 688,578	\$ 14,397	\$ 4,644	\$ 707,619	\$ 1,862	\$ 709,481
Purchases/contributions	94,752	2,535	-	97,287	655	97,942
Sales/settlements	(221,713)	(3,477)	(371)	(225,561)	-	(225,561)
Transfers in(out)	-	-	-	-	-	-
Net unrealized and realized activity	95,828	-	-	95,828	(519)	95,309
Ending balances at June 30, 2011	\$ 657,445	\$ 13,455	\$ 4,273	\$ 675,173	\$ 1,998	\$ 677,171

Change in net unrealized gains or losses relating to Level 3 investments held at 6/30/2011	\$ 18,322	\$ -	\$ -	\$ 18,322	\$ (519)	\$ 17,803
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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) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles 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, 2012.

Investment Strategy	# of Funds	Fair Value Determined Using NAV	Remaining Life (Years)	Unfunded Commitments	Redemption Frequency & Notice Periods	%	Redemption Restrictions (Lock-ups)	Redemptions Placed
Equity	2	57,164	NA	NA	Quarterly (notice period 30 days)	100%	NA	Partial redemption was placed for 2 funds.
Event-driven	5	244,351	NA	NA	Quarterly (notice periods: 60 & 65 days) Annually (notice period: 45 days & 180 days)	50% 50%	NA NA	NA Partial redemption was placed for 1 fund.
Macro	4	84,550	NA	NA	Monthly (notice period 30 days) Quarterly (notice period: 30 days & 90 days) Semi-annual (notice period 60 days)	26% 55% 19%	NA NA NA	NA NA NA
Equity Hedge	5	115,109	NA	NA	Quarterly (notice period 30 days) Semi-annual (notice period 45 days) Annually (notice period 60 days) Rolling 3 years (notice period 30 days)	40% 5% 49% 6%	NA One fund was locked up until 7/1/12. NA NA	Partial redemption was placed for 2 funds. NA NA NA
Redeeming Funds (a)	22	88,005	NA	NA	NA	NA	NA	Full redemption requests submitted for 10 funds. One redemption allows for 6.25% of total investment redeemable each quarter. One redemption is suspended but the fund intends to make periodic distributions as assets are liquidated (5%). Two funds are in wind-down mode and redemptions are suspended. All other payments are expected to be received by June 30, 2012.
Private Equity	26	114,197	0 to 3 years 32% 3 to 5 years 41% > 5 years 27%	18,008	NA	NA	NA	NA
Real Estate	5	24,516	0 to 3 years 81% 3 to 5 years 19% > 5 years 0%	2,651	NA	NA	NA	NA
Total	69	727,892		20,659				

(a) Redeeming funds include hedge fund investments that are in the process of full redemption, liquidation or are side pocketed. Side pockets represent the illiquid portion of hedge fund investments. Payout of side pockets and other redeeming funds are subject to when the asset manager of the investee fund determines and 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. Redeeming funds held as of June 30, 2012 consist of the following strategies, approximately: Equity: 2% (% of side-pocket), Equity Hedge: 17%, Event-driven: 76%, Fund of Funds: 5%. The timing of when such redemptions were filed were as follows: 0-3 years ago: <1%, 3-5 years ago: 99%; >5 years: <1%.

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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) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles 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	# of Funds	Fair Value Determined Using NAV	Remaining Life (Years)	Unfunded Commitments	Redemption Frequency & Notice Periods	%	Redemption Restrictions (Lock-ups)	Redemptions Placed
Equity	2	77,124	NA	NA	Quarterly (notice period 30 days)	100%	NA	NA
Event-driven	5	249,921	NA	NA	Quarterly (notice periods: 60 & 65 days) Annually (notice period: 45 days & 180 days)	48% 52%	One fund was locked up until 12/31/11. One fund was locked up until 6/30/12.	Partial redemption request submitted for 1 fund (15%)
Macro	4	83,872	NA	NA	Monthly (notice period 30 days) Quarterly (notice period: 30 days & 90 days) Semi-annual (notice period 60 days)	28% 54% 18%	NA One fund was locked up until 12/31/11. One fund was locked up until 6/30/12.	NA NA NA
Equity Hedge	6	127,871	NA	NA	Quarterly (notice period 30 days) Semi-annual (notice period 45 days) Annually (notice period 60 days) Rolling 3 years (notice period 30 days)	42% 5% 46% 7%	NA One fund was locked up until 7/1/12. NA One fund was locked up until 6/30/12	Full redemption for 1 fund (1% of fair value). Payments are expected to be received by June 30, 2012. NA NA NA
Redeeming funds (a)	23	136,858	NA	NA	NA	NA	NA	Full redemption requests submitted for 10 funds. One redemption allows for 6.25% of total investment redeemable each quarter. One redemption is suspended but the fund intends to make periodic distributions as assets are liquidated (5%). Two funds are in wind-down mode and redemptions are suspended. All other payments are expected to be received by June 30, 2012.
Private Equity	26	123,876	0-3 years: 20% 3-5 years: 14% >5 years: 66%	22,963	NA	NA	NA	NA
Real Estate	5	26,028	0-3 years: 15% 3-5 years: 67% >5 years: 18%	5,935	NA	NA	NA	NA
Total	71	825,550		28,898				

(a) Redeeming funds include hedge fund investments that are in the process of full redemption, liquidation or are side pocketed. Side pockets represent the illiquid portion of hedge fund investments. Payout of side pockets and other redeeming funds are subject to when the asset manager of the investee fund determines and 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. Redeeming funds held as of June 30, 2011 consist of the following strategies, approximately: Equity: < 1% (% of side-pocket), Equity Hedge: 15%, Event-driven: 80%, Fund of Funds: 5%. The timing of when such redemptions were filed were as follows: 0-3 years ago: >99%, 3-5 years ago: 0%; >5 years: <1%.

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7. Receivables and Other Assets

Contributions Receivable

Contributions receivable consist of the following at June 30, 2012 and 2011:

	2012	2011
Amounts expected to be collected in		
Less than one year	\$ 230,505	\$ 65,854
One to five years	91,969	83,841
Greater than five years	19,366	19,816
	<u>341,840</u>	<u>169,511</u>
Less: Discount to present value (1.0%–5.0%)	(11,860)	(14,246)
Less: Allowance for uncollectible amounts	(17,443)	(13,823)
	<u>\$ 312,537</u>	<u>\$ 141,442</u>

As of June 30, 2012 and 2011, approximately 76% and 55%, respectively, of gross contributions receivable was from five donors. Included in the 2012 balance is a bequest receivable of \$175,961, it is anticipated that this receivable will be paid in full in fiscal year 2013. The bequest consists of real estate assets, the fair value of which were determined based on comparative market analysis, and interest in real estate limited partnerships, the fair value of which were based on comparative market and cash flow analyses performed by an independent third party.

Student 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.

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.

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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 as well as student tuition receivables at June 30, 2012 and June 30, 2011.

	2012		
	Receivable	Allowance	Net Receivable
Federal revolving loans	\$ 7,266	\$ (1,293)	\$ 5,973
Institutional loans	52,752	(7,510)	45,242
Accrued Interest	3,256	(2,325)	931
Total student loans receivable	63,274	(11,128)	52,146
Total student tuition receivable	16,498	(3,185)	13,313
Total Student Receivables	<u>\$ 79,772</u>	<u>\$ (14,313)</u>	<u>\$ 65,459</u>

	2012					
	Federal Revolving	Institutional	Accrued Interest	Total Student Loans Allowance	Student Tuition Allowances	Gross Allowances
Allowance at beginning of year	\$ (1,229)	\$ (6,241)	\$ (2,120)	\$ (9,590)	\$ (2,927)	\$ (12,517)
Current year provisions	(64)	(1,269)	(205)	(1,538)	(258)	(1,796)
Allowance at end of year	<u>\$ (1,293)</u>	<u>\$ (7,510)</u>	<u>\$ (2,325)</u>	<u>\$ (11,128)</u>	<u>\$ (3,185)</u>	<u>\$ (14,313)</u>

	2011		
	Receivable	Allowance	Net Receivable
Federal revolving loans	\$ 7,805	\$ (1,229)	\$ 6,576
Institutional loans	53,045	(6,241)	46,804
Accrued Interest	2,979	(2,120)	860
Total student loans receivable	63,829	(9,590)	54,240
Total student tuition receivable	9,297	(2,927)	6,370
Total Student Receivables	<u>\$ 73,126</u>	<u>\$ (12,517)</u>	<u>\$ 60,610</u>

	2011					
	Federal Revolving	Institutional	Accrued Interest	Total Student Loans Allowance	Student Tuition Allowances	Gross Allowances
Allowance at beginning of year	\$ (1,805)	\$ (5,844)	\$ (1,775)	\$ (9,424)	\$ (2,689)	\$ (12,113)
Current year provisions	576	(397)	(345)	(166)	(238)	(404)
Allowance at end of year	<u>\$ (1,229)</u>	<u>\$ (6,241)</u>	<u>\$ (2,120)</u>	<u>\$ (9,590)</u>	<u>\$ (2,927)</u>	<u>\$ (12,517)</u>

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Other assets

Other assets consist of the following at June 30, 2012 and 2011:

	2012	2011
457(b) plan assets	\$ 18,641	\$ 17,109
OASAS receivable	18,585	-
Gifts awaiting designation	4,422	1,068
Straight line of Whaecom lease	6,900	6,227
Prepaid bond issuance cost	6,247	4,289
Donated assets	1,411	1,162
Limited liability companies	3,030	2,839
Prepaid insurance	627	625
Accrued interest	625	549
Due from brokers	744	837
Other assets and miscellaneous receivables	2,237	1,490
	<u>\$ 63,469</u>	<u>\$ 36,195</u>

The assets above include prepaid expenses, prepaid bond issuance costs, donated fractional interests in real estate, cash deposits required by vendors, due to/from related entities, and various other miscellaneous receivables. Included at fair value are the assets of the University's 457(b) deferred compensation plan (Note 10). Also, included is a receivable from OASAS (Note 11-g) for reimbursement of the mortgage payable on a substance abuse treatment facility.

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, procurement, and other administrative services) as well as facilities maintenance. The cost to the University for management services provided to RIETS and High Schools in 2012 was \$4,850 (\$4,479 in 2011) and \$2,009 (\$2,572 in 2011), respectively. In addition, in 2012 there was a cash surplus of \$676 (\$0 in 2011) for RIETS and a cash deficit of \$2,225 (\$2,291 in 2011) for the High Schools. Repayments to the University in 2012 and 2011 amounted to \$2,500 and \$7,127 for RIETS and \$0 and \$1,007 for the High Schools, respectively.

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 RIETS repayment in 2011 of \$7,127 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.

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Total support in 2012 provided to RIETS was \$1,674 (\$0 in 2011); no portion of that has been repaid. The total support in 2012, net of repayments in 2012 provided to the High Schools was \$4,234 (\$3,856 in 2011). The total amount of support reserved for the High Schools in 2012 and 2011 was \$4,234, and \$3,856, respectively and is included in "Institutional support" on the Consolidated Statements of Activities. The total amount of support written off during 2012 and 2011 was \$0 for RIETS in each year and \$4,234 and \$3,856 for High Schools, respectively. These amounts were included in the Consolidated Statements of Activities.

The University's 2012 and 2011 budgets that were 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.

9. Land, Building, and Equipment, net

Land, buildings, and equipment, net consisted of the following at June 30, 2012 and 2011:

	2012	2011
Land	\$ 24,398	\$ 24,398
Buildings and improvements	1,009,012	986,704
Equipment, furniture, and fixtures	147,018	137,195
Capitalized asbestos remediation costs (Note 13)	8,419	8,419
Library books and microfilm collections	5,541	4,715
Building under capital lease	36,150	36,151
	<u>1,230,538</u>	<u>1,197,582</u>
Less: Accumulated depreciation and amortization	<u>(502,523)</u>	<u>(461,272)</u>
Net Book Value	<u>\$ 728,015</u>	<u>\$ 736,310</u>

During the years ended June 30, 2012 and 2011, the University capitalized into building and improvements \$0 and \$618 for the substance abuse treatment facility owned and operated by the University at Waters Place (the "Water Place Facility"), \$688 and \$922 for the Michael F. Price Center for Genetic and Translational Medicine in the Harold and Muriel Block Research Pavilion (the "Price Center/Block Pavilion"), and \$107 and \$93 for the Jacob and Dreizel Glueck Center, respectively. The University also capitalized \$7,136 and \$4,829 of computer software implementation costs during the year ended June 30, 2012 and 2011, respectively.

Depreciation and amortization expense related to buildings and equipment for the year ended June 30, 2012 and 2011 was approximately \$51.5 million and \$48.5 million, respectively. The University wrote off fully depreciated assets of approximately \$10.3 million and \$7.4 million during the years ended June 30, 2012 and 2011, respectively.

10. Defined Contribution and Deferred Compensation 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 plan expense for the years ended June 30, 2012 and 2011 were \$20,687 and \$20,913, respectively.

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The University has an active 457(b) deferred compensation plan which is offered to select management. The employee contributions are capped at the annual Federal limit for deferred compensation. The assets related to this plan are included in Other assets in the Consolidated Statements of Financial Position and amounted to \$18,641 and \$17,109 as of June 30, 2012 and 2011, respectively. The assets primarily consist of mutual funds and guaranteed interest accounts that have been reported in the table below with the appropriate investment leveling based on the fair value hierarchy described in Note 6. The liabilities that relate to this plan is included in Other liabilities as of June 30, 2012 and 2011, respectively.

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds	\$ 12,488	\$ -	\$ -	\$ 12,488
Guaranteed Interest Accounts	-	-	6,153	6,153
Plan assets at fair value	<u>\$ 12,488</u>	<u>\$ -</u>	<u>\$ 6,153</u>	<u>\$ 18,641</u>

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds	\$ 11,653	\$ -	\$ -	\$ 11,653
Guaranteed Interest Accounts	-	-	5,456	5,456
Plan assets at fair value	<u>\$ 11,653</u>	<u>\$ -</u>	<u>\$ 5,456</u>	<u>\$ 17,109</u>

	Guaranteed Interest Accounts
Beginning balances at June 30, 2011	\$ 5,456
Purchases/contributions	748
Sales/settlements	(243)
Net unrealized and realized activity	192
Ending balances at June 30, 2012	<u>\$ 6,153</u>

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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, 2012 and 2011 are as follows:

Description	Maturity Date	Interest Rate	Amount Outstanding at June 30, 2012	Amount Outstanding at June 30, 2011
Bonds payable				
Dormitory Authority of the State of New York Insured Revenue Bonds				
Series 2011 ^(a)	November 1, 2041	4.000% – 5.000%	\$ 93,073	\$ -
Series 2009 ^(b)	September 1, 2038	3.500% – 5.180%	141,522	142,304
Series 2004 ^(c)	July 1, 2034	2.590% – 5.250%	88,526	91,863
Series 2001 ^(d)	July 1, 2030	4.000% – 5.375%	3,050	50,360
Subtotal- DASNY Bonds			326,171	284,527
Mortgages payable ^(e)	Varied	4.500% – 6.500%	15,919	16,187
Notes payable ^(f)	Varied	5.290% – 5.500%	3,067	3,159
Loan payable ^(g)	February 28, 2030	3.51%	18,585	-
The Housing Company obligations ^(h)	April 30, 2035	0.000% – 6.500%	43,121	43,198
Bonds payable and other debt			\$ 406,863	\$ 347,071
Line of credit ⁽ⁱ⁾	Varied	Variable	\$ 48,724	\$ 27,516

- a. In September 2011, the Dormitory Authority of the State of New York (“DASNY”) issued \$90,000 of Revenue Bonds Series 2011A (Series 2011A Bonds) on behalf of the University. The Series 2011A Bonds bear interest rates ranging from 4% to 5% 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.
- b. In July 2009, 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.

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- c. 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 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.
- d. 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 trustee assets and debt are excluded from the Consolidated Statements of Financial Position. The Series 2001 Bonds are secured 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.
- e. In January 2007, in connection with the purchase of 12 Manhattan residential apartment buildings, the University assumed outstanding mortgage debt of \$20,698. Since that time, the mortgage debt encumbering two of the properties has been repaid in full, and most of the remaining debt has been refinanced. 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, 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, 2012, approximately \$2 million of the mortgages payable were scheduled to mature within the next year. The note payable was refinanced November 1, 2011 at 4.75% over a period of 5 years with renewal options at varying rates up to 25 years.

- f. The notes payable mature on various dates through March 31, 2029.
- g. OASAS required the University to borrow approximately \$19.7 million from DASNY in order to reimburse OASAS for costs paid by OASAS to construct the Waters Place substance abuse treatment facility owned and operated by the University. 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. Principal payments of \$1.1 million were paid directly from OASAS to DASNY in fiscal 2012.

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- h. 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 Preservation and Development Corporation ("HDC") for, among other things, 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 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.

- i. 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 matured on May 18, 2012 and was extended until May 31, 2014.

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

Years Ending June 30,	Principal	Interest	Total
2013	\$ 5,285	\$ 17,216	\$ 22,501
2014	5,655	17,056	22,711
2015	6,908	16,703	23,611
2016	13,908	16,110	30,018
2017	14,156	15,606	29,762
Thereafter	313,393	172,932	486,325
	359,305	\$ 255,623	\$ 614,928
Unamortized premium	4,437		
	<u>\$ 363,742</u>		

The unamortized bond issuance costs were \$5,915 and \$4,290 at June 30, 2012 and 2011, respectively.

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

Years Ending June 30,	Principal	Interest	Total
2013	\$ 161	\$ 515	\$ 676
2014	172	504	676
2015	184	493	677
2016	196	481	677
2017	209	468	677
Thereafter	42,199	4,816	47,015
	<u>\$ 43,121</u>	<u>\$ 7,277</u>	<u>\$ 50,398</u>

Funds Held by Bond Trustees

Deposits with trustees are primarily invested in government securities. At June 30, 2012 and 2011, the fair value of amounts held by bond trustees under these loan agreements was as follows:

	2012	2011
Debt service fund	\$ 7,628	\$ 14,268
Unexpended construction fund	<u>9,977</u>	<u>1,638</u>
	<u>\$ 17,605</u>	<u>\$ 15,906</u>

Interest expense on line of credit, bonds, and other debt for the years ended June 30, 2012 and 2011 was \$14,891 and \$16,343, respectively. 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 2012 and in 2011. Included in Other liabilities on the Consolidated Statements of Financial Position is a deferred rent obligation of \$10,267 and \$10,733 at June 30, 2012 and 2011, 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:

Years Ending June 30	
2013	\$ 3,000
2014	3,000
2015	3,000
2016	3,000
2017	3,000
Thereafter	<u>51,000</u>
	<u>\$ 66,000</u>

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Operating Lease – 5.1 acres

During 2008, the University, on behalf of Einstein, entered into a 30 year noncancelable 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 lease, 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.

Total rent expense under this lease was \$1,483 in 2012 and in 2011. Included in Other liabilities on the Consolidated Statements of Financial Position is a deferred rent obligation of \$574 and \$447 at June 30, 2012 and 2011, 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:

Years Ending June 30

2013	\$	1,355
2014		1,355
2015		1,246
2016		1,130
2017		1,115
Thereafter		32,185
	<u>\$</u>	<u>38,386</u>

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:

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(in thousands of dollars)

Years Ending June 30

2013	\$	3,000
2014		3,000
2015		3,200
2016		3,200
2017		3,200
Thereafter		<u>41,400</u>
		57,000
Less: Amounts representing interest		(18,159)
Less: Amounts representing utility costs		<u>(1,425)</u>
	\$	<u>37,416</u>

12. 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.

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

	2012	2011
Asset retirement obligations at June 30, 2011	\$ 14,996	\$ 14,693
Accretion expense	560	558
Asset retirement obligations settled	<u>(304)</u>	<u>(255)</u>
Asset retirement obligations at June 30, 2012	<u>\$ 15,252</u>	<u>\$ 14,996</u>

13. Net Assets Released From Restrictions

Net assets were released from restrictions during June 30, 2012 and 2011 for the following purposes:

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(in thousands of dollars)

	2012	2011
General operations	\$ -	\$ 22,408
Faculty scholars	-	217
Fellowships	1,243	1,484
Instruction and training	5,287	3,551
Lectureships	24	32
Library	5	4
Other	1,601	1,135
Pledges for use in future years	6,309	6,660
Prizes	71	54
Public service	952	329
Publications	213	255
Student loans	25	135
Student scholarships	7,328	6,364
	<u>\$ 23,058</u>	<u>\$ 42,628</u>

14. Temporarily Restricted Net Assets

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

	2012	2011
Academic chairs	\$ 55,831	\$ 62,462
Academic support	482	600
Facility maintenance	19,128	17,654
Faculty scholars	1,840	2,159
Fellowships	20,531	21,632
Instruction and training	61,789	72,668
Lectureships	756	760
Library	559	662
Other	37,087	40,333
Patient care	3,331	3,911
Pledges for use in future years	25,823	31,016
Prizes	23,307	24,752
Publications	608	737
Public service	8,865	5,583
Research	206,009	46,463
Student loans	713	745
Student scholarships	89,438	96,607
	<u>\$ 556,097</u>	<u>\$ 428,744</u>

Yeshiva University and Related Entities
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15. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2012 and 2011 were restricted to investment in perpetuity, with investment return available to support the following activities:

	2012	2011
Academic chairs	\$ 111,712	\$ 108,934
Academic support	2,357	2,357
Capital projects	6,055	6,055
Facility maintenance	3,767	3,642
Faculty scholars	9,459	9,259
Fellowships	24,993	24,214
Instruction and training	83,729	86,701
Lectureships	932	932
Library	2,207	2,207
Other	6,703	4,812
Patient care	4,874	4,874
Pledges for use in future years	768	201
Prizes	1,130	1,124
Publications	1,000	1,000
Public service	2,044	2,043
Research	61,383	56,713
Revolving fund for special projects	93,142	92,279
Student loans	44,992	44,818
Student scholarships	209,723	200,303
Trusts held by others in perpetuity	9,855	10,575
Undesignated	14,386	14,197
	<u>\$ 695,211</u>	<u>\$ 677,240</u>

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.

16. 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.

Yeshiva University and Related Entities

Notes to Consolidated Financial Statements

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(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 (the "Madoff 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 "Madoff suit"). The case is in the very early stages, and the University has presented the trustee with what the University believes to be valid defenses.

17. Revision of Prior Year Financial Statements

In 2012, management identified that the plan assets and liabilities associated with a separate non-qualified 457b deferred compensation plan should be recorded in the University Consolidated Statements of Financial Position (see Note 10). Accordingly, management recorded the plan assets and liabilities of \$18,641 at June 30, 2012, which are included in Other assets and Other liabilities, respectively, in the Consolidated Statements of Financial Position.

Management also revised the 2011 Consolidated Statements of Financial Position to reflect plan assets and liabilities of \$17,109, which are included in Other assets and Other liabilities, respectively. Management believes these amounts are not material to the consolidated financial statements.

18. Subsequent Events

Subsequent event guidance requires the University to evaluate subsequent events to determine whether they provide additional evidence about conditions that existed at the date of the Consolidated Statement of Financial Position, and to determine if those events require recognition or disclosure in the consolidated financial statements. The University has performed an evaluation of subsequent events through February 28, 2013, which is the date the consolidated financial statements were issued.

The University and the Madoff Trustee (Note 17) have agreed in principle to resolve the Madoff suit under confidential terms. The settlement amount negotiated between the parties is substantially less than the initial claim and is not deemed material by the University. The parties are in the process of finalizing the agreed upon settlement.

In October 2012, the University sold real estate, a cooperative apartment, for \$8.5 million recognizing a gain of approximately \$6.9 million. In November 2012, the University sold additional real estate, a theater, for \$15.5 million, \$2.7 million out of the proceeds was used to pay down the Series 2001 Bonds. The sales and gains will be recorded and reported in fiscal year 2013.

In November 2012, the University received certain real estate assets and interests in real estate limited partnerships from a bequest (Note 7), most of the real estate assets were subsequently sold in February 2013.