The Trustees of Columbia University in the City of New York

Consolidated Financial Statements
June 30, 2010 and 2009

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

To The Trustees of Columbia University in the City of New York:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of The Trustees of Columbia University in the City of New York (the "University") at June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's June 30, 2009 financial statements, and in our report dated October 28, 2009, we expressed an unqualified opinion on those financial statements. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 12, 2010

The Trustees of Columbia University in the City of New York
Consolidated Balance Sheet
At June 30, 2010, with Comparative Totals at June 30, 2009
(in thousands of dollars)

	June 2010	June 2009
Assets		
Cash and cash equivalents	$202,824	$261,976
Accounts receivable, net:		
Government agencies	133,089	102,224
Patient receivables	72,783	74,563
Other	185,596	182,132
Investment income receivable, net	3,022	2,188
Receivable for securities sold	59,705	147,665
Cash and securities held in trust by others	2,825	83,677
Pledges receivable, net	263,657	290,243
Student loans receivable, net	88,515	89,268
Collateral for securities loaned	4,597	11,876
Investments, at fair value	6,511,927	5,741,785
Institutional real estate	785,894	765,282
Land, buildings, and equipment, net	2,522,270	2,411,136
Other assets	60,729	70,808
Net assets held by CPMC Fund, Inc.	73,576	75,125
Interest in perpetual trusts held by others	136,045	129,818
Total assets	**$11,107,054**	**$10,439,766**
Liabilities		
Accounts payable and accrued expenses	$469,043	$498,594
Liabilities for securities purchased	16,702	18,759
Securities loan agreement payable	4,597	11,876
Prepaid tuition and other deferred credits	35,115	58,934
Deferred revenue and unamortized bond premium	55,727	66,257
Refundable advances	97,541	101,161
Capital lease obligations	116,109	118,962
Conditional asset retirement obligations	105,039	98,791
Accrued employee benefit liabilities	251,921	220,558
Federal student loan funds	78,305	76,782
Actuarial liability for split-interest agreements	44,527	43,111
Bonds and notes payable	1,333,133	1,396,407
Total liabilities	**2,607,759**	**2,710,192**
Net assets		
Unrestricted	5,747,265	5,102,757
Temporarily restricted	730,964	711,372
Permanently restricted	2,021,066	1,915,445
Total net assets	**8,499,295**	**7,729,574**
Total liabilities and net assets	**$11,107,054**	**$10,439,766**

See accompanying notes to consolidated financial statements.

The Trustees of Columbia University in the City of New York
Consolidated Statement of Activities
For the Year ended June 30, 2010, with Comparative Totals at June 30, 2009
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 2010	June 2009
Operating activities					
Revenues and support					
Tuition and fees	$930,617			$930,617	$848,153
Less financial aid grants	(260,410)			(260,410)	(237,918)
Net tuition and fees	670,207			670,207	610,235
Government grants and contracts:					
Direct	625,262			625,262	547,902
Indirect	190,790			190,790	166,479
Private gifts, grants and contracts:					
Direct	270,190	$44,749		314,939	345,530
Indirect	12,143			12,143	7,257
Revenue from other educational and research activities	181,514			181,514	245,975
Patient care revenue	785,506			785,506	757,005
Investment income and gains utilized	403,404	3,868		407,272	427,986
Sales and services of auxiliary enterprises	109,392			109,392	105,601
State aid	2,944			2,944	3,207
Other sources	8,140			8,140	7,366
Net assets released from restrictions	87,197	(87,197)			
Total operating revenues and support	**3,346,689**	**(38,580)**		**3,308,109**	**3,224,543**
Expenses					
Instruction and educational administration	1,171,438			1,171,438	1,140,812
Research	483,870			483,870	432,538
Patient care expense	701,694			701,694	677,829
Library	60,307			60,307	61,098
Operation and maintenance of plant	187,857			187,857	179,067
Institutional support	203,575			203,575	206,950
Auxiliary enterprises	91,087			91,087	91,120
Depreciation expense	165,794			165,794	160,870
Interest expense	54,790			54,790	63,618
Other	38,076			38,076	50,135
Total expenses	**3,158,488**			**3,158,488**	**3,064,037**
Change in net assets from operating activities	**188,201**	**(38,580)**		**149,621**	**160,506**
Nonoperating activities					
Endowment gifts			$75,819	75,819	124,470
Current year realized and unrealized capital gains (losses)	796,119	85,376	(2,923)	878,572	(1,277,827)
Endowment appreciation utilized	(289,989)	(29,074)		(319,063)	(357,689)
Change in net assets held by CPMC Fund, Inc.	(2,741)		1,192	(1,549)	(52,689)
Change in funds held by others in perpetuity			6,227	6,227	(27,765)
Present value adjustment to split-interest agreements	655	(4,057)	(132)	(3,534)	4,187
Changes in pension and post retirement obligations	(24,981)			(24,981)	(42,148)
Other	5,479		3,130	8,609	29,398
Reclassification	(28,235)	5,927	22,308		
Change in net assets from nonoperating activities	**456,307**	**58,172**	**105,621**	**620,100**	**(1,600,063)**
Change in net assets	**644,508**	**19,592**	**105,621**	**769,721**	**(1,439,557)**
Net assets at beginning of year	**5,102,757**	**711,372**	**1,915,445**	**7,729,574**	**9,169,131**
Net assets at end of period	**$5,747,265**	**$730,964**	**$2,021,066**	**$8,499,295**	**$7,729,574**

See accompanying notes to consolidated financial statements.

The Trustees of Columbia University in the City of New York
Consolidated Statement of Cash Flows
For the Year ended June 30, 2010, with Comparative Totals at June 30, 2009
(in thousands of dollars)

	June 2010	June 2009
Cash flows from operating activities		
(Includes adjustments to reconcile change in net assets to net cash provided by operating activities):		
Change in net assets	$769,721	($1,439,557)
Depreciation expense	165,794	160,870
Interest on capital lease obligations and CARO	11,408	10,674
Institutional real estate depreciation	18,456	16,432
Realized and unrealized (gains) losses	(878,572)	1,277,827
Partnership distributions	213,294	157,083
Contributions restricted for permanent investment, plant, and split-interest agreements	(97,006)	(121,707)
Contributions other than cash	(24,987)	(36,000)
Present value adjustments to split-interest agreements	3,100	9,170
Accreted interest on bonds	2,396	2,413
Change in fair value of net assets held by CPMC Fund, Inc.	(11,180)	23,291
Change in fair value of interest in perpetual trusts held by others	(6,227)	27,765
Change in operating assets and liabilities:		
Accounts receivable, net	(32,549)	21,313
Investment income receivable, net	(834)	291
Pledges receivable, net	26,586	(31,305)
Other assets	10,079	(10,926)
Accounts payable and accrued expenses	(40,055)	(38,315)
Prepaid tuition and other deferred credits	(23,819)	11,969
Deferred revenue and unamortized bond premium	(10,530)	(4,789)
Refundable advances	(3,620)	12,577
Accrued employee benefit liabilities	31,363	55,701
Net cash provided by operating activities	122,818	104,777
Cash flows from investing activities		
Proceeds from sales of investments	4,391,186	7,158,080
Purchases of investments	(4,360,154)	(6,991,555)
Collections from student notes	10,436	8,366
Student notes issued	(9,683)	(8,078)
Investment in cash and securities held in trust by others	80,852	81,006
Purchases of institutional real estate	(37,727)	(101,543)
Purchases of plant and equipment	(280,939)	(380,026)
Net cash used by investing activities	(206,029)	(233,750)
Cash flows from financing activities		
Proceeds from contributions for:		
Investment in endowment	70,737	77,297
Investment in plant	24,004	15,509
Investment in split-interest agreements	2,265	28,901
Investment income on split-interest agreements	3,673	2,807
Payments on split-interest agreements	(5,657)	(4,197)
Payments on capital lease obligations	(9,323)	(9,134)
Repayment of bonds and notes payable	(63,163)	(393,924)
Proceeds from bond issuance		389,660
Net change in federal student loan funds	1,523	1,317
Net cash (used) provided by financing activities	24,059	108,236
Net change in cash and cash equivalents	(59,152)	(20,737)
Cash and cash equivalents at beginning of year	261,976	282,713
Cash and cash equivalents at end of year	$202,824	$261,976
Supplemental disclosure of cash flow information:		
Equipment and space acquired through capital leases	$855	$35,816
Cash paid during the year for interest	$69,231	$71,969

See accompanying notes to consolidated financial statements.

1. Organization

The Trustees of Columbia University in the City of New York (the "University") is a private, nonsectarian, nonprofit institution of higher education whose activities are concentrated at two locations in New York City and extend around the globe. The University provides instruction through sixteen undergraduate, graduate, and professional schools. It operates a variety of research institutes and a library system to support its teaching, learning, and research activities. The University performs research, training, and other services under grants and contracts with agencies of the federal government and other sponsoring organizations. The University enrolls approximately 26,400 full-time and part-time students and employs approximately 14,800 full-time employees, including 5,396 full-time faculty members and research staff. Of these, 1,391 hold positions in the arts and sciences; 3,274 hold health science positions; and the remainder hold positions in the other professional schools.

The University is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code.

2. Columbia University Medical Center

Columbia University Medical Center ("CUMC"), a division of the University, located in the Washington Heights section of northern Manhattan, is one of the largest academic medical centers in the United States. It is composed of four schools: College of Physicians and Surgeons, Mailman School of Public Health, College of Dental Medicine, and School of Nursing. CUMC's activities also include extensive patient care services provided by its faculty members.

CUMC has three primary areas of focus: scientific research, education, and patient care. CUMC offers a wide variety of degrees, certifications, and continuing education in the health care field. Sponsored research, faculty patient care services, tuition, endowment income, patent royalties, and gifts provide the bulk of CUMC's revenues. Approximately 3,540 students are enrolled at CUMC, with a full-time faculty of 2,253, of whom approximately 312 are tenured. Additionally, CUMC's staff includes 3,333 part-time faculty instructors, 1,021 full-time researcher staff members, 1,129 part-time researchers, and 281 post doctoral research trainees. Approximately 61 percent of the full-time faculty and 26 percent of the part-time faculty hold clinical appointments and have admitting privileges at NewYork-Presbyterian Hospital ("NYPH") or other hospitals.

Patient Care Activities

Patient care activities include patient visits handled by the University's full-time faculty through its medical faculty practice plan, as well as clinical and educational services provided to hospitals and other health care institutions through contractual agreements for services.

CUMC maintains several clinical and education affiliation agreements with other organizations. The most significant affiliation agreements are with NYPH, Harlem Hospital, St. Luke's–Roosevelt Hospital Center, and Bassett Medical Center. In addition, certain faculty physicians provide patient care and supervision of residents at NYPH network hospitals and other affiliates. Through inter-institutional "medical service agreements," CUMC faculty also provide patient care in specialty and subspecialty areas at hospitals in the tristate area and occasionally in other parts of the country.

On July 1, 2010, the current agreement between the New York City Health and Hospital Corporation (HHC) and the University expired. The current agreement has been extended to December 31, 2010, when at that time the agreement will convert to an academic only affiliation with Harlem Hospital.

In fiscal 2010, the clinical faculty handled approximately 1.7 million outpatient and emergency room visits and participated in instruction and supervision of 600 University medical students and 900 residents and fellows at NYPH. CUMC physicians generated 65,200 NYPH hospital admissions during the year.

Payments for patient-care services provided by the full-time faculty in both institutional and private office settings are derived mainly from third-party payers, including managed care companies (57 percent), Medicare (14 percent), commercial insurance (5 percent), Medicaid (11 percent), and other (2 percent). Direct patient payments comprise 11 percent of total payments.

3. Summary of Significant Accounting Policies

The significant accounting policies of the University are as follows:

Basis of Consolidation

The accompanying consolidated financial statements of the University include the accounts of all academic and administrative departments of the University. Additionally, the consolidated financial statements include the net assets and activities of the following entities, for which the University maintains managerial and financial control:

- Columbia Investment Management Company, LLC—Columbia Investment Management Company, LLC is a New York limited liability company formed by the University to manage the University’s investment assets under the supervision of a Board appointed by the Trustees of the University and subject to the oversight of the Committee on Finance of the Trustees.
- Columbia University Press—Columbia University Press is a not-for-profit corporation formed to promote the study of economic, historical, literary, philosophical, scientific, and other subjects and to encourage and promote the publication of literary works embodying original research in such subjects.
- Reid Hall, Inc.—Reid Hall, located in Paris, France, was donated to the University in 1964. Reid Hall, Inc., a corporation organized under New York membership corporation law as an educational and charitable organization, operates Reid Hall to promote, facilitate, and aid the educational, cultural, and social interests of students studying in France.
- The University holds a number of New York limited liability companies, Delaware not-for-profit corporations, and international organizations, which are established to facilitate various program and research objectives.

The University provides investment custodial services and manages all of the assets of Columbia Presbyterian Medical Center Fund, Inc. (“CPMC Fund, Inc.”), a not-for-profit corporation that exists to hold and receive gifts for the University and NYPH. The consolidated financial statements reflect the University’s interest in the net assets of CPMC Fund, Inc. as well as the assets and amounts due NYPH.

The University is also the sole corporate member of two not-for-profit physician private practice entities, Columbia Ophthalmology Consultants, Inc., and Columbia University Healthcare, Inc., and, as such, consolidates these entities into the University’s consolidated financial statements.

All significant intercompany accounts have been eliminated in consolidation.

Accrual Basis
The consolidated financial statements of the University have, in all material respects, been prepared on an accrual basis.

Basis of Presentation
The University maintains its accounts in accordance with the principles of fund accounting. Under this method of accounting, resources for various purposes are classified into funds that are consistent with activities or objectives specified by donors. Separate accounts are maintained for each fund.

For reporting purposes, the University prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") that requires resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into three categories of net assets – unrestricted, temporarily restricted, and permanently restricted. Descriptions of the three net asset categories and the type of transactions affecting each category follow.

Unrestricted—Net assets that are not subject to donor-imposed restrictions. This category includes unrestricted gifts, certain endowment income balances, certain board-designated endowment principal balances, including capital appreciation on such balances, certain plant funds, University-designated loan funds, and other unrestricted designated and undesignated current funds.

Temporarily restricted—Net assets that are subject to legal or donor-imposed stipulations that will be satisfied either by actions of the University, the passage of time, or both. These net assets include gifts donated for a particular purpose, amounts subject to time restrictions such as funds pledged for future payment, or amounts subject to legal restrictions such as portions of otherwise unrestricted capital appreciation, which must be reported as temporarily restricted in accordance with New York State law. Once restrictions are satisfied, or have been deemed to have been satisfied, those temporarily restricted net assets are released from restrictions, except for temporarily restricted revenue earned and expended in the same fiscal year, which is recorded as unrestricted revenue.

Permanently restricted—Net assets that are subject to donor-imposed stipulations that will be invested to provide a perpetual source of income to the University. Donors of these assets require the University to maintain and invest the original contribution in perpetuity but permit the use of some or all investment earnings for operating or other purposes.

Revenues and Expenses
Revenues are reported as increases in unrestricted net assets unless the use of those assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law.

Tuition and Fees and Financial Aid
Tuition and fees are derived from degree programs as well as executive and continuing education programs. Tuition and fee revenue is recognized as operating income in the period in which it is earned. Tuition and fee receipts received in advance are recorded as deferred revenue. Net tuition and fees are computed after deducting certain scholarships and fellowships awarded to students. In order to assist students in meeting tuition and other costs of attendance, the University administers a variety of federal, state, institutional, and private programs. Financial aid packages to students may include direct grants, loans, and employment.

Contributions
Contributions for university operations and plant, including unconditional promises to give ("pledges"), are recognized as operating revenue in the period earned. Contributions to endowment are recognized as nonoperating revenue in the period earned. Pledges that are expected to be collected within one year are recorded net of an allowance for uncollectable pledges. Amounts expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those pledges are computed using an interest rate for the year in which the promise was received and considers market and credit risk as applicable. Subsequent years' accretion of the discount is included in contribution revenue. Conditional promises to give are not recognized as revenue until such time as the conditions are substantially met.

Patient Care Revenue and Expense
Patient care activities relate to three distinct areas: medical faculty practice plans, affiliation agreements, and medical service agreements.

The University provides medical care to patients via faculty practice at CUMC, primarily under agreements with third-party payors. Agreements with third-party payors, including health maintenance organizations, provide payment for medical services at amounts different from standard rates established by the University. Medical faculty practice plan revenue is reported net of two items: (a) contractual allowances from third-party payors for services rendered and (b) estimates of uncollectible amounts. Included within the faculty practice revenues and expenses are financial arrangements associated with several physician professional corporations.

The University maintains several clinical and education affiliation agreements with other organizations. The University provides medical, professional, and supervisory staff as well as other technical assistance. Revenues and expenses from these agreements are accounted for in patient care categories of the operating activity in the Consolidated Statement of Activities.

Grant and Contract Income
The University receives grant and contract income from governmental and private sources. The University recognizes revenue associated with the direct costs of sponsored programs as the related costs are incurred. Recovery of facilities and administrative costs of federally sponsored programs are at reimbursement rates negotiated with the University's cognizant agency, the Department of Health and Human Services. The University and the federal government are currently operating under an agreement that provides for facilities and administrative cost rates under federal grants and contracts through June 30, 2014.

Research and Development
The University engages in numerous research and development projects, partially or fully sponsored by governmental and private funds. These costs are charged to operating expense as incurred. The University periodically funds and develops patents for certain technologies, then licenses the usage of these patents to companies over several years. The revenue, net of payments due to third parties, is recorded in "Revenue from other educational and research activities" in the Consolidated Statement of Activities. Costs incurred with developing and maintaining these patents are expensed as incurred.

Cash and Cash Equivalents
Cash and cash equivalents are recorded at fair value and include several depository accounts, checking accounts, institutional money market funds, and similar temporary investments with maturities of three months or less at the date of purchase.

Investments
The University's investments, consisting primarily of publicly traded fixed income and equity securities, alternative investments, and cash held for reinvestment, are stated at fair value as of June 30, 2010. Alternative investments include investments in absolute return strategy funds, private equity funds, and real asset funds (collectively, the 'funds'). The management of the respective fund provides the fair value of the investment. The University reflects its share of the partnerships or corporations in the consolidated financial statements.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The University believes that the net asset value of its alternative investments is a reasonable estimate of fair value as of June 30, 2010. Because alternative investments are not marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying consolidated financial statements based on the University's proportionate share in the net assets of these investments.

The University records both the assets and corresponding liabilities generated by securities lending transactions as "Collateral for securities loaned" and "Securities loan agreement payable." The loaned securities are returnable on demand and are collateralized by cash and cash equivalents.

The University's presentation in the Consolidated Statement of Cash Flows for limited liability partnerships, limited liability corporations, and other similarly structured investments is consistent with the accounting for equity method investments as it represents the underlying nature of these investments in which the University has a capital account.

The University records purchases and sales of securities on a trade-date basis. Realized gains and losses are determined on the basis of average cost of securities sold and are reflected in the Consolidated Statement of Activities. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis.

Split-Interest Agreements
The University's split-interest agreements with donors consist primarily of charitable gift annuities, pooled income funds, and irrevocable charitable remainder trusts for which the University serves as custodian and trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. In addition, the University is the beneficiary of certain agreements where the underlying asset is real property and the University has reported its interest based on an appraised value of the property. In the case of irrevocable split-interest agreements whose assets are held in trusts not administered by the University (third-party charitable trusts), the University will recognize its beneficial interest when it is provided sufficient reliable information and documentation that establishes the trust's existence.

Contribution revenues for split-interest agreements are recognized at the dates the agreements are established net of the present value of the estimated future payments to be made to the beneficiaries, if applicable, under these agreements. The discounts on those agreements are computed using an interest rate for the year in which the promise was received and considers market and credit risk as applicable. Assets related to these agreements are recorded in "Investments, at fair value," and the liability for the present value of the estimated future payments to be made to the beneficiaries is recorded in "Actuarial liability for split-interest agreements." Adjustments to the fair value of these agreements are recorded in the Consolidated Statement of Activities under "Present value adjustment to split-interest agreements."

Institutional Real Estate
Institutional real estate consists primarily of properties proximate to the University's Morningside and Washington Heights campuses, the primary purpose of which is to house faculty, staff, and graduate students. The income earned on this investment is used primarily to finance operating expenditures. The properties are valued at cost and depreciated over a useful life of fifty years.

Land, Buildings, and Equipment
Land, buildings, and equipment are stated at cost net of accumulated depreciation. Depreciation is calculated on a straight-line basis over useful lives ranging from ten to forty years for buildings and improvements and five to twenty years for equipment, consistent with the method used for government cost reimbursement purposes. Capitalized software costs are amortized over seven years. Upon disposal of assets, the costs and accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

Other Assets
Prepaid expenses, bond issuance costs, and the University's investment in the Medical Center Insurance Company ("MCIC") are categorized within other assets. Bond issuance costs are amortized over the expected holding period of the specific debt issue.

Collections
Collections at the University include works of art, literary works, historical treasures, and artifacts that are maintained in the University's galleries, libraries, and buildings. These collections are protected and preserved for public exhibition, education, research, and the furtherance of public service and, therefore, are not recognized as assets on the Consolidated Balance Sheet. Costs associated with purchasing additions to and maintaining these collections are recorded as operating expenses in the period in which the items are acquired.

Interest in Perpetual Trusts Held by Others

The University is the beneficiary of certain perpetual trusts administered by others. These trusts are recognized as permanently restricted contributions upon receipt of documentation evidencing that the trust has been established and adjusted to fair value each year. The fair value of the interest in the perpetual trust is based on the University' share of the income generated by the trust, ascribed to the fair value of assets reported by the trust. Gains and losses resulting from the change in fair value of trust assets are reported as nonoperating activity in the Consolidated Statement of Activities.

Capital Lease Obligations

Capital lease obligations are recognized for equipment and space where substantially all of the risks of ownership have been transferred to the University. The obligations extend up to five years for equipment and up to fifty years for space.

Conditional Asset Retirement Obligations

Conditional asset retirement obligations are recognized for remediation or disposal of asbestos, underground storage tanks, soil, and radioactive sources and equipment as required by law. The fair value of the liability for a conditional asset retirement obligation is recognized in the period in which it occurred, provided that it can be reasonably estimated.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include valuation of investments without readily determinable public markets, actuarially determined costs associated with split-interest agreements, pension, postemployment and postretirement benefits, contractual allowances for patient receivables, allowances for doubtful accounts, and conditional asset retirement obligations.

2009 Presentation

While comparative information is not required under GAAP, the University believes that this information is useful and has included summarized financial information from the consolidated financial statements for 2009. This summarized information is not intended to be a full presentation in conformity with GAAP, which would require certain additional information. Accordingly, such information should be read in conjunction with the University's audited consolidated financial statements for the year ended June 30, 2009. In addition, certain amounts in the summarized consolidated financial statements for fiscal year 2009 have been reclassified to conform to the fiscal year 2010 presentation.

New Authoritative Pronouncements

Effective for the fiscal year ended June 30, 2010, the University followed the guidance issued by the FASB in the Accounting Standards Codification. The objective of this standard is to establish one source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP.

Effective for the year ended June 30, 2009, the University adopted FASB authoritative guidance related to the classification of funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), requiring enhanced disclosures for all endowment funds. The guidance requires the classification of net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA. On September 17, 2010, New York State adopted UPMIFA. Management is currently evaluating the impact of this new law, including the amount of the reclassification of unrestricted net assets to temporarily restricted net assets.

The University adopted new disclosures required of employers about their postretirement benefit plan assets. Under this guidance, the University provides additional information about the fair value of each major category of pension and postretirement plan assets according to the fair value hierarchy.

Effective for the fiscal year ended June 30, 2010, the University adopted new authoritative guidance requiring additional disclosures about derivative instruments and hedging activities but it has not materially impacted the financial statements. SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities.

Effective for the fiscal year ended June 30, 2010, the University adopted additional disclosures related to the fair value measurements of investments in certain entities that calculate a net asset value per share. The guidance permits investors to use Net Asset Value (NAV) as a practical expedient for fair value provided the NAV has been calculated in accordance with or in a manner consistent with GAAP.

A recent pronouncement will be adopted in the future in accordance with FASB guidelines on the timing of adoption and is not reflected in the fiscal year 2010 statements. Management is currently assessing the impact of the following pronouncement:

In January 2010, FASB issued a standard on Improving Disclosure on Fair Value Measurements. This standard requires that information, such as description of and reasoning for transfers, be disclosed for all transfers to and from Level's 1, 2 and 3. Another requirement under this standard is the gross, rather than net, presentation of purchases, sales issuances and settlements in Level 3 rollforward tables. This standard is effective for fiscal years beginning after December 15, 2009 for transfer disclosures and December 15, 2010 for gross presentation and as such, disclosures pertaining to these topics will be made in accordance with this standard for consolidated financial statements beginning in fiscal year 2011 and fiscal year 2012, respectively.

4. Operating Measurement

The University divides its Consolidated Statement of Activities into operating and nonoperating activities. The operating activities of the University include all income and expenses related to carrying out its educational and research mission. Operating revenues include investment income and endowment appreciation utilized to fund current operations, the largest portion of which is the distribution of funds budgeted in accordance with the endowment spending rule.

Nonoperating activities include current year realized and unrealized gains and losses on investments, including realized gain distributions from fund investments, less amounts withdrawn from endowment appreciation to fund operations. Nonoperating activities also include new gifts to permanently restricted endowments, changes in net assets held by CPMC Fund, Inc., changes in perpetual trusts held by others, present value adjustments to split-interest agreements, changes in pension and postretirement obligations, and certain reclassifications.

5. Patient Care Revenue

The University's affiliation agreements with tristate area hospitals generated $256,040 and $243,034 of revenue for the years ended June 30, 2010 and 2009, respectively. As of June 30, 2010 and 2009, accounts receivable includes $71,817 and $72,840, respectively, relating to these agreements.

Medical faculty practice revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Medical faculty practice revenues are $497,588 and $482,866 for the years ended June 30, 2010 and 2009, respectively. As of June 30, 2010 and 2009, patient accounts receivable amounts to $72,783 and $74,563, respectively.

Other areas of patient care, such as medical service agreements, generated $18,941 and $19,082 of revenue for the years ended June 30, 2010 and 2009, respectively.

6. Long-Term Investments and Fair Value

The University values its investments in accordance with GAAP and consistent with the FASB official pronouncement on *Fair Value Measurements* for financial assets and liabilities. The pronouncement defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value utilize relevant observable inputs and minimize the use of unobservable inputs.

The University follows a fair value hierarchy based on three levels of inputs, described below:

Fair value for Level 1 is based upon quoted prices in active markets that the University has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The University does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or inputs other than quoted prices that are observable.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they are not actively traded.

(in thousands of dollars)

Investments categorized as Level 2 and Level 3 include the University's ownership in funds that invest in alternative assets (i.e. absolute return strategy funds, private equity funds, and real asset funds) and funds that invest in equity and fixed income strategies. The value of the University's investments in these funds represents the University's ownership interest in the net asset value (NAV) of the respective fund. The University is permitted under GAAP to estimate the fair value of an investment at the measurement date using the NAV reported by the fund without further adjustment, provided the NAV has been calculated in accordance with or in a manner consistent with GAAP, and provided further that the University does not expect to sell the investment at a value other than NAV. The University performs due diligence procedures of its investments including an assessment of applicable accounting policies, a review of the valuation procedures employed, and consideration of redemption features and price transparency.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining the categorization of the University's investments within the fair value hierarchy, the University has considered market information, including observable net asset values, and the length of time until the investment will become redeemable. Investments which can be redeemed at NAV by the University up to 180 days beyond the measurement date are classified as Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of that instrument and does not necessarily correspond to the University's perceived risk of that instrument.

The following table presents assets and liabilities measured at fair value at June 30, 2010, with comparative June 30, 2009 totals.

	2010				2009
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Investments:					
Cash and cash equivalents	$ 33,842	$ 475,348		$ 509,190	$ 275,652
Global equities	790,718	181,733	$ 207,310	1,179,761	1,166,783
Fixed income	25,511	347,270	523	373,304	279,218
Absolute return strategies		844,010	978,375	1,822,385	1,673,075
Private equity	12,877		1,555,071	1,567,948	1,427,538
Real assets	1,543		1,057,796	1,059,339	919,519
Investments, at fair value	864,491	1,848,361	3,799,075	6,511,927	5,741,785
Interest in perpetual trusts held by others			136,045	136,045	129,818
Total assets at fair value	$ 864,491	$ 1,848,361	$ 3,935,120	$ 6,647,972	$ 5,871,603
Liabilities					
Swaps payable		48,961		48,961	36,684
Total liabilities at fair value		$ 48,961		$ 48,961	$ 36,684

Cash and cash equivalents

Cash and cash equivalents includes government securities and money market instruments and are valued at amortized cost which approximates fair value.

Global Equities and Fixed Income

Global equities and fixed income consists of investments in publicly traded U.S. and foreign equities, funds that invest in equity and fixed income based strategies, and cash held in separate accounts committed to these strategies. The fair value of these investments is based on quoted market prices. Investments that are listed on an exchange are valued, in general, at the last reported sale price (or, if there is no sales price, at the last reported bid price, or, in the absence of reported bid prices, at the mean between the last reported bid and asked prices thereof). Fund investments in equity and fixed income based strategies are valued in accordance with valuations provided by the investment managers of the underlying funds. If the University has the ability to redeem from a fund up to 180 days beyond the measurement date at NAV, the investment is categorized as Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3.

Alternative Investments

Alternative investments include interests in absolute return strategy funds, private equity funds, and real asset funds. The University values these investments in accordance with valuations provided by the investment managers of the underlying funds. These funds may make investments in securities that are publicly traded, which are generally valued based on observable market prices, unless a restriction exists. In addition, interests in a private equity fund may be publicly traded and valued based on observable market prices. As a general rule, managers of funds invested in alternative investments value those investments based upon the best information available for a given circumstance and may incorporate assumptions that are the investment manager's best estimates after consideration of a variety of internal and external factors. If no public market exists for the investments, the fair value is determined by the investment manager taking into consideration, among other things, the cost of the investment, prices of recent significant placements of similar investments of the same issuer, and subsequent developments concerning the companies to which the investments relate. The University's management may consider other factors in assessing the fair value of these investments. If the University has the ability to redeem from an absolute return strategy fund up to 180 days beyond the measurement date at NAV, the investment is categorized as Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3. All private equity funds and real asset funds, with the exception of directly-held public securities, are categorized as Level 3 given that the University does not have discretion for timing of withdrawal.

The fair value of the alternative investment funds in the table above represents the amount the University expects to receive at June 30, 2010 and 2009, if it had liquidated its investments in the funds on these dates. The University has performed due diligence around these investments and believes that the NAV of its alternative investments is a reasonable estimate of fair value as of June 30, 2010. Alternative investments may allocate a high percentage of their assets in specific sectors of the market in order to achieve a potentially greater investment return. As a result, the investments may be susceptible to economic, political, and regulatory developments in a particular sector of the market, positive or negative, and may experience increased volatility in net asset values.

Absolute return strategies also include separate accounts with direct investments in fixed income and cash committed to these strategies. The fair value of these investments is based on quoted market prices and is categorized as Level 2.

Perpetual Trusts

The fair value of interest in perpetual trust held by third parties is based on the University's share of the income generated by the trust, ascribed to the fair value of the assets reported by the trust.

(in thousands of dollars)

Derivatives

Investment fund managers may invest in derivatives, and the value of these positions is reflected in the NAV of the respective funds. Separately, the University employs derivatives primarily to hedge its risks and to rebalance its market exposures. Derivatives used may include futures, swaps, options, and forward contracts and are reflected at fair value following the definition of Level 1 and Level 2 assets as described above. The equity derivatives held directly by the University within the endowment portfolio had a fair value of ($4.3) million and ($2.2) million at June 30, 2010 and 2009, respectively. As of June 30, 2010 and 2009, the notional amounts of long equity derivative contracts were $446.2 million and $380.1 million, respectively, and the notional amounts of short equity derivative contracts were $326.8 million and $217.8 million, respectively. As of June 30, 2010 the fair value of the equity swaps was ($6.1) million and is included in "Investments" on the first table in this footnote. The fair value of the equity swaps held directly by the University in the endowment portfolio was ($2.2) million at June 30, 2009, also reflected in "Investments" in the first table of this footnote. Outside of the endowment portfolio, the University entered a fixed payor interest rate swap as described in Footnote 16. The estimated fair value of the agreement was ($49.0) million and ($36.7) million at June 30, 2010 and 2009, respectively, and is included in "Swaps payable" on the first table in this footnote. The derivatives are reflected as a receivable or payable, as appropriate, on the Consolidated Balance Sheet. Unrealized gain or loss from derivative investments is a component of the current year realized and unrealized capital gains (losses) in the statement of activities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a rollforward of the Consolidated Balance Sheet amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above.

	June 30, 2009	Transfers In/Out	Purchases & Sales, net	Realized gain/loss	Unrealized gain/loss	June 30, 2010
Global equities	$ 447,771	$ (161,201)	$ (159,484)	$ (3,615)	$ 83,839	$ 207,310
Fixed income	247,778	(298,878)	(11,475)		63,098	523
Absolute return strategies	1,447,387	(527,406)	(213,322)	78,842	192,874	978,375
Private equity	1,419,429		(78,089)	65,762	147,969	1,555,071
Real assets	919,519		72,662	22,413	43,202	1,057,796
Total level 3 investments	$ 4,481,884	$ (987,485)	$ (389,708)	$ 163,402	$ 530,982	$ 3,799,075

	June 30, 2009	Disburse-ments	Realized/ Unrealized gain/loss, net	June 30, 2010
Interest in perpetual trusts held by others	$ 129,818	$ (6,426)	$ 12,653	$ 136,045

All net realized and unrealized gains/(losses) in the table above are reflected in the Consolidated Statement of Activities. Net unrealized gains/(losses) relate to those financial instruments held by the University at June 30, 2010. As a result of adopting new guidance for estimating the fair value of investments, certain investments have been transferred as Level 2 assets subject to criteria described above based upon recorded amounts at June 30, 2010.

Certain investments in global equities and alternative investments may be subject to restrictions that i) limit the University's ability to withdrawal capital after such investment and ii) limit the amount that may be withdrawn as of a given redemption date. The redemption terms of the University's investments in absolute return strategy funds vary from daily to triennial, with a portion of these investments designated as "illiquid" in "sidepockets" and that portion may not be available for withdrawal until liquidated by the investing fund and redemption notice periods range from 0 days to 180 days. Generally, as noted above, the University has no discretion as to withdrawal with respect to its investment in private equity and real asset funds; distributions are made when sales of assets are made with the funds. The remaining life of these private equity and real asset funds is up to 12 years.

The University is obligated under certain investment fund agreements to advance additional funding up to specified levels over a period several years. These commitments have fixed expiration dates and other termination clauses.

At June 30, 2010, the University had unfunded commitments of approximately $1.2 billion as displayed in the table below.

Asset class $ in millions	Remaining life	Unfunded Commitments	Timing to draw commitments
Global equities	N/A	$ 12	1 to 8 years
Absolute return strategies	N/A	152	1 to 5 years
Private equity	1 to 12 years	547	1 to 12 years
Real assets	1 to 12 years	440	1 to 12 years
Total		$ 1,151	

Management's estimate of the lives of the funds could vary significantly depending on the investment decisions of the external fund managers, changes in the University's portfolio, and other circumstances. Furthermore, the University's obligation to fund the commitments noted above may be waived by the fund manager for a variety of reasons including market conditions and/or changes in investment strategy.

The University does have various sources of internal liquidity at its disposal, including cash, cash equivalents, marketable debt and equity securities and lines of credit.

Securities Lending

At June 30, 2010 and 2009, investment securities having a fair value of $4.5 million and $11.4 million, respectively, were loaned to various brokerage firms through a securities lending agent. The loaned securities are returnable on demand and are collateralized by cash and cash equivalents. The University recorded the value of the collateral received of $4.6 million and $11.9 million and an offsetting liability for the return of the collateral on the Consolidated Balance Sheet at June 30, 2010 and 2009, respectively.

Investment Return

Investment income and gains utilized on the Consolidated Statement of Activities contains interest and dividend income net of fees, institutional real estate revenue net of operating expenses and depreciation, other investment income, and endowment appreciation utilized to fund the spending rule. Endowment appreciation utilized was $319.1 million and $357.7 million during 2010 and 2009, respectively. The nonoperating section of the Consolidated Statement of Activities contains realized and unrealized gains reduced by endowment appreciation utilized to fund the spending rule.

7. Endowment Funds

The University's endowment consists of approximately 4,300 separate funds established over many years for a wide variety of purposes. The endowment includes permanent endowments, term endowments, and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University employs a market value unit method of accounting for pooled general investments. Each participating fund enters and withdraws from the pooled investment account based on monthly unit market values. Changes in the market value of investments are distributed proportionately to each fund that participates in the investment pool. Net investment income distributed during the year is allocated on a per unit basis to each participating fund.

Relevant Law

In accordance with New York State law (which incorporates UMIFA), the University is required to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, so long as there is no explicit donor stipulation to the contrary, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) realized and unrealized gains and losses to the permanent endowment when stipulated by the donor gift instrument.

(in thousands of dollars)

The composition and changes in the University's endowment net assets as of June 30, 2010 and 2009, are as follows:

	2010			
Changes in University endowment net assets	**Unrestricted Net Assets**	**Temporarily Restricted Net Assets**	**Permanently Restricted Net Assets**	**Total**
Opening balance - June 30, 2009	$ 3,666,487	$ 491,171	$ 1,735,140	$ 5,892,798
Investment return:				
Investment income	50,222	482	6,426	57,130
Net appreciation	778,287	83,070	6,227	867,584
Total investment return	828,509	83,552	12,653	924,714
New gifts	23,239	3,129	85,415	111,783
Appropriation for expenditure	(444,781)	(9,128)	(6,426)	(460,335)
Other Changes:				
Transfers to create endowments	46,561	2,419	-	48,980
Other / Reclassifications	(25,026)	1,589	22,009	(1,428)
Release from restriction	29,074	(29,074)	-	-
	50,609	(25,066)	22,009	47,552
Closing balance - June 30, 2010	$ 4,124,063	$ 543,658	$ 1,848,791	$ 6,516,512
University endowment composition				
Endowment funds	$ 1,573,241	$ 326,631	$ 1,684,390	$ 3,584,262
Funds functioning as endowment:				
Departmental funds	1,055,560	217,027		1,272,587
University funds	1,099,132			1,099,132
Institutional real estate, net	350,910			350,910
CPMC Fund, Inc.	45,220		28,356	73,576
Interests in perpetual trusts held by others			136,045	136,045
University's endowment value	$ 4,124,063	$ 543,658	$ 1,848,791	$ 6,516,512

Note: The tables above do not include split-interest agreements, net of $89,853 and pledges receivable, net of $147,423.

Reconciliation to *Investments, at fair value*

Investments, at fair value		$ 6,511,927
Add:		
Interests in perpetual trusts held by others	136,045	
CPMC Fund, Inc.	73,576	
Institutional real estate, net	350,910	
Investment receivables and payables	74,042	634,573
Subtract:		
Other long-term investments	(451,803)	
Split-interest agreements, net	(141,826)	
Funds held on behalf of others	(36,359)	(629,988)
University's endowment value		$ 6,516,512

(in thousands of dollars)

	2009			
Changes in University endowment net assets	**Unrestricted Net Assets**	**Temporarily Restricted Net Assets**	**Permanently Restricted Net Assets**	**Total**
Opening balance - June 30, 2008	$ 5,035,010	$ 641,838	$ 1,668,378	$ 7,345,226
Investment return:				
Investment income	29,476	514	5,567	35,557
Net appreciation	(1,054,607)	(118,724)	(27,765)	(1,201,096)
Total investment return	(1,025,131)	(118,210)	(22,198)	(1,165,539)
New gifts	17,194	1,138	95,106	113,438
Appropriation for expenditure	(431,426)	(9,818)	(5,567)	(446,811)
Other Changes:				
Transfers to create endowments	26,233	5,361	-	31,594
Other / Reclassifications	11,013	4,456	(579)	14,890
Release from restriction	33,594	(33,594)	-	-
	70,840	(23,777)	(579)	46,484
Closing balance - June 30, 2009	$ 3,666,487	$ 491,171	$ 1,735,140	$ 5,892,798

University endowment composition				
Endowment funds	$ 1,309,951	$ 288,591	$ 1,578,158	$ 3,176,700
Funds functioning as endowment:				
Departmental funds	975,229	$ 202,580		1,177,809
University funds	993,261			993,261
Institutional real estate, net	340,085			340,085
CPMC Fund, Inc.	47,961	-	27,164	75,125
Interests in perpetual trusts held by others			129,818	129,818
University's endowment value	$ 3,666,487	$ 491,171	$ 1,735,140	$ 5,892,798

Note: The tables above do not include split-interest agreements, net of $93,382 and pledges receivable, net of $153,361.

Reconciliation to *Investments, at fair value*		
Investments, at fair value		$ 5,741,785
Add:		
Interests in perpetual trusts held by others	129,818	
CPMC Fund, Inc.	75,125	
Institutional real estate, net	340,085	
Investment receivables and payables	161,306	706,334
Subtract:		
Other long-term investments	(380,219)	
Split-interest agreements, net	(142,712)	
Funds held on behalf of others	(32,390)	(555,321)
University's endowment value		$ 5,892,798

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. At June 30, 2010, the deficiency was $6.2 million, of which $3.9 million is required to be restored. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs per the University's spending policy.

Return Objectives and Risk Parameters
Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under the University's investment policies, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce performance which exceeds that of relevant indices for each asset class while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives
The University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Endowment Spending Rule
The endowment spending rule utilized by the University is designed to be directly responsive to both investment returns and the current level of price inflation. Its long-term objectives are:

- To protect the corpus of the endowment by spending no more than the real investment return;
- To cushion spending against market volatility; and
- To provide specific spending instructions and multiyear spending projections based on explicit future investment return assumptions.

The current endowment spending rule is based on two factors: first, the market value multiplied by a 5 percent target spending rate, which provides a response to investment market conditions; and second, the prior year's spending plus inflation, which ties spending increases to operating needs and cushions spending against market volatility. This allows the University to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

As a general policy, each fiscal year's distribution is calculated by adding together the following:

a. The market value of the endowment at a point twelve months prior to the beginning of the given fiscal year, multiplied by the 5 percent target spending rate, multiplied by a 40 percent weighting; and

b. Endowment spending in the year immediately preceding the given fiscal year, grown or reduced by an inflation factor, which is defined as the Higher Education Price Index ("HEPI"), multiplied by a 60 percent weighting.

(in thousands of dollars)

The Trustees conduct a special review in any year in which either projected endowment distributions are 0.5 percent higher or lower than the 5 percent target spending rate, or if the increase in endowment distributions over the previous year is more than 3 percentage points higher or lower than HEPI.

For fiscal 2010, the Trustees approved a decision to temporarily override the spending rule formula described above in order to begin to absorb the endowment losses experienced in fiscal 2009 earlier than the spending rule formula would allow, given the market lag effect inherent in the formula. The approved plan prescribed a spending rate for fiscal 2010 calculated as an 8% decrease of the per share spending rate that was utilized in fiscal 2009.

In addition to the base spending rate described above, two additional payout components were approved as temporary measures by the Trustees in 2008. The first is an increase in annual spending of up to 1.75 percent of the prior year beginning market value of endowments that are designated for undergraduate financial aid support. This increase began in fiscal 2009 and will be phased out as new endowments substitute for this funding source. The amount of the incremental payout for the coming year is approved annually by the Trustees' Committee on Finance as part of the budget process. The second component is an increase in annual spending ranging from 0.30 percent to 0.70 percent of the prior year beginning market value for certain endowments in categories key to the University's current development efforts, primarily unrestricted endowment and endowments for financial aid and faculty support.

8. Accounts Receivable

Accounts receivable, net, consists of the following as of June 30:

	2010	2009
Patient receivables, net of contractual allowances	$ 151,607	$ 147,708
Government agencies	137,089	106,323
NewYork-Presbyterian Hospital	68,015	70,003
Patent and licensing	20,401	17,559
Student receivables	19,642	25,063
Other receivables, gross	87,201	78,700
	483,955	445,356
Less: Allowance for doubtful accounts	(92,487)	(86,437)
Accounts receivable, net	$ 391,468	$ 358,919

Patient receivables for medical services are net of an allowance for contractual reserves in the amount of $127.4 million and $116.4 million at June 30, 2010 and 2009, respectively.

(in thousands of dollars)

9. Student Loans Receivable and Financial Aid

The University participates in various federal loan programs, in addition to administering institutional loan programs. Loans receivable from students as of June 30 are as follows:

	2010	2009
Government revolving loans	$ 69,108	$ 72,517
Institutional loans	23,016	20,255
Gross student loans	92,124	92,772
Less: Allowance for doubtful collections	(3,609)	(3,504)
Student loans receivable, net	$ 88,515	$ 89,268

In addition to the loans identified above, the University processes and authorizes loans to students through the Stafford Loan program and Federal Plus Loan program. These loans are not recorded in the University's consolidated financial statement since the University does not guarantee any federal loan funds related to these programs. The amount of loans issued under these programs was $268.1 million and $234.7 million for the years ended June 30, 2010 and 2009, respectively.

Government revolving loans are funded principally with federal advances to the University under the Perkins Loan Program and certain other programs. Advances under the Perkins Loan Program totaled $64.8 million and $63.7 million as of June 30, 2010 and 2009, respectively. These advances are classified as liabilities on the Balance Sheet. Interest earned on the revolving and institutional loan programs is reinvested to support additional loans. The repayment and interest rate terms of the institutional loans vary considerably.

Loans receivable under federally guaranteed student loan programs are subject to significant restrictions.

Undergraduate financial aid represents packages for all or part of a student's tuition, fees, room, and board. Graduate financial aid represents packages for all or part of a student's tuition and fees. Funding from external sources is obtained through government and private grants and contracts as well as private gifts and payout from certain endowment funds.

	2010			2009		
	University Sources	External Sources	Total Financial Aid	University Sources	External Sources	Total Financial Aid
Undergraduate	$ 63,870	$ 46,216	$ 110,086	$ 55,233	$ 39,485	$ 94,718
Graduate	95,868	54,456	150,324	89,324	53,876	143,200
Total financial aid grants	$ 159,738	$ 100,672	$ 260,410	$ 144,557	$ 93,361	$ 237,918

Agency activities such as tuition aid grants, federal supplemental educational opportunity grants, federal Pell, SMART, and ACG grant program are not included in the University's consolidated financial statements. Receipts from agency transactions were $12.7 million and $10.2 million, and disbursements were $12.7 million and $10.2 million in fiscal year 2010 and 2009, respectively.

(in thousands of dollars)

10. Pledges Receivable

Unconditional promises to give appear as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded after recognizing an allowance for uncollectible contributions and a discount to reflect the net present value based on projected cash flows.

The June 30 balances of unconditional promises to give are:

	2010	2009
Less than one year	$ 102,027	$ 104,641
One to five years	186,781	220,754
More than five years	11,264	12,046
Total unconditional promises	300,072	337,441
Less: Allowance for doubtful contributions	(11,350)	(13,784)
Less: Net present-value discount	(25,065)	(33,414)
Net pledges receivable	$ 263,657	$ 290,243

New pledges recorded in 2010 and 2009 were discounted at an average annual rate of 2.6 percent and 3.9 percent, respectively, using a rate that considers market and credit risk. Credit risk is also considered in the allowance for doubtful contributions.

Pledges receivable are intended for the following purposes:

	2010	2009
Endowment for educational and general purposes	$ 147,423	$ 153,361
New construction and modernization of plant	22,141	34,798
Support of University operations	94,093	102,084
Net pledges receivable	$ 263,657	$ 290,243

The University also has other outstanding pledges of $673.4 million as of June 30, 2010. These pledges represent either conditional gifts for which the probability of meeting the conditions is uncertain, verbal pledges, or other pledges that have not met the requirements for recognition. Subsequent to the Balance Sheet date, the condition for $346.9 million was met and the University expects to record the net present value of this pledge in fiscal year 2011.

11. Land, Buildings, and Equipment

Investments in land, buildings, and equipment, net, consisted of the following at June 30:

	2010			2009		
	Total Assets	Accumulated Depreciation	Net Assets	Total Assets	Accumulated Depreciation	Net Assets
Land	$ 317,293		$ 317,293	$ 302,898		$ 302,898
Building and building improvements	3,566,917	$ 1,495,467	2,071,450	3,348,024	$ 1,369,903	1,978,121
Equipment	305,777	172,250	133,527	273,903	143,786	130,117
	$ 4,189,987	$ 1,667,717	$ 2,522,270	$ 3,924,825	$ 1,513,689	$ 2,411,136

The University uses componentized depreciation to calculate depreciation expense for buildings and building improvements for research facilities included in operations. The costs of research facilities are separated into the building shell, building service systems, and fixed equipment, and each component is separately depreciated.

Equipment includes physical assets owned by the University as well as capitalized software costs and moveable equipment acquired through capitalized leases.

Building and building improvements include physical assets owned by the University as well as leasehold improvements, capitalized space leases, and construction in progress. Capital space leases at June 30, 2010 and 2009, were $93.8 million and $96.4 million, respectively.

12. Accrued Employee Benefit Liabilities

Accrued employee benefit liabilities arise from employment at the University. These include liabilities for pension, postretirement benefits, postemployment benefits, unused vacation, and deferred compensation.

Postemployment benefits relating to workers' compensation, short-term disability, and continuation of medical benefits for those on long-term disability are provided to former or inactive employees after employment but before retirement. The University records the costs of such benefits on an accrual basis if the employee has provided the services from which those benefits are derived. In 2010 and 2009, the University recognized actuarially computed liabilities of $31.9 million and $29.6 million, respectively.

13. Pension and Other Postretirement Benefit Costs

Pension Plan Benefits

Retirement benefits are provided for full-time faculty and officers under a noncontributory defined contribution plan. Contributions are determined as a percentage of each covered employee's salary, factoring in the age and accrued service of each employee. Charges to expenditures under this plan amounted to $86.4 million and $86.2 million for the years ended June 30, 2010 and 2009, respectively.

The University has four noncontributory pension plans (the "pension plans") for supporting staff employees. Two of these pension plans are defined benefit plans for both past and future service. The other two pension plans provide defined benefits for service prior to January 1, 1976, in one case, and prior to July 1, 1976, in the other. For the two latter pension plans, future benefits are provided by a defined contribution plan. All four of these pension plans are subject to collective bargaining agreements. Charges to expenditures under the pension plans amounted to $8.7 million and $4.7 million for the years ended June 30, 2010 and 2009, respectively. The University also maintains a fifth pension plan for employees of the Arden Conference Center, which closed in 2005.

Postretirement Health Care and Life Insurance Benefits

The University provides postretirement health care and life insurance benefits for certain employees. The University accrues the estimated cost of these benefits over the years that employees who are eligible render service.

(in thousands of dollars)

Obligations and Funded Status

The University adopted authoritative guidance, which requires the recognition on the Balance Sheet of the difference between benefit obligations and any plan assets of the University's defined benefit and other postretirement benefit plans. In addition, the authoritative guidance requires unrecognized amounts (e.g., net actuarial gains or losses and prior service cost or credits) to be recognized as changes to unrestricted net assets and that those amounts be adjusted as they are subsequently recognized as components of net periodic pension cost.

Amounts recognized in unrestricted net assets are as follows:

	Pension Plan Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Net actuarial loss	$ 48,802	$ 36,950	$ 117,305	$ 81,396
Prior service cost	948	1,041	(31,447)	(8,760)
Transition obligation				
Total amount recognized	$ 49,750	$ 37,991	$ 85,858	$ 72,636

The components of accrued benefit costs for pension benefits and other postretirement benefits are as follows:

	Pension Plan Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Change in benefit obligation:				
Benefit obligation, beginning of year	$ 94,543	$ 90,842	$ 171,807	$ 169,226
Service cost	2,784	2,827	7,143	5,492
Interest cost	6,188	6,217	11,640	11,178
Plan participants' Contributions	-	-	3,573	3,003
Actuarial (gain) loss	16,935	(653)	45,117	15,505
Plan amendments	-	-	(26,848)	(20,469)
Assumption Changes	380	(27)	-	-
Net disbursements and transfers	(4,862)	(4,663)	(10,286)	(12,128)
Benefit obligation, end of year	$ 115,968	$ 94,543	$ 202,146	$ 171,807
Change in plan assets:				
Fair value of assets, beginning of year	$ 67,844	$ 82,973	$ 78,796	$ 112,160
Actual return on plan assets	10,944	(12,236)	9,115	(24,655)
Employer contributions	3,074	1,770	12,404	-
Plan participants' contributions	-	-	3,573	4,760
Net disbursements and transfers	(4,862)	(4,663)	(10,925)	(13,469)
Fair value of assets, end of year	$ 77,000	$ 67,844	$ 92,963	$ 78,796
Net amount recognized	$ (38,968)	$ (26,699)	$ (109,183)	$ (93,011)

	2010	2009
Weighted -average assumptions used to determine end of year benefit obligation		
Discount rate	4.6% to 5.5%	6% to 6.55%
Rate of compensation increase	3.5% to 4.25%	3.5% to 4.25%

(in thousands of dollars)

The accumulated benefit obligations for the pension plans at June 30, 2010 and 2009 were $103.7 million and $84.6 million, respectively.

At the end of 2010 and 2009, the projected benefit obligation and accumulated benefit obligation exceeded pension plan assets for four of the five plans.

The projected benefit obligation for the pension plans with a benefit obligation in excess of plan assets were as follows:

	2010	2009
End of year		
Projected benefit obligation for pension plans	$ 112,426	$ 82,230
Fair value of plan assets	72,791	55,014

The accumulated postretirement benefit obligation for the other postretirement benefit plan and the fair value of plan assets with an accumulated postretirement benefit obligation in excess of plan assets was as follows:

	2010	2009
End of year		
Accumulated postretirement benefit obligation	$ 202,146	$ 171,807
Fair value of plan assets	92,963	78,796

An 8 percent annual rate of increase in the per capita cost of covered health care benefits for the other postretirement benefit plan was assumed for 2011. The rate was assumed to decrease gradually to 5 percent for 2016 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effect:

	1-%-point increase	1-%-point decrease
Effect on accumulated postretirement benefit obligation	$ 20,226	$ (16,428)

The asset allocation for the two defined benefit plans for both past and future service at June 30, 2010 and 2009, and the target allocation for 2011, by asset category, follows:

	Target allocation	Percentage of plan assets at year's end	
	2011	**2010**	**2009**
Asset category			
U.S. large cap equity	20%	20%	20%
International equities	15%	15%	15%
High yield fixed income securities	15%	16%	15%
U.S. core fixed income	50%	49%	50%
	100%	100%	100%

(in thousands of dollars)

The asset allocation for the two defined benefit plans for prior service only at June 30, 2010 and 2009, and the target allocation for 2011, by asset category, follows:

	Target allocation	Percentage of plan assets at year's end	
	2011	**2010**	**2009**
Asset category			
U.S. large cap equity	10%	10%	10%
International equities	5%	5%	5%
High yield fixed income securities	5%	5%	5%
U.S. core fixed income	80%	80%	80%
	100%	100%	100%

The retirement plan for the employees of Arden Conference Center was invested in equity securities, including mutual funds, 24 percent, and debt securities, 76 percent.

The following presents investments of the pension benefits plans as of June 30, 2010. The Plans' investments in common collective trusts and mutual funds are included as Level 2 because fair value is based on quoted prices for similar instruments or other observable inputs. Level 3 assets represent fixed income related investment contracts with a major life insurance company.

	Level 1	**Level 2**	**Level 3**	**Total**
Common collective trust funds				
Global equity	$ -	$ 23,494	$ -	$ 23,494
Fixed income		50,934		50,934
Mutual funds		610		610
Fixed income investment contracts			1,962	1,962
Investments, at fair value	$ -	$ 75,038	$ 1,962	$ 77,000

The following table is a rollforward of the amounts for investments classified within Level 3 as described above.

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	June 30, 2009	**Purchases & Sales, net**	**Investment gain/(loss)**	**June 30, 2010**
Investment contracts	$ 1,967	$ (139)	$ 134	$ 1,962
Total level 3 investments	$ 1,967	$ (139)	$ 134	$ 1,962

The asset allocation for the other postretirement benefit plan at June 30, 2010 and 2009, and the target allocation for 2011, by asset category, follows:

	Target allocation	Percentage of plan assets at year's end	
	2011	**2010**	**2009**
Asset category			
U.S. large cap equity	59%	58%	59%
International equity	16%	16%	16%
U.S. fixed income	25%	26%	25%
	100%	100%	100%

(in thousands of dollars)

The following presents investments of the other postretirement benefit plan as of June 30, 2010. The Plans' investments in common collective trusts and mutual funds are included as Level 2 because fair value is based on quoted prices for similar instruments or other observable inputs.

	Level 1	Level 2	Level 3	Total
Common collective trust funds				
Global Equity	$ -	$ 68,988	$ -	$ 68,988
Fixed Income		23,976		23,976
Investments, at fair value	$ -	$ 92,964	$ -	$ 92,964

Net Periodic Pension Cost

The components of net periodic benefit cost for pension benefits and other postretirement benefits are as follows:

	2010	2009	2010	2009
Components of net periodic benefit cost				
Service cost	$ 2,784	$ 2,827	$ 7,143	$ 5,492
Interest cost on projected benefit obligation	6,188	6,217	11,640	11,178
Expected return on assets	(6,222)	(7,038)	(6,956)	(7,251)
Amortization of transition obligation	-	-	-	686
Amortization of prior service cost	93	93	(4,160)	(993)
Amortization of unrecognized net losses	741	503	7,429	3,292
Net periodic benefit cost	3,584	2,602	15,096	12,404
Other changes in plan assets and benefit obligations recognized in the Consolidated Statement of Activities				
Current year actuarial (gain)/loss	12,593	18,703	43,339	47,518
Amortization of actuarial gain/(loss)	(741)	(503)	(7,429)	(3,292)
Current year prior service (credit)/cost	-	-	(26,848)	(20,469)
Amortization of prior service credit/(cost)	(93)	(93)	4,160	993
Amortization of transition asset/(obligation)	-	-	-	(686)
Total recognized in nonoperating	11,759	18,107	13,222	24,064
Total recognized in net periodic benefit cost and nonoperating	$ 15,343	$ 20,709	$ 28,318	$ 36,468

	Pension Plan Benefits	Other Postretirement Benefits
Amounts in net unrestricted assets expected to be recognized in net periodic pension cost in fiscal 2011		
Actuarial (gain)/loss	$ 2,177	$ 8,826
Prior service (credit)/cost	93	(6,577)
	$ 2,270	$ 2,249

	2010	2009
Weighted-average assumptions used to determine net periodic pension cost		
Discount rate	6.0% to 6.55%	6.25% to 6.8%
Expected return on plan assets	6.25% to 7.5%	6.5% to 8%
Rate of compensation increase	3.5% to 4.25%	5% to 5.5%

(in thousands of dollars)

Due to a significant plan amendment of the other postretirement plan in October 2008, there was a remeasurement of plan benefit obligations and assets for this plan. The discount rate used for remeasurement of benefit obligations was 7.85 percent.

To arrive at assumptions for expected long term rates of return on assets in the pension plan and the postretirement benefit plan, the University considered historical returns and future expectations for returns in each asset class in the asset allocation for the previously described pension and postretirement benefit portfolios.

Assumed health care cost trend rates have a significant effect on the amounts reported for the other postretirement benefit plan. A one-percentage-point change in the assumed health care cost trend rates would have had the following effect:

	1%-point increase	1%-point decrease
Effect on total service and interest cost	$ 2,094	$ (1,656)

Expected Cash Flows
Information about the expected cash flows for the plans is as follows:

	Pension Benefits	Other Postretirement Pension Benefits
University contributions:		
2011 (expected)	$ 8,241	$ 15,096
Expected benefit payments:		
2011	5,226	10,787
2012	5,398	11,588
2013	5,597	12,142
2014	5,816	12,604
2015	6,043	12,932
2016-2020	34,269	65,221
Total	$ 62,349	$ 125,274

Total benefits expected to be paid include both the University's share of the benefit cost and the participants' share of the cost, which is funded by participant contributions to the other postretirement benefit plan. The University receives a Medicare Part D subsidy from the federal government as reimbursement for certain retiree health benefits paid to plan participants.

14. Lease Obligations

The University is the lessee of various equipment and space under noncancelable operating and capital leases. Capital lease obligations at June 30, 2010 and 2009, were $116.1 million and $119.0 million, respectively. Operating lease rental expense for the years ended June 30, 2010 and 2009, were approximately $26.7 million and $24.4 million, respectively. Space leases contained customary escalation clauses, which are included in annual aggregate minimum rentals.

(in thousands of dollars)

Future aggregate minimum rental payments under operating and capital leases are as follows:

Future minimum rental payments:	**Operating**	**Capital**
2011	$ 23,757	$ 8,216
2012	19,535	6,792
2013	13,975	6,105
2014	9,904	5,210
2015	8,286	4,641
Thereafter	75,672	268,449
Less: Interest at 2.540 percent to 5.310 percent		(183,304)
Capital lease obligations at June 30, 2010		$ 116,109

15. Conditional Asset Retirement Obligations

Conditional asset retirement obligations are a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability. GAAP requires that the fair value of a liability for a conditional asset retirement obligation be recognized in the period in which it occurred if a reasonable estimate of fair value can be made.

Conditional asset retirement obligations related to remediation or disposal of asbestos, underground storage tanks, soil, and radioactive sources and equipment were $105.0 million and $98.8 million at June 30, 2010 and 2009, respectively.

(in thousands of dollars)

16. Bonds and Notes Payable

Bonds and notes payable outstanding at June 30, 2010 and 2009, are as follows:

	2010	2009
Dormitory Authority of the State of New York, tax exempt revenue bonds, Columbia University issues		
Series 2009 A, variable rate, 0.10% to 0.30%, maturing 2039	$ 117,000	$ 117,000
Series 2008 A, 4.00% to 5.00%, maturing 2038	282,715	282,715
Series 2006 A, 4.75% to 5.25%, maturing 2031	209,070	214,640
Series 2006 B, 3.50% to 5.25%, maturing 2022	146,735	150,075
Series 2004 A2, 5.00%, maturing 2014	46,500	46,500
Series 2004 B, 4.75% to 5.125%, maturing 2024	79,625	83,700
Series 2004 C, 5.00%, maturing 2029	48,270	48,270
Series 2003 A, 3.50% to 5.125%, maturing 2024	66,615	69,995
Series 2003 B, variable rate, 0.09% to 0.35%, maturing 2028	30,000	30,000
Series 2002 A, 5.25%, maturing 2014	20,145	24,570
Series 2002 B, 5.00% to 5.25%, maturing 2024	33,910	37,400
Series 2002 C, variable rate, 0.20% to 0.60%, maturing 2027	23,300	23,300
Series 2000 A, 5.00% to 5.25%, maturing 2025	35,060	39,000
Series 1994 A, 5.75%, maturing 2010		11,300
	1,138,945	1,178,465
Dormitory Authority of the State of New York, tax-exempt commercial paper		
Series 1997, variable rate, 0.20% to 0.35%, final maturity 2015	24,575	29,820
New Jersey Economic Development Corporation		
Series 2002, variable rate, 0.20% to 0.35%, final maturity 2028	8,240	8,580
United States Department of Education Housing Program Issues:		
1991, 5.50%, maturing 2021 *		1,533
1990, 3.00%, maturing 2020 *		1,729
Medium-Term Notes, Taxable Series C 6.53% to 7.36%, maturing 2021	127,829	140,359
Empire State Development Corporation Issues:		
Interest-free, maturing 2029	8,203	8,378
Interest-free, maturing 2015	8,100	7,570
Economic Development Corporation		
Interest-free, maturing 2015	10,000	9,346
Dormitory Authority of the State of New York College and University Education Loan Revenue Bonds		
Series 1993, 5.60% to 5.65%, maturing 2013	2,226	2,839
Series 1992, 6.80%, maturing 2013	2,015	2,436
Promissory Note, 8%, maturing 2010	3,000	3,000
Promissory Note, 11%, maturing 2010		2,352
	194,188	217,942
Total bonds and notes payable	$ 1,333,133	$ 1,396,407

* *Principal fully collateralized by investments*

(in thousands of dollars)

Estimated principal payments on bonds and certificates are summarized below:

Year	**Principal**
2011	$ 63,014
2012	61,984
2013	148,689
2014	65,567
2015	62,594
Thereafter (through 2039)	931,285
Total	$ 1,333,133

At June 30, 2010, the University's bonds and notes payable had a carrying amount of approximately $1,333.1 million, compared to an estimated fair value of $1,438.3 million. The estimated fair value of bonds and notes payable was calculated using a discounted cash flow method, where the estimated cash flows were based on contractual principal and interest payments. The discount rates used were based on the University's borrowing rate for similar obligations. Fair values represent the lower of the estimated value at call or maturity of each respective issue.

The University may offer from time to time up to $400 million aggregate principal amount of Medium-Term Notes. As of June 30, 2010, $127.8 million was outstanding. The University also has a $150 million taxable commercial paper program. As of June 30, 2010, none of the taxable commercial paper was outstanding.

The University issues most of its tax-exempt debt through the Dormitory Authority of the State of New York ("DASNY"). On May 14, 2009, the University issued $117 million of Series 2009A variable rate bonds in the weekly rate mode at par. The proceeds from Series 2009A were used to finance various construction and renovation projects.

On October 1, 2008, the University entered into a $200 million notional value forward starting, fixed payor swap agreement to protect against the risk of interest rate changes. The estimated fair value of the agreement was ($49.0) million and ($36.7) million at June 30, 2010 and 2009, respectively. The fair value of the swap is obtained by taking the present value of all future cash flows on the swap implied by the forward curve.

The University has certain financial and administrative covenants with which it was in compliance as of June 30, 2010 and 2009.

17. Insurance

In connection with managing financial risks through various third-party insurance programs, the University is self-insured in certain areas. Funded self-insurance liabilities primarily cover deductibles on general liability and property insurance claims. Self-insurance liabilities are actuarially calculated on an annual basis. The University has recorded self-insurance liabilities of approximately $111.9 million and $111.7 million as of June 30, 2010 and 2009, respectively. The University's core liability coverage is purchased through Pinnacle RRG, a Vermont-based risk retention group with fifteen other universities.

The University obtains medical malpractice insurance through MCIC and MLMIC. MCIC is a group-captive insurance company owned by the University, Johns Hopkins, Yale, Rochester, and Weill Cornell Medical School and their respective major teaching hospitals, including NYPH. MLMIC is a mutual company where policyholders are owners, with full voting rights to elect the company's Board of Directors, thereby having direct input into vital areas of operation. The governing Board is comprised primarily of practicing physicians, dentists, and hospital administrators. More than 980 of the University's faculty physicians and dentists are enrolled in MCIC or MLMIC.

18. Related Party Transactions

The University maintains several clinical and education affiliation agreements with other organizations. Revenues and expenses from these agreements are accounted for in the operating activities segment of the Consolidated Statement of Activities. The most significant affiliation agreement is with the NYPH.

The University has an alliance dating back to 1921 with Presbyterian Hospital, which merged with New York Hospital effective January 1, 1998, and formed the new corporate entity called NewYork-Presbyterian Hospital. The University provides NYPH with medical, professional, and supervisory staff as well as other technical assistance. These services are reimbursed by NYPH. NYPH provides funding to the clinical departments for specific purposes, including administration, supervision, and teaching of the NYPH resident staff and salary support for faculty and staff providing services to NYPH. In addition, NYPH provides funding for clinical programs that the University and NYPH would like to see developed or expanded. NYPH also provides the departments with certain facilities and services (outpatient faculty practice offices, nursing, telecommunications, etc.) for which the University is invoiced on a monthly basis. Finally, the University and NYPH collaborate and fund joint projects for which specific agreements are negotiated.

The University and NYPH negotiated a joint budget, which forms the basis for the reimbursement agreement. The fiscal year 2010 joint budget was approximately $170 million. The payments to NYPH for goods and services were $72 million. The revenues received pursuant to this reimbursement arrangement for services rendered are reflected in the consolidated financial statements as a portion of "Patient care revenue." The expenses related to this agreement are reflected in "Patient care expense."

The University records both receivables from and payables to NYPH on the Consolidated Balance Sheet. The University has no liability for obligations and debt incurred by NYPH.

The University has financial arrangements with several for-profit physician professional corporations ("PCs"), whereby the University provides facilities and other services to these PCs for a negotiated fee. These PCs provide clinical services to patients and are owned and controlled by physicians who are also faculty members of the University. These noncontrolled PCs generated revenue of approximately $73 million and $61 million during fiscal year 2010 and 2009, respectively, which has not been consolidated into the University's consolidated financial statements. The University is also the sole corporate member of two not-for-profit physician private practice entities and, as such, consolidates these entities into the University's consolidated financial statements.

Pursuant to the consent of the Trustees of the CPMC Fund, Inc., in June 2010, the CPMC Fund, Inc. transferred three endowments to the University. The value of the endowments at the time of transfer was $12.7 million, with $3.1 million being permanently restricted. During FY2009, the CPMC Fund, Inc. transferred five professorship endowments to the University. The value of the endowments at the time of transfer was $29.4 million, with $4.9 million being permanently restricted.

19. Contingencies and Commitments

From time to time, various claims and suits generally incident to the conduct of normal business are pending or may arise against the University.

In the opinion of counsel and management of the University, after taking into account insurance coverage, losses, if any, from the resolution of pending litigation should not have a material effect on the University's financial position or results of operations.

All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from audits of government grants and contracts by government agencies, claims, and suits is presently not determinable, it should not, in the opinion of counsel and management, have a material effect on the University's financial position or results of activities.

The University is subject to laws and regulations concerning environmental remediation and will, from time to time, establish reserves for potential obligations that management considers probable and for which reasonable estimates can be made. As of June 30, 2010, the University has recorded $105.0 million for conditional asset retirement obligations. These estimates may change depending upon the nature and extent of contamination, appropriate remediation technologies, and regulatory approvals. The University is not aware of any existing conditions that it currently believes are likely to have a material adverse effect on the University's financial position, changes in net assets, or cash flows.

The University has entered into contracts to purchase properties with an aggregate value of $43.2 million. As of June 30, 2010, approximately $32.7 million is still outstanding.

The University has made commitments related to its expansion in Manhattanville, certain of which are based upon events in the future which would result in cash and in-kind payments from the University.

The University offered a loan program for students and families to pay tuition, fees and other costs. Loans were issued by a private lending institution and are guaranteed by the University. Upon default by the borrower, the University is required to pay all or a portion of the outstanding loan balance. The amount guaranteed is $5.0 million at June 30, 2010.

The University has performed an evaluation of subsequent events through October 12, 2010, which is the date the consolidated financial statements were issued.

(in thousands of dollars)

20. Expense Allocation by Program

Expenses are reported for the University's primary program activities. The consolidated financial statements also report certain categories of expenditures that support more than one major program of the University. These expenses include operation and maintenance of plant, depreciation expense, and interest expense.

These costs are allocated to the applicable program activities as indicated in the following chart:

	2010			2009		
	Expenses per Statement of Activities	Allocation	Final Allocated Expenses	Expenses per Statement of Activities	Allocation	Final Allocated Expenses
Instruction and educational administration	$ 1,171,438	$ 214,000	$ 1,385,438	$ 1,140,812	$ 211,557	$ 1,352,369
Research	483,870	96,323	580,193	432,538	94,371	526,909
Patient care expense	701,694	5,758	707,452	677,829	5,658	683,487
Library	60,307	51,483	111,790	61,098	51,435	112,533
Operation and maintenance of plant	187,857	(187,857)		179,067	(179,067)	
Institutional support	203,575	26,690	230,265	206,950	26,691	233,641
Auxiliary enterprise	91,087	13,983	105,070	91,120	13,632	104,752
Depreciation expense	165,794	(165,794)		160,870	(160,870)	
Interest expense	54,790	(54,790)		63,618	(63,618)	
Other	38,076	204	38,280	50,135	211	50,346
	$ 3,158,488		$ 3,158,488	$ 3,064,037		$ 3,064,037

The allocation of operation and maintenance of plant is based on square footage occupancy. Depreciation expense includes depreciation of buildings and building improvements and equipment. The allocation of depreciation on buildings and building improvements is based on square footage occupancy. Depreciation on equipment is allocated to the programs for which the equipment was purchased. Interest expense is allocated according to the same methodologies used for building depreciation.