

Yeshiva University and Related Entities

Consolidated Financial Statements
June 30, 2012 and 2011

Yeshiva University and Related Entities

Index

June 30, 2012 and 2011

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

| (in thousands of dollars) | 2012 | Revised 2011 |
|---|-------------------|-----------------|
| Assets | | |
| Cash and cash equivalents | \$ 4,290 | \$ 4,015 |
| Contributions receivable, net (Note 7) | 312,537 | 141,442 |
| Grants and contracts receivable | 40,505 | 39,892 |
| Mortgage loans receivable | 20,289 | 21,047 |
| Due from affiliated organizations (Note 8) | 1,674 | - |
| Student receivable, net (Note 7) | 65,459 | 60,610 |
| Other assets (Note 7) | 63,469 | 36,195 |
| Investments (Note 3, 5 and 6) | 953,766 | 1,023,694 |
| Funds held by bond trustees (Note 11) | 17,605 | 15,906 |
| Trusts and split-interest agreements held by others | 20,536 | 21,140 |
| Land, buildings, and equipment, net (Note 9) | 728,015 | 736,310 |
| Total assets | \$ 2,228,145 | \$ 2,100,251 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 97,469 | \$ 98,123 |
| Deferred revenue | 16,253 | 9,434 |
| Line of credit (Note 11) | 98,724 | 27,516 |
| Trusts held for others | 5,628 | 5,449 |
| Other liabilities (Note 12) | 60,094 | 45,155 |
| Refundable advances from the U.S. Government | 6,008 | 5,995 |
| Bonds payable and other debt (Note 11) | 406,863 | 347,071 |

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

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

| (in thousands of dollars) | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---------------------------|--------------|---------------------------|---------------------------|-------|--------------|---------------------------|---------------------------|-------|
|---------------------------|--------------|---------------------------|---------------------------|-------|--------------|---------------------------|---------------------------|-------|

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

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

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

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

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

(in thousands of dollars)

1. Discussion of Operations

Yeshiva University (the "University") is a private, nonprofit institution of higher education primarily based in New York City. The University is composed of several colleges and schools providing undergraduate, graduate, professional, and post-doctoral education and training. The University performs research and clinical services at its Albert Einstein College of Medicine ("Einstein") under grants, contracts, and similar agreements with sponsoring organizations.

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In addition, Einstein entered into a lease agreement with Montefiore in 1979, whereby Einstein granted exclusive occupation, management, and control of Weiler Hospital of Albert Einstein College of Medicine ("WHAECOM ") to Montefiore. The lease expires in 2045. The agreement provides for payments of rent, personal services, and various other charges. The lease payments for fiscal 2013 amount to \$2,091 with annual increases thereafter of approximately 2% through 2045. The rental income on this lease is recognized evenly over the life of the lease, and accordingly, a rent receivable of \$6,900 and \$6,227 is included in Other assets in the Consolidated Statements of Financial Position at June 30, 2012 and 2011, respectively.

Clinical Programs

Einstein operates numerous clinics for several programs under contracts with various agencies of New York State and New York City. The clinics primarily provide mental health and rehabilitation services to adults and children, and treatment for drug and alcohol abuse.

Related Entities

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

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

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

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

Affiliated Organizations

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

Tax Status

The University is a not-for-profit corporation described in Internal Revenue Code Section 1100-20(s)(1)(3)(j)(7)(d)(m)-2

Yeshiva University and Related Entities
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(in thousands of dollars)

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in temporary restricted net assets until appropriated by the University. Contributions subject to donor-imposed restrictions that the gift be maintained permanently are recognized as increases in permanently restricted net assets. Contributions and investment return subject to donor-imposed restrictions that are met in the same reporting period as received are reported as increases in unrestricted net assets. Expirations of temporary restrictions on prior year net asset balances are reported as net assets released from restriction.

Tuition and Fees

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

Scholarships, Tuition Grants and Aid

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

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(in thousands of dollars)

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

Depreciation is computed on a straight line basis over the assets estimated useful lives. Depreciable lives of buildings and improvements are 50 years for building shell and up to 28 years for all other building components. Depreciable lives of equipment, furniture, and fixtures range from 5 to 15 years and 5 to 10 years for software.

Annually, in accordance with the terms of the lease of WHAECOM (Note 1), Montefiore contributes to the Weiler Hospital Capital Account. These funds are segregated from all other assets of the University held for the benefit of Einstein and can be used only to fund capital expenditures for WHAECOM.

Student Accounts Receivable and Allowance for Doubtful Accounts

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

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The University is also the beneficiary of certain perpetual trusts and other split-interest agreements held and administered by others. The present value of the estimated future cash receipts from the trusts and agreements

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

Reclassifications

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

Other Significant Accounting Policies

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

3. Investments

The University manages an investment portfolio on behalf of the University, its related entities, and its unconsolidated affiliated organizations (Note 1). At June 30, 2012 and 2011, the University

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(in thousands of dollars)

4. Spending Rate and Investment Return

The University utilizes a spending rate in allocating income earned on the Consolidated Investment Pool. In accordance with the current spending rate policy, 5.5% of the fair value per unit in the Consolidated Investment Pool, based on a 12-quarter rolling average at December 31 of the previous fiscal year, is available for expenditure for the fiscal year commencing July 1. If interest and dividends earned during the year are not sufficient to support the authorized spending level, the balance is provided from current and, if necessary, prior period realized gains to the extent permitted by applicable law. If investment return is in excess of the authorized spending level, the balance is reinvested. In addition to the customary spending rate, an appropriation of accumulated endowment gains for expenditure was also approved by the Board of Trustees in fiscal 2011, please refer to Note 5 for specific amounts and transaction details.

The following summarizes the University ¶

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(in thousands of dollars)

Included in fiscal 2011

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(in thousands of dollars)

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

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

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

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

Financial Reporting of Endowments

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

For financial reporting purposes, donor-restricted endowment fund appreciation, gains and income

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As noted previously, for each donor-restricted endowment fund, the University classifies the portion of the fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure by the University. In initially applying the guidance to its donor-restricted endowment funds in existence upon NYPMIFA § enactment, the University determined the accumulated amounts earned on donor-restricted endowment funds in excess of appropriation which were previously reflected within unrestricted net assets. As a result, in fiscal year 2011 a reclassification from unrestricted net assets to temporarily restricted net assets of approximately \$210 million was reflected within the Consolidated Statement of Activities until they are appropriated for expenditure.

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

| | 2012 | | | |
|----------------------------------|------------------|---------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor-restricted endowment funds | \$ (18,756) | \$ 250,129 | \$ 572,408 | \$ 803,781 |
| Board-designated endowment funds | 94,337 | 7,637 | - | 101,974 |
| Total endowment net assets | <u>\$ 75,581</u> | <u>\$ 257,766</u> | <u>\$ 572,408</u> | 905,755 |
| Life income funds liabilities | | | | 5,628 |
| Other funds | | | | 42,383 |
| Total investments | | | | <u>\$ 953,766</u> |
| | 2011 | | | |
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor-restricted endowment funds | \$ (15,153) | \$ 279,215 | \$ 551,859 | \$ 815,921 |
| Board-designated endowment funds | 98,942 | 4,337 | - | 103,279 |
| Total endowment net assets | <u>\$ 83,789</u> | <u>\$ 283,552</u> | <u>\$ 551,859</u> | 919,200 |
| Life income funds liabilities | | | | 5,449 |
| Other funds | | | | 99,045 |
| Total investments | | | | <u>\$ 1,023,694</u> |

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Appropriations of Accumulated Endowment Gains

During fiscal years 2008 through 2011, the University utilized a total of approximately \$110 million from the University's Consolidated Assets (Cash, Pledges, and Investments) for operating deficits of approximately \$80.2 million related to the Manhattan Campuses, approximately \$9 million related to operating deficits of RIETS and approximately \$20.8 million related to operating deficits of the High Schools. In fiscal year 201

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(in thousands of dollars)

| | June 30, 2011 | | | | |
|---|---------------|------------|------------|------------------------------|--------------|
| | Level 1 | Level 2 | Level 3 | Unconsolidated Affiliates | Total |
| Investments | | | | | |
| Cash and cash equivalents | \$ 28,952 | \$ - | \$ - | \$ - | \$ 28,952 |
| Mutual funds | 167,751 | - | - | - | 167,751 |
| U.S. Government obligations | 75,793 | - | - | - | 75,793 |
| State of Israel bonds | - | - | 13,455 | - | 13,455 |
| Corporate bonds | 876 | - | - | - | 876 |
| Corporate stocks | 44,763 | - | - | - | 44,763 |
| Alternative investments | - | 150,713 | 646,903 | - | 797,616 |
| Alternative investment receivables | - | 17,391 | 10,542 | - | 27,933 |
| Gift annuities | 877 | - | - | - | 877 |
| Other | 303 | - | 4,273 | - | 4,576 |
| Less: Unconsolidated affiliates' (RIETS and High Schools) interests in the investment portfolio | - | - | - | (138,898) | (138,898) |
| Investments, at fair value | 319,315 | 168,104 | 675,173 | (138,898) | 1,023,694 |
| Trusts and split-interest agreements held by others | 19,142 | - | 1,998 | - | 21,140 |
| Funds held by Bond Trustees | 15,906 | - | - | - | 15,906 |
| Total investments and assets at fair value | \$ 354,363 | \$ 168,104 | \$ 677,171 | \$ (138,898) | \$ 1,060,740 |

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

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds underlying holdings. Because the net asset value reported by each fund is used as a practical expedient to estimate the fair value of the University's interest therein, its classification in Level 2 or 3 is based on the University's ability to redeem its interest at or near June 30. If the interest can be redeemed in the near term, defined as within 90 days from the measurement date of June 30, 2012, then the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

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(in thousands of dollars)

The University uses Net Asset Value (NAV) to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. Per the applicable guidance, the following table lists investments in other investment companies by investment strategy including alternative investment receivables. All percentages are based on NAV as of June 30, 2012.

| Investment Strategy | # of Funds | Fair Value Determined Using NAV | Remaining Life (Years) | Unfunded Commitments | Redemption Frequency & Notice Periods | % | Redemption Restrictions (Lock-ups) | Redemptions Placed |
|---------------------|------------|---------------------------------|------------------------|----------------------|---------------------------------------|---|------------------------------------|--------------------|
| Equity | 2 | 57,164 | NA | NA | | | | |

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

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(in thousands of dollars)

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

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

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

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(in thousands of dollars)

7. Receivables and Other Assets

Contributions Receivable

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

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

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

Student Receivable

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

Student loan programs are funded by donor contributions, other institutional sources, and governmental programs, primarily the Federal Perkins Loan Program. The amounts received from the federal government ¶

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(in thousands of dollars)

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

The two tables below provide enhanced disclosures about the student loan receivables and the allowances associated with federal and institutional loan programs as well as student tuition receivables at June 30, 2012 and June 30, 2011.

| | 2012 | | Net Receivable |
|----------------------------------|------------|------------|-------------------|
| | Receivable | Allowance | |
| Federal revolving loans | \$ 7,266 | \$ (1,293) | \$ 5,973 |
| Institutional loans | 52,752 | (7,510) | 45,242 |
| Accrued Interest | 3,256 | (2,325) | 931 |
| Total student loans receivable | 63,274 | (11,128) | 52,146 |
| Total student tuition receivable | 16,498 | (3,185) | 13,313 |

| | 2011 | | Net Receivable |
|----------------------------------|------------|------------|-------------------|
| | Receivable | Allowance | |
| Federal revolving loans | \$ 7,805 | \$ (1,229) | \$ 6,576 |
| Institutional loans | 53,045 | (6,241) | 46,804 |
| Accrued Interest | 2,979 | (2,120) | 860 |
| Total student loans receivable | 63,829 | (9,590) | 54,240 |
| Total student tuition receivable | 9,297 | (2,927) | 6,370 |
| Total Student Receivable | 73,126 | (12,517) | 60,609 |

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

The University's 2012 and 2011 budgets that were approved by the Finance Committee of the Board of Trustees provided a subsidy for the operating deficit and the allocated expenses associated with the High Schools.

9. Land, Building, and Equipment, net

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

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

During the years ended June 30, 2012 and 2011, the University capitalized into building and improvements \$0 and \$618 for the substance abuse treatment facility owned and operated by the University at Waters Place (the Water Place Facility), \$688 and \$922 for the Michael F. Price Center for Genetic and Translational Medicine

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(in thousands of dollars)

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

Yeshiva University and Related Entities

Details of the line of credit, bonds payable, and other debt as of June 30, 2012 and 2011 are as follows:

| Description | Maturity Date | Interest Rate | Amount Outstanding at June 30, 2012 | Amount Outstanding at June 30, 2011 |
|---|-------------------|---------------|-------------------------------------|-------------------------------------|
| Bonds payable | | | | |
| Dormitory Authority of the State of New York Insured Revenue Bonds | | | | |
| Series 2011 ^(a) | November 1, 2041 | ± | \$ 93,073 | \$ - |
| Series 2009 ^(b) | September 1, 2038 | ± | 141,522 | 142,304 |
| Series 2004 ^(c) | July 1, 2034 | ± | 88,526 | 91,863 |
| Series 2001 ^(d) | July 1, 2030 | ± | 3,050 | 50,360 |
| Subtotal- DASNY Bonds | | | 326,171 | 284,527 |
| Mortgages payable ^{(e)(S)4(NY)16(B)5(on)4(ds)] TJ ET BT 1 0 00s 2001} | | | | |

a. In September 2011, the Dormitory Authority of the State of New York (DASNY) issued \$90,000 of Revenue Bonds Series 2011A (Series 2011A Bonds) on behalf of the University. The Series 2011A Bonds bear interest rates ranging from 4% to 5% with principal payments due at various dates commencing November 1, 2014, with a final maturity date of November 1, 2040. The Series 2011A Bonds are secured by the pledge of revenues, and all funds established by and for the Series 2011A Bonds. A portion of the proceeds of the Series 2011A Bonds is to be used for the payment of, or to reimburse the University for the payment of, certain capital expenditures and to reimburse \$20.5 million on the line of credit. A portion of the Series 2011A Bonds was used to refund all but \$3.1 million of the Series 2001 Bonds.

b. In July 2009, DASNY issued \$140,820 of revenue bonds (Series 2009 Bonds) on behalf of the University. Principal payments commence September 1, 2016. The Series 2009 bonds are general unsecured obligations of the University; no security interest or mortgage encumbering University revenues or assets was granted in connection with the issuance of the Series 2009 Bonds. A portion of the proceeds of the Series 2009 Bonds was used for the payment of, or to reimburse the University for the payment of, certain capital expenditures. A portion of the Series 2009 Bonds was used to refund the out and 9l-8(es)-4(us)5(p)-8(orti)3(o)-9(n)] TJ E 6rh.4Tm E 6rhctio

Yeshiva University and Related Entities
Notes to Consolidated Financial Statements
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- c. In June 2004, DASNY issued \$100,000 of insured revenue bonds (Series 2004 Bonds) on behalf of the University. Of this amount, \$90,000 was utilized for the construction of a biomedical facility, which houses the Price Center/Block Pavilion at Einstein. The remaining \$10,000 was used for projects at the Manhattan Campuses. The Series 2004 Bonds are secured, subject to prior secured revenues, by a portion of the University's unrestricted revenues equal to the amount of principal and interest due in any year. Payment of principal and interest on the Series 2004 Bonds is guaranteed by Ambac Assurance Corporation.
- d. In April 2001, DASNY issued \$65,000 of Insured Revenue Bonds Series 2001 (Series 2001 Bonds) on behalf of the University. Of this amount, \$41,815 was issued to renovate existing facilities and acquire new facilities. The remaining amount of \$23,185 was issued to defease the DASNY Series 1994 Bonds. The University was released from its obligation with respect to the Series 1994 Bonds, and accordingly, the trustee assets and debt are excluded from the Consolidated Statements of Financial Position. The Series 2001 Bonds are secured by a portion of the University's unrestricted revenues equal to the amount of principal and interest due in any year. Payment of principal and interest on the Series 2001 Bonds is guaranteed by Municipal Bond Investors Assurance Corporation.
- e. In January 2007, in connection with the purchase of 12 Manhattan residential apartment buildings, the University assumed outstanding mortgage debt of \$20,698. Since that time, the mortgage debt encumbering two of the properties has been repaid in full, and most of the remaining debt has been refinanced. The University or its related entities have made and continue to make payments on all of these mortgages, which mature on various dates through between 2014 and 2021, management believes that any potential liability arising from the increase in interest rates will not have a material impact on the University's financial position.

At June 30, 2012, approximately \$2 million of the mortgages payable were scheduled to mature within the next year. The note payable was refinanced November 1, 2011 at 4.75% over a period of 5 years with renewal options at varying rates up to 25 years.

- f. The notes payable mature on various dates through March 31, 2029.
- g. OASAS required the University to borrow approximately \$19.7 million from DASNY in order to reimburse OASAS for costs paid by OASAS to construct the Waters Place substance abuse treatment facility owned and operated by the University. The loan closed in October 2011 and is payable over 20 years and is secured by a mortgage on the facility. Although the loan is an obligation of the University, debt service on the loan is expected to be funded in the first instance by OASAS first increasing the amount of payments anticipated to be made by OASAS to the University for the operation of certain programs at such facility in amounts equal to the debt service, and then deducting the amounts of the debt service and transferring such amounts to DASNY. Principal payments of \$1.1 million were paid directly from OASAS to DASNY in fiscal 2012.

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- h. The Housing Company has outstanding a first mortgage note and a subordinated mortgage note. The Housing Company's first mortgage note was obtained in December 2004 with a

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(in thousands of dollars)

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

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

Funds Held by Bond Trustees

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

| | 2012 | 2011 |
|---|-------------------|-----------|
| Debt service fund | \$ 7,628 | \$ 14,268 |
| Unexpended 17 FTJ ET BT 1 0 0 1 392.62 58.1 | Wi1 3599 Tm 3,628 | |

Interest expense on line of credit, bonds, and other debt for the years ended June 30, 2012 and 2011 was \$14,891 and \$16,343, respectively. Leases

Operating Lease - Van Etten

During 2005, the University, on behalf of Einstein, entered into a 30 year noncancelable operating lease with the HHC. The lease (known as the Van Etten lease) includes clauses that allow the University, on behalf of Einstein, to renew the lease for an additional 20 year period and five more renewable periods of 10 years each. The lease includes a facility and a 10 acre parcel of vacant land directly across the street from Einstein. Einstein is using this facility to support its research, clinical, and teaching activities. Also on this parcel, Einstein has constructed the Price Center/Block Pavilion. Total rent expense under this lease was \$2,533 in 2012 and in 2011. Included in Other liabilities on the Consolidated Statements of Financial Position is a deferred rent obligation of \$10,267 and \$10,733 at June 30, 2012 and 2011, respectively, which is a result of straight-lining the total minimum lease payments over the 30 year noncancelable period. Minimum lease payments are as follows:

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

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Operating Lease ±5.1 acres

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

The initial base rent is \$1,355 per annum through December 31, 2020, and increases by 12% every five years through December

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Yeshiva University and Related Entities
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15. Permanently Restricted Net Assets

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

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

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

16. Contingencies

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

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

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

A court-appointed trustee (the Madoff Trustee) seeking to recover funds to benefit Madoff investors who sustained losses has sued the University to recover approximately \$1 million in charitable contributions made by Bernard Madoff to the University across a 6 year period (the