Yeshiva University and Related Entities

Consolidated Financial Statements
June 30, 2011 and 2010

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

(in thousands of dollars)		2011		2010
Assets				
Cash and cash equivalents	$	4,851	$	7,232
Contributions receivable, net (Note 7)		141,442		145,826
Grants and contracts receivable		40,165		34,327
Mortgage loans receivable		21,047		21,002
Due from affiliated organizations (Note 8)		-		2,648
Student loans receivable, net (Note 7)		54,239		54,486
Prepaid expenses and other assets		24,348		21,694
Investments (Note 3, 5 and 6)		1,023,694		1,014,053
Funds held by bond trustees (Note 11)		15,906		19,141
Trusts and split-interest agreements held by others		21,140		20,641
Land, buildings, and equipment, net (Note 9)		736,310		740,189
Total assets	$	2,083,142	$	2,081,239
Liabilities and net assets				
Liabilities				
Accounts payable and accrued expenses	$	98,123	$	96,764
Deferred revenue		9,434		8,342
Line of credit (Note 11)		27,516		15,000
Trusts held for others		5,449		7,359
Other liabilities (Note 12)		28,046		26,583
Refundable advances from the U.S. Government		5,995		5,520
Bonds payable and other debt (Note 11)		347,071		352,215

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

(in thousands of dollars)

1. Discussion of Operations

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

Grants and Contracts

Grants and contracts received in support of the University's research, clinical, and training activities represented approximately 45% and 46% of the University's total operating revenues in 2011 and

(in thousands of dollars)

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

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

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

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

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

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

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

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

(in thousands of dollars)

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

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

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

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

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

(in thousands of dollars)

corpus be maintain0

(in thousands of dollars)

Investments and Investment Income

Investments, with the exception of certain real estate investments which are at carrying value, are stated at estimated fair value. The fair value of all debt and equity securities with a readily determinable fair value is based on quoted market prices. The alternative investments, which are not readily marketable, are carried at estimated fair values based on net asset values provided by the investment managers. The University reviews and evaluates the values provided by the

(in thousands of dollars)

Student Accounts Receivable and Allowance for Doubtful Accounts

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

Refundable Advances from the U.S.[(r)ouaedee

Yeshiva University and Related Entities

(in thousands of dollars)

3. Investments

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

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

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

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

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

All investments are exposed to various risks such as interest rate, market, and credit risks. Due to

(in thousands of dollars)

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

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

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

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

Under the terms of certain alternative investment agreements, the University is obligated to

(in thousands of dollars)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment income, net of certain management and custodian fees, taxes and other	$ 5,879	$ 1,169	$ 222	$ 7,270
Net appreciation on investments-realized and unrealized	80,780	57,290	3,085	141,155
Prior period unrealized loss adjustment	5,134	(2,267)	(131)	2,736

(in thousands of dollars)

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

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

x

(in thousands of dollars)

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

(in thousands of dollars)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total

(in thousands of dollars)

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

The Board of Trustees' appropriation of $45 million related to Manhattan Campuses resulted in a

(in thousands of dollars)

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

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

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings. Because the net asset value reported by each fund is used as a practical expedient to estimate the fair value of the University's interest

(in thousands of dollars)

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

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

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

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

(in thousands of dollars)

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

Investment Strategy	Number of Funds	Fair Value Determined Using NAV	Remaining Life (Years)	Unfunded Commitments	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in place at June 30, 2011
Absolute return - multi-st[illegible]	9	$ 247,140	N/A	N/A	Periodically - 5% (90 days notice) [illegible]	One fund is hard locked for 24 mon[illegible]	Full redemption requests submitted for 3 funds [illegible]

(in thousands of dollars)

7. Receivables

Contributions Receivable

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

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

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

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

Student Loans Receivable

Many students receive financial aid that consists of scholarship/fellowship grants, work-study opportuniell BT /F2 9.69n.2 (1.7(k)-7.2(-)-1.J ET9.0(ep)-00.2 T6 311na.16 300.2 11.4(d.)-564.9(t)-1wv)-272.T(l)-13

(in thousands of dollars)

Write-offs of a student loan receivable are based primarily on the aging report and an evaluation of any recent activity in the account. Overall default rates and an evaluation of general economic conditions are reviewed at least annually. The University, because of its close and continuing relationship with its students and graduates, seeks to work closely with the students to help ensure

(in thousands of dollars)

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

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

	2011	2010
RIETS		
Opening balance	$ 2,648	$ -

(in thousands of dollars)

9. Land, Building, and Equipment

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

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

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

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

10. Defined Contribution Plans

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

(in thousands of dollars)

such other insurance as may be required so that there will be sufficient money on deposit to secure payment of each such item one month before the due date of such item. The mortgage provides for a reserve for replacements currently held by HDC pursuant to the original mortgage note. The reserve is increased by monthly payments in the amount of $25 until HDC

Yeshiva University and Related Entities

(in thousands of dollars)

12. Leases

Operating Lease – Van Etten

During 2005, the University, on behalf of Einstein, entered into a 30 year noncancelable operating lease with the HHC. The lease (known as the Van Etten lease) includes clauses that allow the

(in thousands of dollars)

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

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

Capital Lease – Kennedy

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

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

13. Asset Retirement Obligations

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

(in thousands of dollars)

16. Permanently Restricted Net Assets

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

	2011	2010

(in thousands of dollars)

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