

# TULANE UNIVERSITY FINANCIAL STATEMENTS



2008-2009

# TULANE UNIVERSITY

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FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

## CONTENTS

INDEPENDENT AUDITORS' REPORT .....	3
FINANCIAL STATEMENTS	
Statement of Financial Position .....	4
Statement of Activities .....	5
Statement of Cash Flows .....	6
Notes .....	7

Tulane University, a private research university founded in 1834, is one of the most respected universities in the country. A member of the prestigious Association of American Universities, it is consistently ranked among the top 50 universities in the nation. With research and educational partnerships that span the globe, top-ranked programs in the academic and professional schools, and its location in historic New Orleans, Louisiana, Tulane offers an unparalleled educational experience for its 11,911 students.





# INDEPENDENT AUDITORS' REPORT

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## THE ADMINISTRATORS OF THE TULANE EDUCATIONAL FUND

We have audited the accompanying statement of financial position of Tulane University (the "University") as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. 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 2008 financial statements and, in our report dated November 17, 2008, we expressed an unqualified opinion on those statements.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of Tulane University as of June 30, 2009, 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.

As disclosed in Note 17 to the financial statements, the University's operations continued to be significantly impacted by the effects of Hurricane Katrina in fiscal 2009.

*Deloitte & Touche LLP*

New Orleans, Louisiana  
October 22, 2009

TULANE UNIVERSITY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2009 AND 2008 (IN THOUSANDS)

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	<u>2009</u>	<u>2008</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 36,682	\$ 58,795
Deposits in trust	12,087	22,581
Accounts and other receivables, net	85,963	63,530
Contributions receivable, net	68,129	74,455
Loans receivable, net	41,191	42,396
Investments	833,665	1,055,185
Prepaid expenses and other assets	17,048	10,076
Property, plant and equipment, net	<u>641,532</u>	<u>604,427</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,736,297</u>	<u>\$ 1,931,445</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 92,016	\$ 98,718
Deferred revenue and refundable deposits	66,391	72,783
Notes payable and lines of credit	40,632	26,147
Bonds payable	401,441	392,560
Federal student loan funds	<u>38,863</u>	<u>38,116</u>
<b>Total liabilities</b>	<u>639,343</u>	<u>628,324</u>
<b>Net Assets:</b>		
Unrestricted	205,831	194,089
Unrestricted, funds functioning as endowment	<u>341,799</u>	<u>576,421</u>
Total unrestricted	547,630	770,510
Temporarily restricted	75,650	69,789
Permanently restricted	<u>473,674</u>	<u>462,822</u>
<b>Total net assets</b>	<u>1,096,954</u>	<u>1,303,121</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,736,297</u>	<u>\$ 1,931,445</u>

The accompanying notes are an integral part of the financial statements.

TULANE UNIVERSITY  
STATEMENT OF ACTIVITIES, YEAR ENDED JUNE 30, 2009,  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2008 (IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2009	2008
<b>OPERATING REVENUES</b>					
Tuition and fees	\$ 330,417			\$ 330,417	\$ 299,670
Less: Institutional scholarships and fellowships	<u>(108,708)</u>			<u>(108,708)</u>	<u>(90,516)</u>
Tuition and fees, net	221,709			221,709	209,154
Government grants and contracts	150,149			150,149	155,681
Private gifts and grants	25,361	\$ 18,339	\$ 8,768	52,468	81,442
Medical group practice	76,035			76,035	47,074
Affiliated hospital agreements/contracts	32,475			32,475	30,070
Endowment income	42,467			42,467	37,229
Investment income and gains, net	4,660	1,308		5,968	10,244
Recovery of indirect costs	29,348			29,348	27,796
Auxiliary enterprises	52,834			52,834	47,508
Other	30,950			30,950	27,226
Net assets released from restrictions	8,915	(8,915)		-	-
<b>Total operating revenues</b>	<u>674,903</u>	<u>10,732</u>	<u>8,768</u>	<u>694,403</u>	<u>673,424</u>
<b>OPERATING EXPENSES</b>					
Instruction and academic support	209,815			209,815	194,429
Affiliated hospital agreements/contracts	27,293			27,293	27,785
Organized research and other sponsored activities	151,187			151,187	143,139
Public service	12,150			12,150	8,692
Libraries	20,433			20,433	19,430
Student services	21,984			21,984	21,666
Institutional support	71,726			71,726	64,360
Scholarships and fellowships	12,573			12,573	12,373
Auxiliary enterprises	82,190			82,190	80,255
Medical group practice	69,064			69,064	45,522
Disaster costs (net recoveries)	(31,038)			(31,038)	(51,324)
Other	12,197	1,032		13,229	9,888
<b>Total operating expenses</b>	<u>659,574</u>	<u>1,032</u>	<u>-</u>	<u>660,606</u>	<u>576,215</u>
<b>Increase in net assets from operating activities</b>	15,329	9,700	8,768	33,797	97,209
<b>NON-OPERATING ACTIVITIES</b>					
Net realized and unrealized gains (losses)	(197,954)	(4,564)		(202,518)	6,069
Accumulated gains used for spending	(37,446)			(37,446)	(30,225)
Transfers between net asset groups	<u>(2,809)</u>	<u>725</u>	<u>2,084</u>	<u>-</u>	<u>-</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(222,880)	5,861	10,852	(206,167)	73,053
<b>BEGINNING NET ASSETS</b>	<u>770,510</u>	<u>69,789</u>	<u>462,822</u>	<u>1,303,121</u>	<u>1,230,068</u>
<b>ENDING NET ASSETS</b>	<u>\$ 547,630</u>	<u>\$ 75,650</u>	<u>\$ 473,674</u>	<u>\$1,096,954</u>	<u>\$1,303,121</u>

The accompanying notes are an integral part of the financial statements.

TULANE UNIVERSITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2009 AND 2008 (IN THOUSANDS)

	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
(Decrease) increase in net assets	\$ (206,167)	\$ 73,053
Adjustments to reconcile (decrease) increase in net assets to net cash (used for) operating activities:		
Depreciation and Amortization	41,028	39,951
Asset retirements	585	2,502
Net realized and unrealized investment losses and (gains)	202,518	(6,069)
Contributions restricted for permanent investment	(8,768)	(25,124)
Contributions of property	(573)	(14,539)
Grant receipts used for capital purposes	(7,918)	(21,937)
Insurance and FEMA recoveries received	(14,088)	(69,771)
Changes in operating assets and liabilities:		
Increase in accounts and other receivables	(22,433)	(9,266)
Decrease in contributions receivable	6,326	4,392
Increase in prepaid expenses and other assets	(6,972)	(4,241)
(Decrease) increase in accounts payable and accrued liabilities	(5,643)	6,923
Decrease in deferred revenue and refundable deposits	(6,392)	(2,750)
<b>Net cash (used for) provided by operating activities</b>	<b>(28,497)</b>	<b>(26,876)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(387,070)	(235,083)
Proceeds from the sale of investments	406,072	208,615
Purchase of property, plant and equipment, net	(78,464)	(83,078)
Decrease in deposits in trust	10,494	6,259
Student loans issued	(7,138)	(9,160)
Proceeds from collections of student loans	8,343	4,832
Grant receipts used for capital purposes	7,918	21,937
Insurance and FEMA recoveries net of advances received and released	14,088	88,771
<b>Net cash (used for) provided by investing activities</b>	<b>(25,757)</b>	<b>3,093</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted for permanent investment	8,768	25,124
Repayment of bonded debt	9,200	(65)
Proceeds from issuance of notes payable	15,409	6,871
Repayment of notes payable	(924)	(577)
Increase in federal student loan funds	747	257
Annuities paid	(1,059)	(4,816)
<b>Net cash provided by financing activities</b>	<b>32,141</b>	<b>26,794</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(22,113)</b>	<b>3,011</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>58,795</b>	<b>55,784</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 36,682</b>	<b>\$ 58,795</b>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Interest paid	<b>\$ 16,623</b>	<b>\$ 18,606</b>

The accompanying notes are an integral part of the financial statements.

# TULANE UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED JUNE 30, 2009

#### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The summary of significant accounting policies followed by Tulane University (the university) is presented below and in other sections of these notes.

#### BASIS OF PRESENTATION

The accompanying financial statements have been prepared using the accrual basis of accounting. The financial statements include the accounts of Tulane University, Tulane Murphy Foundation, Inc., Tulane International, LLC, Howard Memorial Association, Riversphere One and all auxiliary activities.

The university utilizes three net asset categories, which are described as follows:

Unrestricted net assets include the following:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the educational and research missions of the university are included in this category. Additionally, this category includes the health care services associated with the School of Medicine Medical Group Practice and the professional services provided under affiliated hospital agreements. The university has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the university, and therefore, the university's policy is to record these net assets as unrestricted.
- Unrestricted funds functioning as endowment include funds designated by the Board of Administrators and realized and unrealized gains and losses.

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met, annuity and life income funds, and contributions receivable for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently restricted net assets include gifts, trusts and contributions receivable, which are required by donor-imposed restriction to be invested in perpetuity. Only the income from such investments is available for program operations in accordance with donor restrictions.



## REVENUE RECOGNITION

**Tuition and fees, net** — Student tuition and fees are recorded as revenues during the year the related services are rendered. Advance payments are recorded as deferred revenue. Financial aid provided by the university is recorded as a reduction to tuition and fees.

**Government grants and contracts** — Revenues are recognized when allowable expenditures are incurred under such agreements and contracts. Advance payments are recorded as deferred revenue.

**Medical group practice** — Revenues for health care services rendered by the medical group practice are recorded at contractual or established rates net of discounts and contractual adjustments. Charity services and bad debts are recorded in the operating expenses caption entitled Medical Group Practice.

## USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## ALLOCATION OF CERTAIN EXPENSES

The financial statements present expenses by functional classification in accordance with the overall mission of the university. Certain natural expenses are allocated to the respective functional classifications based on certain criteria. Depreciation expense, plant operations and maintenance, and retirement of plant assets are allocated based on square footage occupancy. Interest expense is allocated to the functional categories that have benefited from the proceeds of the debt. The expenses allocated are as follows (in thousands):

Depreciation	\$ 41,028
Retirement of plant assets	585
Plant operations and maintenance	53,522
Interest expense on indebtedness	13,840

## CASH EQUIVALENTS

Cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash equivalents representing assets of endowment and similar funds and annuity and life income funds are included in the caption Investments.

## INVESTMENTS

Equity securities with readily determinable values and most debt securities are valued based on market quotations. Certain fixed income securities are valued based on dealer supplied valuations. Where fair values are not determinable through market quotations estimates are supplied by external investment managers and a valuation review is conducted by management. Such review includes obtaining and reviewing audited and unaudited financial information from investment managers, holding discussions with external managers and general partners, and evaluating investment returns in light of current conditions. University held real estate, mortgages and royalty interests are valued at cost or original appraised value. The university's investment in University Healthcare System, L.C. is accounted for using the equity method.

Depreciation is not recorded for endowment fund real estate investments. In the opinion of the university's management, the excess of realizable market value over the book value of such property would be sufficient to preclude the impairment of endowment fund balances even if depreciation provisions were made. This excess is considered sufficient to permit the distribution of a portion of the rentals and royalties derived from these properties to current operations.

## ENDOWMENT SPENDING POLICY

The pooled endowment spending policy is based upon the average market value of the previous twelve quarters multiplied by a specified percentage. The percentage for the pooled endowment for the fiscal year ended June 30, 2009, was 5.40%. Accumulated investment gains are used to fund the difference between payout and current earnings.

## ANNUITY AND LIFE INCOME AGREEMENTS

The university has agreements with donors that include irrevocable charitable remainder trusts, charitable gift annuities, and life income funds where the university serves as trustee. Assets held in trust are generally comprised of investments. Such values are reported as temporarily restricted net assets net of the estimated future payments to be made to donors or other beneficiaries.

## OTHER FINANCIAL INSTRUMENTS

The university occasionally uses derivatives to manage the market risk associated with outstanding variable rate debt. Derivative financial instruments are reported at fair value with any resulting gain or loss reported as decrease or increase to interest expense in the statement of activities.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost, or if donated, at fair market value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. The estimated useful lives are as follows: buildings and improvements, 20 to 50 years, and equipment and library books, 4 to 20 years.

Certain works of art and historical treasures have been recognized at their estimated fair value based upon appraisals or similar valuations at the time of acquisition. Works of art and historical treasures are not depreciated.

As required by Financial Accounting Standards Board Interpretation No. 47, *Accounting for Conditional Asset Obligations*, conditional asset retirement obligations related to legal requirements to perform certain future activities related to the retirement, disposal, or abandonment of assets are accrued utilizing physical site surveys to estimate the net present value of applicable future costs such as asbestos abatement or removal.

The university reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable through future utilization. An impairment charge is recognized when the fair value of an asset is less than its carrying value.

## MEDICAL GROUP PRACTICE

The university's medical school faculty provides professional services in the Tulane University Hospital and Clinic and other community hospitals. Under these agreements, professional revenues are included in the unrestricted net assets grouping and are distributed in accordance with specified formulas.

## INTERNAL REVENUE CODE STATUS

The university has been granted tax-exempt status as a not-for-profit organization under Section 501(c) (3) of the Internal Revenue Code.

## NEW ACCOUNTING PRONOUNCEMENTS

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*, which requires that an entity disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or available to be issued. The university was required to disclose this information for the year ended June 30, 2009 and these disclosures are made in Note 18.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The statement was applicable in the university's fiscal year ended June 30, 2009. Implementation of SFAS No. 157 resulted in additional disclosures that are included in Note 6.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statements No. 115* (SFAS No. 159). SFAS No. 159 permits the university to choose, at specified election dates, to measure eligible items at fair value (the "fair value option"). The university would report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting period. This accounting standard applies to the university's fiscal year ended June 30, 2009. The university has not elected to use the fair value option under SFAS No. 159. Most investments and derivatives were previously reported at fair value.

In August 2008, the FASB issued Staff Position (FSP) No. 117-1, *Endowments of Non-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the UPMIFA act of 2006. This FSP is also expected to improve disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. FSP 117-1 is effective for fiscal years ending after December 15, 2008. Implementation of FSP No. 117-1 resulted in additional disclosures included in Note 7. Louisiana has not adopted UPMIFA at this time.

#### P R E S E N T A T I O N   O F   P R I O R   Y E A R   I N F O R M A T I O N

The financial statements include certain prior-year summarized comparative information in total, but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the university's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

## 2 DEPOSITS IN TRUST

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Deposits in trust at June 30, 2009 consist of investments at fair value of \$12,086,950 set aside for medical malpractice self-insurance.

## 3 ACCOUNTS RECEIVABLE

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Accounts receivable consist of the following at June 30, 2009 (in thousands):

Student receivables, net of allowance for doubtful accounts of \$7,400	\$ 7,160
U.S. Government, state and other contract receivables, net of allowance for doubtful accounts of \$3,203	65,431
Patient and related receivables, net of allowance for discounts and doubtful accounts of \$16,013	4,784
Investments and other receivables	<u>8,588</u>
Total	<u>\$ 85,963</u>

## 4 CONTRIBUTIONS RECEIVABLE

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Unconditional promises are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions are recorded after discounting at 6.0% to the present value of the future cash flows.

Management expects unconditional promises to be realized in the following periods (in thousands):

In one year or less	\$ 23,992
Between one year and five years	53,627
More than five years	<u>6,618</u>
	84,237
Less: discount of \$7,684 and allowance for uncollectibles of \$8,424	<u>(16,108)</u>
Total	<u>\$ 68,129</u>

Contributions receivable at June 30, 2009 have restrictions applicable to the following (in thousands):

Endowments for departmental programs and activities	\$ 17,837
Departmental programs and activities	26,370
Capital purposes	<u>23,922</u>
Total	<u>\$ 68,129</u>

## 5 LOANS RECEIVABLE

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Loans receivable consist of the following at June 30, 2009 (in thousands):

Perkins student loan program	\$ 40,162
Primary care loan program	2,566
Other loan programs	<u>938</u>
	43,666
Less: allowance for doubtful accounts	<u>(2,475)</u>
Total	<u>\$ 41,191</u>

## 6 INVESTMENTS AND SFAS NO. 157 FAIR VALUE DISCLOSURES

SFAS No. 157 adopts a hierarchy approach for ranking the quality and reliability of the information used to determine fair values in one of three categories to increase consistency and comparability in fair value measurements and disclosures. The highest priority (tier 1) is given to quoted prices in active markets for identical assets. Tier 2 assets are valued based on inputs other than quoted prices that are “observable.” For example, quoted prices for similar securities or quoted prices in inactive markets would both be observable. In tier 3, the inputs used for valuation are not observable or transparent and assumptions have to be made about how market participants would price the underlying assets. Investments are classified based on the lowest level of input that is significant to the fair value measurement.

Investments consist of the following at June 30, 2009 (in thousands):

<b>Investment Type</b>	<b>Tier 1</b> (Quoted prices in active markets)	<b>Tier 2</b> (Significant Observable inputs)	<b>Tier 3</b> (Significant Unobservable inputs)	<b>Total</b>
Short term money funds	\$ 17,515	\$ 282	\$ –	\$ 17,797
Domestic equities	178,307	43,294	11,956	233,557
International and global equities	37,805	59,391	16,675	113,871
Absolute return and long short funds	–	–	226,265	226,265
Private Equity and Real assets (Limited Partnerships)	–	412	85,256	85,668
Government bonds and notes	34,560	9,950	–	44,510
Corporate bonds and notes	<u>16,828</u>	<u>38,985</u>	–	<u>55,813</u>
<b>Total investments at fair value by tier</b>	<b><u>\$ 285,015</u></b>	<b><u>\$ 152,314</u></b>	<b><u>\$ 340,152</u></b>	<b><u>\$ 777,481</u></b>
University Healthcare System on the equity basis	–	–	–	16,967
Real Estate and royalty interests at original cost or appraised value	–	–	–	37,155
Other investments at cost or appraised value	–	–	–	<u>2,062</u>
Total investments valued at other than fair value	–	–	–	<u>56,184</u>
<b>Total investments</b>				<b><u>\$ 833,665</u></b>
<b>Deposits in trust</b>				
Corporate bonds	–	2,902	–	2,902
Government agency bonds and notes	7,848	899	–	8,747
Other	–	388	–	<u>388</u>
<b>Total deposits in trust at fair value by tier</b>	<b><u>\$ 7,848</u></b>	<b><u>\$ 4,189</u></b>	<b><u>\$ –</u></b>	<b><u>\$ 12,037</u></b>

Reconciliation of Tier 3 assets at June 30, 2009 (in thousands):

	Total	Long Short and Absolute Return funds*	Private Equity and Real Assets Limited Partnerships	International Equities – Limited Partnership	Domestic Equities
Beginning Balance July 1, 2008	\$ 325,362	\$ 208,649	\$ 98,470	\$ 15,056	\$ 3,187
Total gains and losses (realized and unrealized)	(45,000)	(23,108)	(19,780)	(3,381)	1,269
Purchases, issuances and settlements (capital advanced/returned)	<u>59,790</u>	<u>40,724</u>	<u>6,566</u>	<u>5,000</u>	<u>7,500</u>
Ending balance, June 30, 2009	<u>\$ 340,152</u>	<u>\$ 226,265</u>	<u>\$ 85,256</u>	<u>\$ 16,675</u>	<u>\$ 11,956</u>

Endowment dividend and interest income, net of expenses, amounted to approximately \$4,600,000 for the year ended June 30, 2009. In accordance with the university's endowment spending policy, \$37,400,000 of accumulated gains were used to fund current operations. Unrestricted investment income and gains consist primarily of earnings on unspent bond proceeds.

Temporarily restricted net assets at June 30, 2009 include annuity and life income investments at market value of approximately \$20,100,000.

Permanently restricted net assets at June 30, 2009, include the investment assets at fair value of the Tulane Murphy Foundation (the Foundation) that amounted to \$80,036,000. The university is the sole beneficiary of the Foundation, and a majority of the Foundation's directors are members of the university's Board of Administrators. During the year ended June 30, 2009, income from the Foundation, which is restricted to specific purposes, amounted to \$1,968,000.

Trust funds not controlled by the university and held by fiduciary agencies for the benefit of the university have been excluded from the financial statements. The book value and the market value of such funds at June 30, 2009, were approximately \$4.4 million and \$4.4 million respectively.



Investment return (loss) is composed of the following for the year ended June 30, 2009  
(in thousands):

Operating:	
Endowment distributions	\$ 42,467
Investment income	<u>5,968</u>
Total Operating Return	<u>48,435</u>
Non-Operating:	
Net realized and unrealized gains	(202,518)
Endowment appreciation utilized	<u>(37,446)</u>
Total non-operating return	<u>(239,964)</u>
Total investment return (loss)	<u><u>\$ (191,529)</u></u>

## 7 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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Temporarily restricted net assets at June 30, 2009, (in thousands) benefit the following functions:

Academic departments and instruction	\$ 22,695
Student financial aid and scholarship	6,808
Capital projects	40,851
Operations	<u>5,296</u>
Total	<u><u>\$ 75,650</u></u>

Permanently restricted net assets at June 30, 2009, (in thousands) benefit the following functions:

Academic departments and instruction	\$ 303,151
Student financial aid and scholarship	151,576
Operations	<u>18,947</u>
Total	<u><u>\$ 473,674</u></u>

## 8

## E N D O W M E N T F U N D S A N D D I S C L O S U R E S U N D E R F S P N O . 1 1 7 - 1

As discussed in Note 1, New Accounting Pronouncements, the university adopted FAS 117-1 on July 1, 2008. FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the UPMIFA act of 2006. Louisiana has not yet adopted UPMIFA and Tulane is still subject to Uniform Management of Institutional Funds Act (UMIFA). Louisiana is considering UPMIFA at this time and Tulane will fully adopt the net asset classification requirements of FSP No. 117-1 when (if) Louisiana adopts UPMIFA. The Board of Administrators of Tulane University has interpreted UMIFA as not expressly requiring the preservation of purchasing power (real value) for donor restricted endowment funds absent donor stipulations to the contrary.

Tulane classifies as permanently restricted net assets the original value of gifts donated for permanent endowment, any subsequent gifts to such endowments, and accumulations subsequently made at the direction of the applicable donor instrument.

Endowment funds net asset composition as of June 30, 2009 (in thousands):

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 473,674*	\$ 473,674
Board designated endowment funds	<u>341,799</u>	<u>-</u>	<u>341,799</u>
Total endowment funds	<u>\$ 341,799</u>	<u>\$ 473,674</u>	<u>\$ 815,473</u>

\* Funds reflect original gift corpus adjusted for any donor requirements.

Changes in endowment funds net assets for the year ended June 30, 2009 (in thousands):

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 576,421	\$ 462,822	\$1,039,243
Investment Return	-	347	347
Investment income			
Net depreciation (realized and unrealized)	<u>(197,954)</u>	<u>-</u>	<u>(197,954)</u>
Total investment return	<u>(197,954)</u>	<u>347</u>	<u>(197,607)</u>
New gifts	-	8,768	8,768
Appropriation of endowment assets for expenditure	(37,446)	-	(37,446)
Other	<u>778</u>	<u>1,737</u>	<u>2,515</u>
Net assets, end of year	<u>\$ 341,799</u>	<u>\$ 473,674</u>	<u>\$ 815,473</u>

## COMPOSITION OF ENDOWED FUNDS

The university's endowment fund assets are managed around asset components with different characteristics. These are pooled endowment funds, funds managed under the Louisiana Education Quality Support Fund (LEQSF), separately invested endowment funds, and university owned real estate.

The approximate asset composition of these funds at June 30, 2009 follows:

Pooled funds	\$562,325,000*
LEQSF pooled funds	106,531,000
Separately invested funds	119,174,000**
Contributions receivable	17,837,000
Investment income receivables and other	<u>9,606,000</u>
Total endowment related net assets	<u><u>\$815,473,000</u></u>

\*This category includes \$32.9 million in university owned real estate that returned approximately \$1.7 million in net rents and royalties for the year ended June 30, 2009.

\*\*This category includes an investment of approximately \$17.0 million in University Healthcare System, L.L.C. and investments of approximately \$75.0 million in Murphy Oil Corporation common stock.

## FUNDS WITH DEFICITS

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UMIFA requires the university to maintain as a fund of perpetual duration. These deficiencies fell across 559 individual endowment funds and totaled approximately \$12.2 million at June 30, 2009. Management is monitoring these deficiencies and has either discontinued or curtailed payouts on these funds in fiscal 2010.

## RETURN OBJECTIVES AND RISK PARAMETERS

The university has adopted endowment investment and spending policies relative to its pooled endowment funds that attempt to provide a predictable stream of funding to programs supported by its endowment while ensuring that purchasing power of the assets do not decline over time. The pooled endowment assets are invested long term in a manner intended to produce results that exceed the rate of inflation plus the payout percentage. The Board of Regents of Louisiana (BOR) provides investment guidelines for LEQSF funds that are more restrictive in terms of investment choices that are available. Accordingly, these funds are managed with the expectation of lower volatility and with a bias toward preservation of capital. Even so, the long term expectation is that these funds will generally return inflation plus 5%. Separately invested funds are managed to meet donor expectations.

## STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long term rate of return 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 that places a greater emphasis on equity-based investments to achieve its long term return objectives within prudent risk constraints.

## SPENDING POLICIES AND INVESTMENT OBJECTIVES

The university has a policy with respect to its pooled endowment funds of budgeting for distribution each year approximately 5.4% to 5.0% of its pooled endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. The distribution rate is scheduled to decrease to 5% by fiscal 2011.

This policy is consistent with the objective of maintaining the purchasing power of the endowment assets as well as to provide additional real growth through investment return. In fiscal 2009 the university made approximately \$34.5 million in pooled endowment assets available for spending.

The BOR provide spending guidelines for those accounts that are matched by state funds through the LEQSF program. Those guidelines generally provide for preservation of capital via consumer price index measurements and by averaging the fund values of the previous five years. Generally values that fall below the CPI adjusted balances will forgo a distribution in the subsequent year. For fiscal 2010, the BOR suspended application of the CPI feature of its payout formula, thus allowing payouts in fiscal 2010 when fund value is higher than original fund corpus. In fiscal 2009, the university appropriated approximately \$5.5 million in fund assets for spending.

Separately invested funds generally produce dividends and interest that are then made available for spending. In fiscal 2009, such items totaled \$2.6 million.

## ALLOCATION OF ENDOWMENT ASSETS FOR SPENDING IN FISCAL 2010

The university budgeted to make \$42.3M of endowment assets available for spending in fiscal 2010.

## 9 PROPERTY, PLANT AND EQUIPMENT

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Property, plant and equipment consist of the following at June 30, 2009 (in thousands):

Land	\$ 22,369
Buildings and improvements	668,862
Equipment	145,727
Library books and materials	120,845
Construction in progress	<u>84,894</u>
Gross property, plant, and equipment	1,042,697
Less: accumulated depreciation	<u>(401,165)</u>
Property, plant and equipment, net	<u>\$ 641,532</u>

The university capitalizes interest related to construction of major facilities. Capitalized interest is recorded as part of the related asset, and is amortized over the asset's estimated useful life. Capitalized interest amounted to \$1.175 million for the year ended June 30, 2009. The Tulane National Primate Research Center was established under the auspices of the National Institutes of Health and is located on a 500 acre tract of land near New Orleans. The Center is undergoing improvements and expansion that will cost approximately \$80,000,000. The expansion is funded in part by \$41,000,000 in government grants. At June 30, 2009, the university had invested approximately \$65,000,000 in these projects, including \$56,000,000 that is recorded as construction in progress at June 30, 2009.

## 10 NOTES PAYABLE AND LINES OF CREDIT

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Notes payable at June 30, 2009, consist of the following (in thousands):

One unsecured note for \$150,000 due in installments through 2010 with interest fixed at 8.50%	\$ 68
One unsecured note for \$1,500,000 due in installments through 2036 with interest fixed at 4%	1,485
One unsecured note for \$270,000 due in installments through 2014 with interest fixed at 4.50%	170
Two unsecured term notes dated June 2006 with quarterly principal installments ranging from \$125,000 to \$500,000 with \$15 million due in June 2013. Interest is borne at the London Interbank Offering Rate (LIBOR) minus 50 basis points (.71% at June 30, 2009)	18,625
Four unsecured term notes totaling \$20,500,000 drawn under a non revolving credit agreement dated December 2007. Principal installments commenced at \$107,000 per quarter on January 1, 2009, and peak in fiscal 2014 at \$430,000 per quarter. The notes term out through 2047 at \$101,000 per quarter. Interest is borne at the London Interbank Offering Rate (LIBOR) plus 77 basis points (1.98% at June 30, 2009)	<u>20,284</u>
Total notes payable	<u>\$ 40,632</u>

The university has \$120 million in lines of credit with three banks to meet short term seasonal cash requirements. The lines expire as follows: \$50 million on December 31, 2009, \$20 million on March 30, 2010, and \$50 million on June 23, 2010. Principal is payable upon demand. At June 30, 2009, there were no borrowings against these credit lines. Interest rates applicable to these lines are based on several defined indices.

## 11 BONDS PAYABLE

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Bonds payable consist of the following at June 30, 2009 (in thousands):

Mortgage Bonds Series 1982 with annual maturities through 2022, fixed interest rate of 3.00%	\$ 1,125
Louisiana Public Facilities Authority Refunding Revenue Bonds Series 2007 A-1 with annual maturities of \$5,160 to \$13,805 from 2014 through 2035, fixed interest rates from 4% to 5%	192,565
Louisiana Public Facilities Authority Refunding Revenue Bonds Series 2007 A-2 with annual principal payments of \$1,525 to \$4,045 from 2013 through 2036, bearing interest at 67% of Three Month LIBOR plus 70 basis points. The rate in effect at June 30, 2009 was 1.29%	62,180
Louisiana Public Facilities Authority Refunding Revenue Bonds Series 2007 B with maturities of \$12,950 on December 15, 2022 and \$20,535 on December 15, 2032. The series was issued as taxable with conversion to tax exempt rates scheduled for December 18, 2007. The conversion took place as scheduled. The tax exempt interest rate in effect at June 30, 2009 was 4.55% on the bonds due in 2022 and 4.65% on the bonds due in 2032. Annual principal payments of \$1,045 to \$2,510 are due from 2014 to 2033	33,485
The Administrators of the Tulane Educational Fund Series 2007 C Taxable Refunding Revenue Bonds with annual principal payments ranging from \$2,110 to \$7,590 from 2013 through 2036, bearing interest at Three Month LIBOR plus 30 basis points. The rate in effect at June 30, 2009 was 1.53%	<u>103,135</u>
Total bonds payable outstanding at June 30, 2009	\$ 392,490
Bond underwriters premium	<u>8,951</u>
Bonds payable	<u>\$ 401,441</u>

The university undertook a plan of debt refinancing in the spring of 2007 in part due to the impact of Hurricane Katrina on the university's operations and cash flows. In a comprehensive refinancing transaction that closed on May 31, 2007, \$429,705,000 in bonds outstanding were defeased or redeemed. Refunding bonds with principal balances totaling \$391,365,000 were issued in the four Series 2007 shown above. The university contributed \$50,000,000 in cash toward redemption of taxable bonds.

The 2007A-1 Series proceeds were used to establish a proceeds fund to defease portions of five earlier tax exempt bond issues. The 2007A-2 Series proceeds were used to redeem \$61,000,000 in previously issued taxable bonds. The 2007B Series proceeds were used to escrow \$31,820,000 toward redemption of certain 1997 tax exempt issues. The 2007C Series proceeds were applied toward escrows established to defease portions of six previous tax exempt issues and three previous taxable issues.

The annual principal maturities for bonds payable at June 30, 2009 are as follows (in thousands).

<b>Fiscal Year</b>	<b>Amount</b>
2010	\$ 70
2011	70
2012	70
2013	3,715
2014	10,085
2015 and thereafter	<u>378,480</u>
 Total	 <u><u>\$ 392,490</u></u>

All of the above described outstanding bonds payable, excluding the mortgage bonds payable, are general obligations of the university. In accordance with the bond agreements, the university is required to comply with certain covenants, including the maintenance of minimum working capital and net worth requirements, and limit the incurrence of certain indebtedness and sale of certain assets. The mortgage bonds are secured by first mortgages on the facilities financed and by endowment and similar fund investments in government bonds having a book value and a market value approximating one hundred twelve thousand dollars at June 30, 2009. In addition, annual net revenues from the residence halls and from student fees are pledged for debt service to the mortgage bonds.



## 12 DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

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The estimated fair value of all significant financial instrument amounts has been determined by the university using available market information and appropriate valuation methodologies. The following methods and assumptions were used to estimate the fair value of each class of financial instrument.

**Accounts and Contributions Receivable** — The university considers the carrying amounts of these financial instruments to approximate fair value.

**Loans Receivable** — Loans receivable are amounts principally due from students under federally sponsored programs that are subject to significant restrictions. Accordingly, it is not practicable to determine fair value.

**Investments** — Investments at fair value were approximately \$778 million at June 30, 2009. Market values are used when available. Other investments totaling approximately \$55.5 million are reported at carrying values because it was not practical to apply fair valuation techniques and application of such techniques was not expected to result in materially different values (see Note 6).

**Bonds Payable** — The fair value was approximately \$336.2 million at June 30, 2009. The fair value was estimated using rates currently available for debt with similar terms and remaining maturities.

**Other** — The university considers the carrying amounts of all other financial instruments to be reasonable estimates of fair value.

## 13 RETIREMENT PLANS

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Retirement benefits for substantially all employees are provided through the Teachers Insurance and Annuity Association, the College Retirement Equities Fund and Fidelity Investments. Under these defined contribution plans, contributions are applied, as directed by each participant, to annuities and/or to the purchase of shares or participation units in a variety of mutual funds. The amount of contributions made by the university is based upon the employee's salary. Plan contributions are funded as they accrue. For the year ended June 30, 2009, contributions to the plans were approximately \$14.978 million.

## 14 PROFESSIONAL LIABILITY INSURANCE

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The university maintains a self-insurance program for professional medical services rendered by its medical faculty, including residents and interns. The trust fund assets and associated liabilities are included in unrestricted net assets.

During 1976, the State of Louisiana enacted legislation that created a statutory limit of \$500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The constitutionality of the statutory limit has been upheld by the Louisiana Supreme Court, but is subject to its review at any time. The university participates in the State Insurance Fund, which provides up to \$400,000 of coverage for settlement amounts in excess of \$100,000 per claim. The university carries commercial liability insurance for claims that might exceed amounts funded by the self-insurance trust fund or the State Insurance Fund.

## 15 COMMITMENTS AND CONTINGENCIES

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Amounts received and expended by the university under various federal and state programs are subject to audit by governmental agencies. Management believes that adjustments, if any, that might result from such audits would not have a significant impact upon the financial position of the university.

The university is a party to various litigation and other claims including the claims discussed in the next paragraph, the outcome of which cannot be presently determined. Management's opinion is that the outcome of such matters would not have a significant effect upon the university's financial position or statement of activities.

The university is a defendant in a class action lawsuit alleging that it mishandled a large number of human bodies donated to the university's Willed Body Program. The suit was filed in the Civil District Court, Parish of Orleans, Louisiana and seeks monetary damages for emotional distress and mental anguish. In this case, which includes 13 named plaintiffs; the court granted the plaintiffs' motion for class certification covering the period 1994 to 2004. The composition and the number of members in the proposed class cannot be conclusively determined at this stage. The university believes the lawsuit is without merit and intends to defend itself vigorously. Management's opinion is that the outcome of these matters would not have a significant effect upon the university's financial position or statement of activities.

## OPERATING LEASES

The university leases certain real property. These leases are classified as operating leases and have lease terms ranging up to twelve years. Total lease payments amounted to approximately \$4,975,000 for the year ended June 30, 2009. Future minimum rental payments on non-cancellable operating leases with lease terms in excess of one year as of June 30, 2009, are as follows (in thousands):

<b>Fiscal Year</b>	<b>Amount</b>
2010	\$ 4,936
2011	4,507
2012	4,511
2013	3,920
2014	3,485
2015 and thereafter	<u>11,153</u>
Total	<u>\$ 32,512</u>

## SHARED SAVINGS AGREEMENT

The university entered into an agreement dated December 2006 with a major energy controls company to construct and install energy conservation improvements and measures valued at approximately \$17 million on the university's main campus. The physical assets are owned by a third party with whom the university has contracted to share future energy savings associated with more efficient operation of the physical facilities. Over the twelve-year term, the university expects to share annual energy cost savings of \$2.7 million to \$3.3 million with the third party owner. Realization of the energy savings are guaranteed by the energy controls company. The university may purchase the fixed assets at the end of the term for fair market value. The university paid the owner \$2.6 million during the year ended June 30, 2009 under this agreement and such amount is included in the plant operations and maintenance cost total.

## INTEREST RATE COLLARS AND SWAPS

The university entered into two interest rate collars on February 29, 2008 in replacement of an interest rate hedge completed in fiscal 2006. The first collar is an interest rate hedge of the university's taxable variable rate debt. This collar has a notional amount of \$103,135,000, terminates on February 15, 2011 and features a floor and a cap based on the 3-month U.S. Dollar London Interbank Offering Rate (LIBOR). For any period that LIBOR exceeds 6% (the CAP rate), the counterparty to the agreement must make a payment to the university based on the notional amount of the collar and the difference between LIBOR and the CAP rate. Likewise, for any period that LIBOR is less than 2.65% (the floor rate), the university will pay the counterparty based on the notional amount of the collar and the difference between LIBOR and the floor rate. No payments are made on the collar by either party if LIBOR is between 2.65% and 6.00%. The fair value of

the collar at June 30, 2009 was \$2,514,000 due the counterparty. On January 23, 2009 the university entered into a forward starting swap of interest rates that is effective February 15, 2011 pursuant to continued hedging of the university's taxable variable rate debt (notional \$103,135,000). The university accepted a fixed rate of 3.195% in exchange for its 3-month U.S. Dollar LIBOR rate. The swap terminates in February 2017. The fair value of the swap at June 30, 2009 is \$4,337,000 in favor of the university. The combined fair value of these arrangements, \$1,823,000, is included in the caption accounts payable and accrued liabilities on the Statement of Financial Position and credited to interest on indebtedness. In the second transaction, the hedge was devised to protect against interest rate fluctuations on the university's tax exempt variable rate debt. This collar has a notional amount of \$62,180,000, terminates on February 15, 2011 and features a floor and a cap based on 67% of the 3-month U.S. Dollar London Interbank Offering Rate (67% of LIBOR). This arrangement was amended on January 23, 2009 and replaced with an interest rate swap wherein the university fixed its interest rate at 2.334% until maturity in Feb 2017. The fair value of the collar at June 30, 2009 was \$397,000 due the counterparty. This liability is included in the caption accounts payable and accrued liabilities on the Statement of Financial Position and charged to interest on indebtedness.

In two additional interest rate swap transactions executed on December 22, 2008, the university fixed its LIBOR interest rates on two variable rated notes payable with beginning notional values of \$17,112,000 and \$18,750,000 at 2.34% and 2.18% until June 22, 2013 and December 21, 2014 respectively. The combined fair value of these arrangements was \$542,000 in favor of the university at June 30, 2009 and is included in the caption accounts payable and accrued liabilities on the Statement of Financial Position and credited in interest on indebtedness.

## 16 HOSPITAL / CLINIC JOINT VENTURE

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Effective March 31, 1995, the university entered into a joint venture agreement with Hospital Corporation of America (HCA), for the continued operation of the Tulane University Hospital and Clinic. Under the joint venture agreement, a new entity, University Healthcare System, L.C. (UHS), a Louisiana Limited Liability Corporation, was formed. Through June 30, 2005, the university retained a 20% interest in UHS. Effective July 1, 2005, the university accepted a dilution in interest to 17.25% when HCA contributed Lakeside Hospital to the partnership. Under the terms of the joint venture agreement, the university provides services to UHS under a Shared Services Agreement, an Academic Affiliation Agreement and other related agreements. These services include a variety of overhead services, such as plant operations, security and telecommunications, as well as a variety of direct and indirect medical educational and related services. Additionally, the university leases to UHS the land upon which the hospital and clinic facilities are located, and leases office space to UHS and to HCA in a university-owned building.

The university leases parking spaces for its employees in parking facilities owned by UHS. For the year ended June 30, 2009, the university recorded revenue and cost recoveries of approximately \$42.8 million, and as of June 30, 2009, recorded approximately \$2.5 million as receivable from UHS, related to these agreements.

Summarized financial information about the financial position of the unconsolidated joint venture entity as of June 30, 2009 (unaudited) and December 31, 2008 (audited) are as follows (in thousands):

	<b>June 30, 2009</b>	<b>Dec. 31, 2008</b>
Current assets	\$ 77,083	\$ 81,897
Property plant and equipment, net	91,975	93,498
Other assets	<u>38,071</u>	<u>37,955</u>
Total assets	<u>\$ 207,129</u>	<u>\$ 213,350</u>
Current liabilities	\$ 104,361	\$ 96,594
Long term debt	<u>8,313</u>	<u>8,314</u>
Total liabilities	112,674	104,908
Partners' equity	<u>94,455</u>	<u>108,442</u>
Total liabilities and partners' equity	<u>\$ 207,129</u>	<u>\$ 213,350</u>

Summarized financial results for the six months ended June 30, 2009 (unaudited) and the year ended December 31, 2008 (audited) are as follows (in thousands):

	<b>6 mos. ended June 30, 2009</b>	<b>Year ended Dec. 31, 2008</b>
Net revenues	\$ 182,450	\$ 363,625
Operating expenses	181,781	361,225
Depreciation and amortization	9,963	19,454
Other	<u>3,083</u>	<u>7,165</u>
Net loss	<u>\$ (12,377)</u>	<u>\$ (24,219)</u>

The university's share of partners' equity at June 30, 2009 is approximately \$17 million. The university recorded a negative equity adjustment of \$5.0 million for the year ended June 30, 2009.

## 17 HURRICANE KATRINA

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On August 29, 2005, Hurricane Katrina struck the Gulf Coast area causing widespread damage throughout the region, including the New Orleans Metropolitan area. The university's campuses experienced extensive property damage from the hurricane, including losses of research-related assets, fine arts materials, equipment, building contents and valuable documents. Hurricane Katrina caused a necessary interruption of Tulane's business. The university resumed partial operations with the spring 2006 semester. The university incurred significant costs to replace, repair, and remediate damage to its properties, demolish and remove damaged improvements and contents, and to reconstruct facilities and buildings.

Estimated cumulative disaster losses (excluding business interruption costs) and costs as of June 30, 2009 are summarized as follows (in thousands):

Restoration of buildings and grounds	\$ 225,247
Equipment replacements	12,986
Other incremental disaster-related operating costs	<u>73,917</u>
Direct gross incremental out-of-pocket disaster costs	312,150
Net book value of fixed improvements and equipment destroyed	28,074*
Less: construction and replacement equipment capitalized	(104,778)
National Flood Insurance Program, FEMA, and other insurance recoveries	<u>(141,241)</u>
Disaster costs	<u>\$ 94,205**</u>
Net amount expensed in fiscal 2006	\$ 152,546
Net amount expensed in fiscal 2007	24,021
Net amount recovered in fiscal 2008	(51,324)
Net amount recovered in fiscal 2009	<u>(31,038)</u>
Total disaster costs	<u>\$ 94,205</u>

\*Net book value destroyed was determined on the basis of replacement costs deflated to the in service date and depreciated to the loss date.

\*\*Excludes business interruption, certain research losses, and lost arts and library materials.

The university had commercial insurance policies in effect at the time of the hurricane, including all risks property, casualty, library and fine arts, and specialized equipment in addition to National Flood Insurance policies. As of June 30, 2009, the university had received approximately \$298 million in commercial and National Flood Insurance Policy recoveries. Unallocated commercial insurance recoveries totaling \$225 million were recorded as operating revenues in the statements of activities across fiscal 2007 and 2006. During fiscal 2009, the university reached final settlement with its fourth and final layer of property insurance and recorded proceeds in the amount of \$3.0 million included in the caption net disaster recoveries in the accompanying statement of activities.

The university also qualifies for assistance through various state and federal government agencies such as FEMA. University representatives are working with FEMA and the state to identify costs that qualify for reimbursement.

The following constitutes a summary of the university's cumulative funding from FEMA at June 30, 2009 (in thousands).

Cumulative FEMA cash received	\$ 62,185**
Receivable from FEMA	<u>15,400</u>
Total FEMA cash received and receivable at June 30, 2009	<u>\$ 77,585</u>
Cumulative FEMA advances recognized as cost recoveries	\$ 69,007*
FEMA advances recorded as Deferred Revenue	<u>8,578***</u>
Total Cost Recoveries and Deferred Revenues at June 30, 2009	<u>\$ 77,585</u>

\*Of this amount, \$34.4 million was recognized in disaster cost recoveries in the year ended June 30, 2009.

\*\*Of this amount, \$11,088 was received in the year ended June 30, 2009.

\*\*\*This amount will be recognized when FEMA obligates the underlying projects' worksheets.

## 18 SUBSEQUENT EVENTS

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The university completed its subsequent events review through October 22, 2009, the date on which the financial statements were available to be issued.