TULANE UNIVERSITY
FINANCIAL STATEMENTS

2009–2010

TULANE UNIVERSITY

Financial Statements For The Years Ended June 30, 2010 and 2009

CONTENTS

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 academic and professional schools and its location in historic New Orleans, Louisiana, Tulane offers an unparalleled educational experience for its 12,622 students.

About the cover: Dinwiddie Hall, built in 1923, is the newest "green" building on the uptown campus. After an extensive renovation to make the building energy-efficient, it reopened this fall as the home of the Middle American Research Institute and the Department of Anthropology.

Tulane University

INDEPENDENT AUDITORS' REPORT

THE ADMINISTRATORS OF THE TULANE EDUCATIONAL FUND

We have audited the accompanying statements of financial position of Tulane University (the "university") as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits 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 audits 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Notes 1 and 8 to the financial statements, the university retroactively adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) provisions of Financial Accounting Standards Board (FASB) Staff Position 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.*

Also, 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 2010 and 2009.

Deloitte & Touche LLP

New Orleans, Louisiana
October 27, 2010

TULANE UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009 (IN THOUSANDS)

	2010	2009
ASSETS:		
Cash and cash equivalents	$ 17,349	$ 36,682
Deposits in trust	12,487	12,087
Accounts and other receivables, net	75,584	85,963
Contributions receivable, net	58,036	68,129
Loans receivable, net	42,085	41,191
Investments	912,167	833,665
Prepaid expenses and other assets	22,076	17,048
Property, plant and equipment, net	665,416	641,532
TOTAL ASSETS	$ 1,805,200	$ 1,736,297
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 108,788	$ 92,016
Deferred revenue and refundable deposits	49,922	66,391
Notes payable and lines of credit	49,179	40,632
Bonds payable	412,902	401,441
Federal student loan funds	39,391	38,863
Total liabilities	660,182	639,343
Net Assets:		
Unrestricted	146,603	159,424
Unrestricted, funds functioning as endowment	88,549	83,912
Total unrestricted	235,152	243,336
Temporarily restricted	421,643	379,944
Permanently restricted	488,223	473,674
Total net assets	1,145,018	1,096,954
TOTAL LIABILITIES AND NET ASSETS	$ 1,805,200	$ 1,736,297

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

TULANE UNIVERSITY
STATEMENT OF ACTIVITIES, YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010
OPERATING REVENUES				
Tuition and fees	$ 360,874			$ 360,874
Less: Institutional scholarships and fellowships	(120,087)			(120,087)
Tuition and fees, net	240,787			240,787
Government grants and contracts	144,722			144,722
Private gifts and grants	31,156	$ 19,858	$ 22,862	73,876
Medical group practice	78,136			78,136
Affiliated hospital agreements/contracts	33,153			33,153
Endowment income	8,756	29,647		38,403
Investment income and gains, net	3,615	(346)		3,269
Recovery of indirect costs	28,348			28,348
Auxiliary enterprises	59,081			59,081
Other	38,230			38,230
Net assets released from restrictions	37,176	(37,176)		–
Total operating revenues	703,160	11,983	22,862	738,005
OPERATING EXPENSES				
Instruction and academic support	213,936			213,936
Affiliated hospital agreements/contracts	28,989			28,989
Organized research and other sponsored activities	151,131			151,131
Public service	13,400			13,400
Libraries	22,697			22,697
Student services	23,533			23,533
Institutional support	73,375			73,375
Scholarships and fellowships	13,837			13,837
Auxiliary enterprises	90,106			90,106
Medical group practice	77,280			77,280
Disaster costs (net recoveries)	(9,448)			(9,448)
Other	9,305	9,619	9,438	28,362
Total operating expenses	708,141	9,619	9,438	727,198
Increase (decrease) in net assets from operating activities	(4,981)	2,364	13,424	10,807
NON-OPERATING ACTIVITIES				
Net realized and unrealized gains	8,020	75,835		83,855
Net unrealized losses on interest rate swaps	(10,332)	–		(10,332)
Accumulated gains used for spending	(3,467)	(32,799)		(36,266)
Transfers between net asset groups	2,576	(3,701)	1,125	–
INCREASE (DECREASE) IN NET ASSETS	(8,184)	41,699	14,549	48,064
BEGINNING NET ASSETS	243,336	379,944	473,674	1,096,954
ENDING NET ASSETS	$ 235,152	$ 421,643	$ 488,223	$1,145,018

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

TULANE UNIVERSITY
STATEMENT OF ACTIVITIES, YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009
OPERATING REVENUES				
Tuition and fees	$ 330,417			$ 330,417
Less: Institutional scholarships and fellowships	(108,708)			(108,708)
Tuition and fees, net	221,709			221,709
Government grants and contracts	150,149			150,149
Private gifts and grants	25,361	$ 18,339	$ 8,768	52,468
Medical group practice	76,035			76,035
Affiliated hospital agreements/contracts	32,475			32,475
Endowment income	7,820	34,647		42,467
Investment income and gains, net	4,660	1,308		5,968
Recovery of indirect costs	29,348			29,348
Auxiliary enterprises	52,834			52,834
Other	30,950			30,950
Net assets released from restrictions	37,689	(37,689)		–
Total operating revenues	669,030	16,605	8,768	694,403
OPERATING EXPENSES				
Instruction and academic support	209,815			209,815
Affiliated hospital agreements/contracts	27,293			27,293
Organized research and other sponsored activities	151,187			151,187
Public service	12,150			12,150
Libraries	20,433			20,433
Student services	21,984			21,984
Institutional support	71,726			71,726
Scholarships and fellowships	12,573			12,573
Auxiliary enterprises	82,190			82,190
Medical group practice	69,064			69,064
Disaster costs (net recoveries)	(31,038)			(31,038)
Other	12,197	1,032		13,229
Total operating expenses	659,574	1,032	–	660,606
Increase (decrease) in net assets from operating activities	9,456	15,573	8,768	33,797
NON-OPERATING ACTIVITIES				
Net realized and unrealized (losses)	(19,855)	(182,663)		(202,518)
Accumulated gains used for spending	(3,506)	(33,940)		(37,446)
Transfers between net asset groups	(2,809)	725	2,084	–
INCREASE (DECREASE) IN NET ASSETS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(16,714)	(200,305)	10,852	(206,167)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(510,460)	510,460		–
INCREASE (DECREASE) IN NET ASSETS	(527,174)	310,155	10,852	(206,167)
BEGINNING NET ASSETS	770,510	69,789	462,822	1,303,121
ENDING NET ASSETS	$ 243,336	$ 379,944	$ 473,674	$1,096,954

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

TULANE UNIVERSITY
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2010 AND 2009 (IN THOUSANDS)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ 48,064	$ (206,167)
Adjustments to reconcile increase (decrease) in net assets to net cash (used for) operating activities:		
Depreciation and Amortization	43,803	41,028
Asset retirements	3,427	585
Net realized and unrealized investment losses and (gains)	(83,855)	202,518
Net decrease (increase) in fair value of interest rate swap agreements	10,332	(2,436)
Contributions restricted for permanent investment	(13,424)	(8,768)
Contributions of property	(351)	(573)
Grant receipts used for capital purposes	(4,816)	(7,918)
Insurance and FEMA recoveries received	(13,686)	(14,088)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts and other receivables	10,379	(22,433)
Decrease in contributions receivable	10,093	6,326
Increase in prepaid expenses and other assets	(5,028)	(6,972)
Increase (decrease) in accounts payable and accrued liabilities	7,492	(3,207)
Decrease in deferred revenue and refundable deposits	(16,469)	(6,392)
Net cash (used for) operating activities	(4,039)	(28,497)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(422,476)	(387,070)
Proceeds from the sale of investments	427,829	406,072
Purchase of property, plant and equipment, net	(70,763)	(78,464)
(Increase) decrease in deposits in trust	(400)	10,494
Student loans issued	(6,571)	(7,138)
Proceeds from collections of student loans	5,677	8,343
Grant receipts used for capital purposes	4,816	7,918
Insurance and FEMA recoveries net of advances received and released	13,686	14,088
Net cash (used for) investing activities	(48,202)	(25,757)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for permanent investment	13,424	8,768
Proceeds from issuance of bonded debt	11,531	9,270
Repayment of bonded debt	(70)	(70)
Proceeds from issuance of notes payable	9,471	15,409
Repayment of notes payable	(924)	(924)
Increase in federal student loan funds	528	747
Annuities paid	(1,052)	(1,059)
Net cash provided by financing activities	32,908	32,141
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,333)	(22,113)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	36,682	58,795
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 17,349	$ 36,682
SUPPLEMENTAL DISCLOSURE:		
Interest paid	$ 16,822	$ 16,623

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

Tulane University
Notes to the Financial Statements
Years Ended June 30, 2010 and 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, research and service 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 for investment purposes. The earnings on such funds are distributed to support university operations.

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met, annuity and life income funds, contributions receivable (where the ultimate purpose of the proceeds is not permanently restricted), accumulated but undistributed gains and losses on donor restricted endowment funds, and distributed but unspent earnings on donor restricted endowment funds.

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):

	2010	2009
Depreciation	$ 43,803	$ 41,028
Retirement of plant assets	$ 3,427	$ 585
Plant operations and maintenance	$ 49,552	$ 53,522
Interest expense on indebtedness	$ 17,149	$ 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 net assets 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 12 quarters multiplied by a specified percentage. The percentage for the pooled endowment for the fiscal years ended June 30, 2010 and 2009 was 5.2% and 5.4%, respectively. 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 in the non-operating section of 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 (FASB) Accounting Standards Codification (ASC) Topic 410-20, Asset Retirement and Environmental Obligations, formerly known as 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.

RECLASSIFICATIONS

Certain prior year amounts have been recast to conform to the 2010 presentation. Specifically, as it relates to the Statement of Cash Flows: 1) within the operating section, the 2009 net change in fair value of interest rate swap agreements of $2,436 was previously included as a decrease in accounts payable and accrued liabilities and is now discretely presented; and 2) within the financing section, proceeds from issuance of bonded debt of $9,200 and repayment of bonded debt of ($70) were previously netted and such amounts are now discretely presented for comparative purposes.

NEW ACCOUNTING PRONOUNCEMENTS

Codification — In June 2009, the FASB revised ASC 105, *Generally Accepted Accounting Principles*, to establish a hierarchy of generally accepted accounting principles (GAAP) to identify the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in accordance with GAAP in the United States. All guidance contained in the codification carries an equal level of authority. The amended ASC 105 is effective for years ended after September 15, 2009. The university adopted the provisions of ASC 105 during fiscal 2010, and it did not have a material impact on the university's financial statements.

Adoption of UPMIFA and Accounting Restatement of the 2009 financial statements — 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 was codified in June 2009 as ASC Topic 205-958-45, Presentation – Not for Profit Entities (ASC 205). ASC 205 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 UPMIFA. ASC 205 is effective for fiscal years ending after December 15, 2008. In June 2010 Louisiana adopted a version of UPMIFA that is effective July 1, 2010. The university adopted the provisions of UPMIFA and ASC 205 as the cumulative effect of a change in accounting principle in the statement of activities for the year ended June 30, 2009. Certain amounts previously reported for 2009 have been reclassified in order to conform to the provisions of ASC 205. See the table below and note 8.

In Thousands	As originally reported for 2009 Unrestricted Including Funds Functioning as Endowment	As originally reported for 2009 Temporarily Restricted	As restated for 2009 Unrestricted Including Funds Functioning as Endowment	As restated for 2009 Temporarily Restricted
STATEMENT OF ACTIVITIES				
OPERATING REVENUES				
Endowment Income	$ 42,267	$ –	$ 7,820	$ 34,647
Assets released from restrictions	8,915	(8,915)	37,689	(37,689)
Total operating revenues	674,903	10,732	669,030	16,605
Increase in net assets from operating activities	15,329	9,700	9,456	15,573
NON OPERATING – INVESTMENT LOSS				
Net realized and unrealized gains (losses)	(197,954)	(4,564)	(19,855)	(182,663)
Cumulative effect change in accounting principle	–	–	(510,460)	510,460
(DECREASE) INCREASE IN NET ASSETS	(222,880)	5,861	(527,174)	310,155
STATEMENT OF FINANCIAL POSITION				
NET ASSETS	$ 547,630	$ 75,650	$ 243,336	$ 379,944

2 DEPOSITS IN TRUST

Deposits in trust at June 30, 2010 and 2009 consist of investments at fair value of $12,487,000 and $12,087,000, respectively, set aside primarily for medical malpractice self insurance.

3 ACCOUNTS AND OTHER RECEIVABLES

Accounts receivable consist of the following at June 30, 2010 and 2009 (in thousands):

	2010	2009
Student receivables, net of allowance for doubtful accounts of $8,700 and $7,400	$ 9,063	$ 7,160
U.S. Government, state and other contract receivables, net of allowance for doubtful accounts of $1,656 and $3,203	44,727	65,431
Patient and related receivables, net of allowance for discounts and doubtful accounts of $12,367 and $16,013	10,371	4,784
Investments and other receivables	11,423	8,588
Total	$ 75,584	$ 85,963

4 CONTRIBUTIONS RECEIVABLE

Unconditional promises are included in the financial statements as contributions receivable and revenues 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) at June 30, 2010 and 2009:

	2010	2009
In one year or less	$ 35,790	$ 23,992
Between one year and five years	42,543	53,627
More than five years	16,737	6,615
	95,070	84,234
Less: discounts of $9,037 and $7,684 and allowance for uncollectible pledges of $27,997 and $8,421	(37,034)	(16,105)
Total	$ 58,036	$ 68,129

Contributions receivable at June 30, 2010 and 2009 have restrictions applicable to the following (in thousands):

	2010	2009
Endowments for departmental programs and activities	$ 14,658	$ 17,837
Departmental programs and activities	23,115	26,370
Capital purposes	20,263	23,922
Total	$ 58,036	$ 68,129

5 LOANS RECEIVABLE

Loans receivable consist of the following at June 30, 2010 and 2009 (in thousands):

	2010	2009
Perkins student loan program	$ 41,154	$ 40,162
Primary care loan program	2,320	2,566
Other loan programs	1,086	938
	44,560	43,666
Less: allowance for doubtful accounts	(2,475)	(2,475)
Total	$ 42,085	$ 41,191

6 INVESTMENTS AND ASC 820-10, FAIR VALUE MEASUREMENTS AND DISCLOSURES (FORMERLY KNOWN AS SFAS NO. 157)

ASC 820-10 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, 2010 (in thousands):

Investment Type	**Tier 1** (Quoted prices in active markets)	**Tier 2** (Significant Observable inputs)	**Tier 3** (Significant Unobservable inputs)	**Total**
Short term money funds	$ 1,637	$ 18,432	–	$ 20,069
Domestic equities	184,286	46,319	$ 13,820	244,425
International and global equities	18,787	74,889	22,174	115,850
Absolute return and long short funds	–	39,999	225,058	265,057
Private Equity and Real Assets (Limited Partnerships)	–	–	96,220	96,220
Government bonds and notes	23,161	32,825	–	55,986
Corporate bonds and notes	1,196	58,378	–	59,574
Total investments at fair value by tier	$ 229,067	$ 270,842	$ 357,272	$ 857,181
University Healthcare System on the equity basis	–	–	–	18,034
Real Estate and royalty interests at original cost or appraised value	–	–	–	33,053
Other investments at cost or appraised value	–	–	–	3,899
Total investments valued at other than fair value				54,986
Total investments				$ 912,167
Deposits in trust				
Short term money funds	–	$ 1,077	–	$ 1,077
Domestic equities	$ 573			573
Corporate bonds	–	3,639	–	3,639
Government agency bonds and notes	6,239	959	–	7,198
Total deposits in trust at fair value by tier	$ 6,812	$ 5,675	–	$ 12,487

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

Investment Type	**Tier 1** (Quoted prices in active markets)	**Tier 2** (Significant Observable inputs)	**Tier 3** (Significant Unobservable inputs)	**Total**
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	16,828	38,985	–	55,813
Total investments at fair value by tier	$ 285,015	$ 152,314	$ 340,152	$ 777,481
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	–	–	–	2,062
Total investments valued at other than fair value	–	–	–	56,184
Total investments				$ 833,665
Deposits in trust				
Corporate bonds	–	2,902	–	2,902
Government agency bonds and notes	7,848	899	–	8,747
Other	–	388	–	388
Total deposits in trust at fair value by tier	$ 7,848	$ 4,189	$ –	$ 12,037

The following is a reconciliation of Tier 3 assets at June 30, 2010 and 2009 and for the years then ended (in thousands):

2010

	Total	Long Short and Absolute Return funds	Private Equity and Real Assets Limited Partnerships	International Equities – Limited Partnership	Domestic Equities
Beginning Balances, July 1, 2009	$ 340,152	$ 226,265	$ 85,256	$ 16,675	$ 11,956
Beginning balances reclassifications	(40,818)	(48,121)	–	7,303	–
Total gains and losses (realized/unrealized)	40,126	27,250	6,991	4,021	1,864
Purchases, issuances and settlements (capital advanced/returned)	17,812	19,664	3,973	(5,825)	–
Ending balances, June 30, 2010	$ 357,272	$ 225,058	$ 96,220	$ 22,174	$ 13,820

2009

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

The Financial Accounting Standards Board issued a standards update pertaining to Fair Value Measurements and Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share in September 2009. Fair values are determined by the use of calculated net asset value per ownership share. As a result of the update, the university reclassified $40,818 from tier 3 to tier 2 based on the liquidity provisions in the underlying investments. In complying with the update, the university makes the following disclosures about its investments at June 30, 2010 that feature net asset value per share in tiers 2 and 3.

	Fair Value (in thousands)	Unfunded Commitments	Redemption frequency if currently eligible	Redemption Notice Period
Global Long Only Equity (a)	$ 113,640	–	Daily, Monthly, Quarterly	1–60 days
Equity long/short hedge funds (b)	138,747	–	Monthly, Quarterly	45–65 days
Absolute Return hedge funds (c)	120,105	–	Quarterly	65 days
Enhanced Fixed Income (d)	42,716	–	N/A	N/A
Private Equity (e)	72,877	$ 43,400	N/A	N/A
Private Real Assets (f)	22,213	23,100	N/A	N/A
Total	$ 510,298	$ 66,500		

(a) This category includes investments in partnerships that invest primarily in common stocks across various sectors and market caps and across different geographic regions. The firms do not short and do not employ leverage. Generally, these funds do not have lock-up periods after the initial investment. Two investments, with a total value of $28.9 million, are currently restricted with restrictions ranging from six to thirty months as of June 30, 2010.

(b) This category includes investments in hedge funds that invest primarily in equities, both long and short. Managers of these funds have the ability to shift investments by geography, sector, and exposure, both on a net and gross basis. Investments representing approximately 69% of the value of this category were liquid as of June 30, 2010. Restriction periods range from three to thirty-six months as of June 30, 2010. One fund includes a restriction that prevents investors from redeeming over 50% of their investment in any single quarter. No other investor-level gates apply.

(c) This category includes investments in hedge funds that invest in event-related equity and credit, arbitrage, short selling and other marketable assets and strategies. The category is comprised of approximately 75% debt and 25% equities, and provides a consistent return, with low volatility and limited correlation to equity and fixed income markets. Investments representing approximately 20% of the value of this category were liquid as of June 30, 2010. Restriction periods range from three to thirty six months as of June 30, 2010.

(d) This category includes investments in hedge funds where managers pursue opportunistic exposure to distressed loans and other senior credits, emerging market debt and high yield bonds. The category is comprised of approximately 90% debt and 10% equities. All investments in this category were unavailable for redemption because of lockup restrictions as of June 30, 2010.

(e) This category includes private equity partnerships including buyout, venture capital, and distressed investment funds. Many of the partnerships are fund of funds that invest in multiple funds across strategies. These investments cannot be redeemed. Distributions from each fund will be received as the underlying investments are liquidated. Most funds have a primary term of ten years. Approximately 49% of private equity NAV is in buyout strategies, 41% in venture capital, 9% in distressed, and 1% in real estate.

(f) The category includes several partnerships in oil and gas and U.S. real estate funds. Many of these partnerships are fund of funds that invest in multiple funds. These investments can't be redeemed but are subject to liquidation distributions as the underlying investments are liquidated. Most funds have a primary term of ten years. 83% of the NAV in this category is in oil and gas partnerships. The remainder is in real estate funds.

Endowment dividend and interest income, net of expenses, amounted to approximately $2,137,000 and $4,600,000, respectively, for the years ended June 30, 2010 and 2009, respectively. In accordance with the university's endowment spending policy, $36,300,000 and $37,400,000 of accumulated gains were used to fund current operations for the years ended June 30, 2010 and 2009, respectively. Unrestricted investment income and gains consist primarily of earnings on unspent bond proceeds.

Temporarily restricted net assets at June 30, 2010 and 2009 include annuity and life income investments at market value of approximately $19,920,000 and $20,100,000, respectively.

Permanently restricted net assets at June 30, 2010 and 2009, include the investment assets at fair value of the Tulane Murphy Foundation (the Foundation) that amounted to $64,438,000 and $80,036,000, respectively. 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 years ended June 30, 2010 and 2009, income from the Foundation, which is restricted to specific purposes, amounted to approximately $1,339,000 and $1,968,000, respectively.

Investment return (loss) is composed of the following for the year ended June 30, 2010 and 2009 (in thousands):

	2010	2009
Operating:		
Endowment distributions	$ 38,403	$ 42,467
Investment income	3,269	5,968
Total Operating Return	41,672	48,435
Non Operating:		
Net realized and unrealized gains, losses	83,855	(202,518)
Endowment appreciation utilized	(36,266)	(37,446)
Total non-operating return	47,589	(239,964)
Total investment return (loss)	$ 89,261	$ (191,529)

7 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2010 and 2009, (in thousands) benefit the following functions:

	2010	2009
Academic departments and instruction	$ 293,208	$ 256,268
Student financial aid and scholarship	78,831	68,900
Capital projects	33,671	40,851
Operations	15,933	13,925
Total	$ 421,643	$ 379,944

Permanently restricted net assets at June 30, 2010 and 2009, (in thousands) benefit the following functions:

	2010	2009
Academic departments and instruction	$ 312,960	$ 303,151
Student financial aid and scholarship	156,031	151,576
Operations	19,232	18,947
Total	$ 488,223	$ 473,674

8 ENDOWMENT FUNDS AND DISCLOSURES UNDER ASC 958-205 (FORMERLY KNOWN AS FSP NO. 117-1)

As discussed in Note 1, New Accounting Pronouncements, the university adopted ASC 658-205 as of July 1, 2008. Management for the university, with the Board of Administrator's concurrence, has interpreted UPMIFA 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, 2010 and 2009 (in thousands):

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	–	$ 296,276	$ 488,223*	$ 784,499
Board designated endowment funds	$ 88,549	–	–	$ 88,549
Total endowment funds	$ 88,549	$ 296,276	$ 488,223	$ 873,048

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	–	$ 257,887	$ 473,674*	$ 731,561
Board designated endowment funds	$ 83,912	–	–	$ 83,912
Total endowment funds	$ 83,912	$ 257,887	$ 473,674	$ 815,473

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

Changes in endowment funds net assets for the years ended June 30, 2010 and 2009 are as follows (in thousands):

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 83,912	$ 257,887	$ 473,674	$ 815,473
Investment Return				
Net appreciation (realized and unrealized)	8,020	74,533	–	82,553
Total investment return	8,020	74,533	–	82,553
New gifts			25,693	25,693
Endowment assets used for expenditure	(3,475)	(32,799)	–	(36,274)
Other	92	(3,345)	(11,144)	(14,397)
Total non investment changes	(3,383)	(36,144)	14,549	(24,978)
Net assets, end of year	$ 88,549	$ 296,276	$ 488,223	$ 873,048

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 576,421	$ –	$ 462,822	$1,039,243
Cumulative change in accounting principle – FSP 117-1	(469,466)	$ 469,466	–	–
Balances restated	$ 106,955	$ 469,466	$ 462,822	$1,039,243
Investment Return				
Investment (loss) income			347	347
Net depreciation (realized and unrealized)	(19,855)	(178,099)	–	(197,954)
Total investment return	(19,855)	(178,099)	347	(197,607)
New gifts	295	–	8,768	8,768
Endowment assets used for expenditure	(3,506)	(33,940)	–	(37,446)
Other	23	460	1,737	(2,515)
Total non investment changes	(3,188)	(33,480)	10,505	(26,163)
Net assets, end of year	$ 83,912	$ 257,887	$ 473,674	$ 815,473

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, 2010 and 2009 is as follows:

	2010	2009
Pooled funds	$ 602,705*	$ 562,325*
LEQSF pooled funds	128,825	106,531
Separately invested funds	124,236**	119,174**
Contributions receivable	14,658	17,837
Investment income receivables and other	2,624	9,606
Total endowment related net assets	$ 873,048	$ 815,473

*This category includes $32.4 million and $32.9 million in university owed real estate that returned approximately $1.2 million and $1.7 million in net rents and royalties for the years ended June 30, 2010 and 2009.

**This category includes an investment of approximately $18.0 million and $17.0 million in University Healthcare System, L.L.C. and investments of approximately $59.9 million and $75.0 million in Murphy Oil Corporation common stock at June 30, 2010 and 2009.

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 UPMIFA requires the university to maintain as a fund of perpetual duration. These deficiencies fell across 328 and 559 individual endowment funds and totaled approximately $7.2 million and $12.2 million at June 30, 2010 and 2009, respectively. Management is monitoring these deficiencies and 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 appropriating 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 the years ended June 30, 2010 and 2009 the university used approximately $31.1 million and $32.9 million in pooled endowment assets 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 the years ended June 30, 2010 and 2009, the university used approximately $5.2 million and $5.5 million, respectively, in such assets for spending.

Separately invested funds generally produce dividends and interest that are then made available for spending. In the years ended June 30, 2010 and 2009, such items totaled $2.5 million and $2.6 million, respectively.

ENDOWMENT ASSETS USED FOR SPENDING

The university made $36.3 million and $37.4 million of endowment assets available for spending in the years ended June 30, 2010 and 2009, respectively.

9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30, 2010 and 2009 (in thousands):

	2010	2009
Land	$ 22,369	$ 22,369
Buildings and improvements	728,867	668,862
Equipment	167,823	145,727
Library books and materials	132,494	120,845
Construction in progress	45,246	84,894
Gross property, plant and equipment	1,096,799	1,042,697
Less: accumulated depreciation	(431,383)	(401,165)
Property, plant and equipment, net	$ 665,416	$ 641,532

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 $1.1 million and $1.2 million, respectively, for the years ended June 30, 2010 and 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 million. The expansion is funded in part by $41 million in government grants. At June 30, 2010 and 2009, the university had invested approximately $74 million and $65 million in these projects, including approximately $8 million and $56 million that were recorded as construction in progress at June 30, 2010 and 2009, respectively.

10 NOTES PAYABLE AND LINES OF CREDIT

Notes payable at June 30, 2010 and 2009, consist of the following (in thousands):

	2010	2009
Amounts drawn under two short term credit lines, as described below	$ 9,745	$ –
One unsecured note for $150 due in installments through 2010 with interest fixed at 8.50%.	–	68
One unsecured note for $1.5 million due in installments through 2036 with interest fixed at 4%.	1,455	1,485
One unsecured note for $270 due in installments through 2014 with interest fixed at 4.50%, paid off in 2010.	–	170
Two unsecured term notes dated June 2006 with quarterly principal installments ranging from $125 to $500 with $15 million due in June 2013. Interest is borne at the London Interbank Offered Rate (LIBOR) minus 50 basis points (0% and .71% at June 30, 2010 and 2009).	18,125	18,625
Four unsecured term notes totaling $ 20.5 million drawn under a non revolving credit agreement dated December 2007. Principal installments commenced at $107 per quarter on January 1, 2009 and peak in fiscal 2014 at $430 per quarter. The notes term out through 2047 at $101 per quarter. Interest is borne at LIBOR plus 77 basis points (1.06% and 1.98% at June 30, 2010 and 2009).	19,854	20,284
Total notes payable	$ 49,179	$ 40,632

The university had $110 million and $120 million in lines of credit with three banks to meet short term seasonal cash requirements at June 30, 2010 and 2009, respectively. The lines expire as follows: $40 million on January 31, 2011, $20 million on March 30, 2011, and $50 million on May 26, 2011. Principal is payable upon demand. At June 30, 2010 and 2009, there was $9.745 million and $0 drawn on these lines, respectively. Interest rates applicable to these lines are based on several defined indices.

11 BONDS PAYABLE

Bonds payable consist of the following at June 30, 2010 and 2009 (in thousands):

	2010	2009
Mortgage Bonds Series 1982 with annual maturities through 2022,fixed interest rate of 3.00%.	$ 1,055	$ 1,125
Tax exempt 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	192,565
Tax exempt 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, 2010 was .99%.	62,180	62,180
Tax exempt Louisiana Public Facilities Authority Refunding Revenue Bonds Series 2007B 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 interest rate in effect at June 30, 2010 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 2032.	33,485	33,485
The Administrators of the Tulane Educational Fund Series 2007C 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, 2010 was .74%.	103,135	103,135

	2010	2009
Tax Exempt Louisiana Public Facilities Authority Variable Range Revenue Bonds, Series 2009 (Dormitory) was delivered on December 9, 2009 and matures December 9, 2041. The face value of the issue is $30,000 with draws being made to fund beginning with $365 on December 9, 2012 and ending with $2,120 on December 9, 2041. These bonds can be called at any time and may be put by the bondholder after 5 years and every 5 years thereafter. Interest is priced at 67% of the sum of one month LIBOR plus 3.50%. At June 30, 2010 this rate was 2.58%.	$ 2,997	$ –
Tax exempt Louisiana Public Facilities Authority Variable Rate Bonds, Series 2010 (Energy) were delivered on March 25, 2010 and mature on March 25, 2042. The face value of the issue is $30,000 with draws being made in calendar 2010 to fund construction. Principal is scheduled in annual installments beginning in fiscal 2013 at $250 and ending in fiscal 2042 with $1,500. The bonds may be called at any time and may be put by the bondholder after 5 years and every 5 years thereafter. Interest is priced monthly at 67% of the sum of one month LIBOR plus 2.65%. At June 30, 2010 this rate was 2.01%.	8,854	–
Total bonds payable outstanding	404,271	392,490
Bond underwriters premium	8,631	8,951
Bonds payable	$ 412,902	$ 401,441

The university issued tax exempt bonds in 2010 through the LPFA to support undergraduate campus dormitory construction and medical school campus infrastructure improvements. The Series 2010 bonds will be fully drawn by December 31, 2010 whereas the Series 2009 bonds will be drawn to match construction requirements that are expected to conclude by September 30, 2011. In each case the bond purchaser is a large commercial bank.

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 bonds 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, 2010 are as follows (in thousands):

Fiscal Year	**Amount**
2011	$ 70
2012	320
2013	4,580
2014	11,225
2015	11,955
2016 and thereafter	376,121
Total	$ 404,271

All of the above described outstanding bonds payable, excluding the mortgage bonds payable, are general obligations of the university. The university is required to comply with certain covenants that, if not met, limit the incurrence of additional certain long term indebtedness and the 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, 2010 and 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

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 practical to determine fair value.

Investments — Investments at fair value were approximately $857 million and $778 million at June 30, 2010 and 2009. Market values are used when available. Other investments totaling approximately $55.1 million and $56.2 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 $372.6 million and $336.2 million at June 30, 2010 and 2009, respectively. 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 a reasonable estimate of fair value.

13 RETIREMENT PLANS

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 years ended June 30, 2010 and 2009, contributions to the plans were approximately $16.5 million and $15.0 million, respectively.

14 PROFESSIONAL LIABILITY INSURANCE

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

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. On September 8, 2010, the parties entered into, and the court preliminarily approved, a settlement agreement, settling this case subject to satisfaction of two contingencies. First, if fewer than 300 class members file claims within the requisite filing period, the defendants have the option to revoke the settlement and return to litigation. Second, the court must grant final approval of the settlement after conducting a fairness hearing, presently scheduled for February 18, 2011.

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 $4,936,000 and $4,975,000, respectively, for the years ended June 30, 2010 and 2009. Additionally, in 2010 the university paid a contraction fee of $1.471 million in connection with a lease of office space. Future minimum rental payments on non-cancellable operating leases with lease terms in excess of one year as of June 30, 2010 are as follows (in thousands):

Fiscal Year	Amount
2011	$ 3,984
2012	3,969
2013	3,241
2014	2,788
2015	2,974
2016 and thereafter	5,948
Total	$ 22,904

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 12-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 $2.5 million and $2.6 million during the years ended June 30, 2010 and 2009, respectively, under this agreement and such amounts are 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 Offered 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 values of the collar at June 30, 2010 and 2009 were $1,242,000 and $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. The notional amount is $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 values of this swap at June 30, 2010 and 2009, were $3,431,000 due the counterparty and $4,337,000 in favor of the university, respectively. In a second transaction, a hedge was devised to protect against interest rate fluctuations on the university's tax exempt variable rate debt. This swap 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 LIBOR 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 values of this arrangement at June 30, 2010 and 2009 were $2,746,000 and $397,000, respectively, due the counterparty.

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 values of these arrangements were $850,000 due the counterparty and $542,000 in favor of the university at June 30, 2010 and 2009.

The combined values of these agreements at June 30, 2010 and 2009 were included as approximately $8,269,000 and ($2,063,000) in the caption accounts payable and accrued liabilities on the Statement of Financial Position. In 2010 the effect on the statement of activities is recorded in the non-operating section as ($10,332,000) in net unrealized losses on interest rate swaps.

16 HOSPITAL/CLINIC JOINT VENTURE

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.

For the years ended June 30, 2010 and 2009, the university recorded revenue and cost recoveries of approximately $44.9 million and $42.8 million, and as of June 30, 2010 and 2009, recorded approximately $1.7 million and $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 December 31, 2009 and 2008 (audited) are as follows (in thousands):

	2009	**2008**
Current assets	$ 74,766	$ 81,897
Property plant and equipment, net	91,223	93,498
Other assets	38,081	37,955
Total assets	$ 204,070	$ 213,350
Current liabilities	$ 99,751	$ 96,594
Long term debt	7,825	8,314
Total liabilities	107,576	104,908
Partners' equity	96,494	108,442
Total liabilities and partners' equity	$ 204,070	$ 213,350

Summarized financial results for the years ended December 31, 2009 and 2008 are as follows (in thousands):

	2009	**2008**
Net revenues	$ 390,311	$ 363,625
Operating expenses	374,184	361,225
Depreciation and amortization	19,837	19,454
Other	8,238	7,165
Net loss	$ (11,948)	$ (24,219)

The university's share of partners' equity at June 30, 2010 and 2009 is approximately $18 million and $17 million, respectively.

17 HURRICANE KATRINA

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 the 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, 2010 and 2009 are summarized as follows (in thousands):

	2010	2009
Restoration of buildings and grounds	$ 228,156	$ 225,247
Equipment replacements	12,986	12,986
Other incremental disaster-related operating costs	77,983	73,917
Direct gross incremental out-of-pocket disaster costs	319,125	312,150
Net book value of fixed improvements and equipment destroyed	28,074*	28,074*
Less: construction and replacement equipment capitalized	(107,515)	(104,778)
National Flood Insurance Program, FEMA, and other insurance recoveries	(154,927)	(141,241)
Disaster costs, net of recoveries	84,757**	94,205**
Net amount expensed in fiscal 2006	$ 152,546	152,546
Net amount expensed in fiscal 2007	24,021	24,021
Net amount recovered in fiscal 2008	(51,324)	(51,324)
Net amount recovered in fiscal 2009	(31,038)	(31,038)
Net amount recovered in fiscal 2010	(9,448)	–
Total disaster costs	$ 84,757	$ 94,205

*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, 2010 and 2009, the university had received approximately $300 million and $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. Such recoveries are 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, 2010 and 2009:

	2010	2009
Cumulative FEMA cash received	$ 88,337	$ 62,185**
Receivable from FEMA	1,234	15,400
Total FEMA cash received and receivable	$ 89,571	$ 77,585
Cumulative FEMA advances recognized as recoveries	$ 78,611	$ 69,007*
FEMA advances recorded as deferred revenue	10,960	8,578***
Total cost recoveries and deferred revenue	$ 89,571	$ 77,585

*Of this amount, $10.8 million and $34.4 million were recognized in disaster cost recoveries in the years ended June 30, 2010 and 2009, respectively.
**Of this amount, $26,000 and $11,000 were received in the years ended June 30, 2010 and 2009, respectively.
***This amount will be recognized when FEMA obligates the underlying projects' worksheets.

18 SUBSEQUENT EVENTS

The university completed its subsequent events reviews through October 27, 2010 for the years ended June 30, 2010 and 2009, respectively.

Tulane University
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