EMORY UNIVERSITY

Consolidated Financial Statements and
Supplementary Information

August 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2000
303 Peachtree Street, NE
Atlanta, GA 30308

Independent Auditors' Report

The Board of Trustees
Emory University:

We have audited the accompanying consolidated statements of financial position of Emory University (the University) as of August 31, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Emory University as of August 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in notes 2(p) and 8 to the consolidated financial statements, the University adopted FASB Staff Position No. FAS 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* in fiscal 2009. Consequently, the University's consolidated financial statements for 2008 have been adjusted to reflect the retrospective application of the change in accounting principle in the earliest period presented. In addition, as discussed in notes 2(p) and 9 to the consolidated financial statements, the University adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, in the 2009 consolidated financial statements.

Our audits for the years ended August 31, 2009 and 2008 were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole for the years ended August 31, 2009 and 2008.

KPMG LLP

Atlanta, Georgia
December 22, 2009

EMORY UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31, 2009 and 2008
(Dollars in thousands)

	2009	2008 As Adjusted
ASSETS:		
Cash and cash equivalents	$ 413,879	$ 35,009
Cash held as collateral under securities lending transactions	-	274,510
Patient accounts receivable, net	224,863	211,941
Student accounts receivable, net	45,894	52,748
Loans receivable, net	32,003	34,597
Contributions receivable, net	192,964	215,515
Accrued investment income receivable	9,263	9,734
Other receivables, net	187,210	109,559
Prepaid expenses, deferred charges, and other assets	153,562	130,722
Investments	5,807,851	6,986,920
Property and equipment, net	2,188,162	2,055,071
Total assets	**$ 9,255,651**	**$ 10,116,326**
LIABILITIES AND NET ASSETS:		
Liability under securities lending transactions	$ -	$ 274,510
Accounts payable and accrued liabilities	444,567	356,293
Liability for derivative instruments	63,832	11,487
Interest payable	25,925	13,325
Annuities payable	18,857	21,548
Bonds, notes, and mortgages payable	1,979,822	1,675,734
Accrued liabilities for benefit obligations and professional liabilities	143,752	137,232
Deferred tuition and other revenue	249,257	226,113
Deposits held in custody for others	389,467	438,752
Government advances for federal loan programs	17,705	17,723
Total liabilities	3,333,184	3,172,717
Unrestricted net assets	2,533,486	2,949,583
Temporarily restricted net assets	2,186,271	2,722,207
Permanently restricted net assets	1,202,710	1,271,819
Total net assets	5,922,467	6,943,609
Total liabilities and net assets	**$ 9,255,651**	**$ 10,116,326**

See accompanying notes to consolidated financial statements.

EMORY UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended August 31, 2009 (with summarized financial information for the year ended 2008)

(Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total August 31, 2009	Total August 31, 2008
OPERATING REVENUES:					
Tuition and fees	$ 428,460	$ -	$ -	$ 428,460	$ 400,123
Less: scholarship allowances	(132,810)	-	-	(132,810)	(115,205)
Net tuition and fees	295,650	-	-	295,650	284,918
Endowment spending distribution	182,142	-	-	182,142	173,640
Other investment income designated for current operations	32,127	-	-	32,127	35,969
Gifts and contributions	38,971	-	-	38,971	45,880
Indirect cost recoveries	102,487	-	-	102,487	93,848
Government grants and contracts	259,007	-	-	259,007	256,966
Other grants and contracts	45,596	-	-	45,596	40,721
Medical services	149,524	-	-	149,524	148,300
Auxiliary enterprises	59,581	-	-	59,581	57,716
Independent operations	18,802	-	-	18,802	22,659
Net patient service revenue	1,759,791	-	-	1,759,791	1,634,100
Patent and royalty revenue	4,379	-	-	4,379	10,801
Other revenue	77,971	-	-	77,971	81,573
Net assets released from restrictions	12,873	(12,873)	-	-	-
Total operating revenues	**3,038,901**	**(12,873)**	**-**	**3,026,028**	**2,887,091**
OPERATING EXPENSES:					
Salaries and fringe benefits	1,831,789	-	-	1,831,789	1,696,685
Student financial aid	12,417	-	-	12,417	11,759
Other operating expenses	958,375	-	-	958,375	927,666
Interest on indebtedness	62,977	-	-	62,977	52,012
Depreciation	156,521	-	-	156,521	144,351
Total operating expenses	**3,022,079**	**-**	**-**	**3,022,079**	**2,832,473**
NET OPERATING REVENUES/(EXPENSES)	**16,822**	**(12,873)**	**-**	**3,949**	**54,618**
NON-OPERATING REVENUES/(EXPENSES):					
Net unrealized losses on investments	(179,109)	(407,990)	(77,805)	(664,904)	(479,674)
Investment income and gains (losses) less spending distribution for current operations	(136,015)	(128,141)	(9,591)	(273,747)	172,627
Investment management fees	(14,042)	(163)	(279)	(14,484)	(20,928)
Gifts and contributions	6,344	8,807	17,063	32,214	45,413
Loss on disposal of property and equipment	(705)	-	-	(705)	(8,993)
Loss on advance refunding of debt	(809)	-	-	(809)	(133)
Change in fair value of derivative instruments	(52,345)	-	-	(52,345)	(33,830)
Other non-operating items	(56,238)	4,424	1,503	(50,311)	4,683
Total non-operating expenses	**(432,919)**	**(523,063)**	**(69,109)**	**(1,025,091)**	**(320,835)**
CHANGE IN NET ASSETS	**(416,097)**	**(535,936)**	**(69,109)**	**(1,021,142)**	**(266,217)**
BEGINNING NET ASSETS	**2,949,583**	**2,722,207**	**1,271,819**	**6,943,609**	**7,209,826**
ENDING NET ASSETS	**$ 2,533,486**	**$ 2,186,271**	**$ 1,202,710**	**$ 5,922,467**	**$ 6,943,609**

See accompanying notes to consolidated financial statements.

EMORY UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES (As Adjusted)
Year Ended August 31, 2008
(Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total August 31, 2008
OPERATING REVENUES:				
Tuition and fees	$ 400,123	$ -	$ -	$ 400,123
Less: scholarship allowances	(115,205)	-	-	(115,205)
Net tuition and fees	284,918	-	-	284,918
Endowment spending distribution	173,640	-	-	173,640
Other investment income designated for current operations	35,969	-	-	35,969
Gifts and contributions	45,880	-	-	45,880
Indirect cost recoveries	93,848	-	-	93,848
Government grants and contracts	256,966	-	-	256,966
Other grants and contracts	40,721	-	-	40,721
Medical services	148,300	-	-	148,300
Auxiliary enterprises	57,716	-	-	57,716
Independent operations	22,659	-	-	22,659
Net patient service revenue	1,634,100	-	-	1,634,100
Patent and royalty revenue	10,801	-	-	10,801
Other revenue	81,573	-	-	81,573
Net assets released from restrictions	5,905	(5,905)	-	-
Total operating revenues	**2,892,996**	**(5,905)**	**-**	**2,887,091**
OPERATING EXPENSES:				
Salaries and fringe benefits	1,696,685	-	-	1,696,685
Student financial aid	11,759	-	-	11,759
Other operating expenses	927,666	-	-	927,666
Interest on indebtedness	52,012	-	-	52,012
Depreciation	144,351	-	-	144,351
Total operating expenses	**2,832,473**	**-**	**-**	**2,832,473**
NET OPERATING REVENUES/(EXPENSES)	**60,523**	**(5,905)**	**-**	**54,618**
NON-OPERATING REVENUES/(EXPENSES):				
Net unrealized losses on investments	$ (274,304)	(172,793)	(32,577)	(479,674)
Investment income and gains in excess of spending distribution for current operations	182,397	(18,588)	8,818	172,627
Investment management fees	(20,634)	(147)	(147)	(20,928)
Gifts and contributions	6,960	4,024	34,429	45,413
Loss on disposal of property and equipment	(8,993)	-	-	(8,993)
Loss on advance refunding of debt	(133)	-	-	(133)
Change in fair value of derivative instruments	(33,830)	-	-	(33,830)
Other non-operating items	8,250	(4,588)	1,021	4,683
Total non-operating revenues/(expenses)	**(140,287)**	**(192,092)**	**11,544**	**(320,835)**
CHANGE IN NET ASSETS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	**(79,764)**	**(197,997)**	**11,544**	**(266,217)**
Cumulative effect of change in accounting principle	(2,481,613)	2,481,613	-	-
CHANGE IN NET ASSETS	**(2,561,377)**	**2,283,616**	**11,544**	**(266,217)**
BEGINNING NET ASSETS	**5,510,960**	**438,591**	**1,260,275**	**7,209,826**
ENDING NET ASSETS	**$ 2,949,583**	**$ 2,722,207**	**$ 1,271,819**	**$ 6,943,609**

See accompanying notes to consolidated financial statements.

EMORY UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended August 31, 2009 and 2008
(Dollars in thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (1,021,142)	$ (266,217)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Nonoperating items:		
Gifts restricted for long-term investment and capital projects	(27,580)	(43,933)
Net realized losses (gains) on sale of investments	191,133	(259,560)
Loss on disposal of property and equipment	705	8,993
Noncash items:		
Depreciation	156,521	144,351
Accretion/amortization of bond discounts/premiums	(5,330)	2,985
Net unrealized losses on investments	664,904	479,674
Change in fair value of derivative instruments	52,345	33,830
Gifts of securities and other assets	(28,793)	(5,502)
Gifts of securities and other assets for long-term investment and capital projects	-	(35,000)
Gifts of property, plant and equipment	(806)	(1,738)
(Increase) decrease in:		
Accounts and other receivables, net	(83,719)	(6,285)
Contributions receivable	22,551	37,361
Accrued investment income	471	(1,110)
Prepaid expenses, deferred charges and other assets	(20,039)	(21,147)
Increase (decrease) in:		
Accounts payable and interest payable	100,874	49,166
Accrued liabilities for benefit obligations and professional liabilities	6,520	(44,969)
Deferred tuition and other revenue	23,144	14,716
Net cash provided by operating activities	**31,759**	**85,615**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disbursements for loans to students	(1,869)	(3,979)
Repayment of loans from students	4,463	20,273
Proceeds from sales and maturities of investments	5,819,435	7,602,447
Purchases of investments	(5,467,610)	(7,648,790)
Change in collateral deposits under securities lending transactions	274,510	95,978
Change in obligation to return collateral under securities lending transactions	(274,510)	(95,978)
Purchases of property, plant and equipment	(289,511)	(288,835)
(Decrease) increase in deposits held in custody for others	(49,285)	18,973
Net cash provided by (used in) investing activities	**15,623**	**(299,911)**

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EMORY UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended August 31, 2009 and 2008
(Dollars in thousands)

	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES:		
Gifts restricted for long-term investment and capital projects	27,580	43,933
Proceeds from bonds and mortgages payable	701,276	327,978
Principal repayments of bonds and mortgages payable	(391,858)	(150,481)
Decrease in annuities payable	(2,691)	(1,598)
Decrease in government advances for federal loan programs	(18)	(1,071)
Bond issuance costs	(2,801)	(374)
Net cash provided by financing activities	**331,488**	**218,387**
Net increase in cash and cash equivalents	**378,870**	**4,091**
Cash and cash equivalents at beginning of year	**35,009**	**30,918**
Cash and cash equivalents at end of year	**$ 413,879**	**$ 35,009**
Supplemental disclosure:		
Cash paid for interest	$ 54,125	$ 59,561

See accompanying notes to consolidated financial statements.

(1) Organization

Emory University (the University or Emory) is a not-for-profit corporation, located in Atlanta, Georgia, which owns and operates educational facilities, a healthcare system, Clifton Casualty Insurance Company Ltd. (CCIC) and Emory Medical Care Foundation (EMCF). The Emory Healthcare system (the System or Emory Healthcare) consists of (i) three general and acute care hospitals (Emory University Hospital, Emory University Hospital Midtown, and Emory University Hospital Northlake, which was opened in September 2008), (ii) a geriatric hospital and a long term care hospital (Wesley Woods Geriatric Hospital and Wesley Woods Long Term Care Hospital), (iii) an intermediate care nursing home (Budd Terrace), and an independent and assisted living facility for seniors (Wesley Woods Towers), (iv) two physician groups (The Emory Clinic, Inc. and Emory Specialty Associates, LLC) and one physician-group joint venture (Emory Children's Center, Inc.) and (v) Emory Healthcare Corporate (EHC). The consolidated financial statements include Emory University and the aforementioned entities. All material intercompany accounts and transactions have been eliminated in consolidation.

Emory University Hospital, Emory University Hospital Midtown, Emory University Hospital Northlake, Wesley Woods Geriatric Hospital and Wesley Woods Long Term Care Hospital are sometimes referred to herein as "the Hospitals."

(2) Summary of Significant Accounting and Reporting Policies

The following accounting policies are used in the preparation of the accompanying consolidated financial statements:

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP).

In accordance with not-for-profit accounting principles, the University has classified resources into three net asset categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets – Net assets that are not subject to externally imposed stipulations. Certain net assets classified as unrestricted are designated for specific purposes or uses under various internal operating and administrative arrangements of the University.

Temporarily Restricted Net Assets – Net assets that are subject to externally imposed stipulations that may or will be met either by actions of the University and/or the passage of time.

Permanently Restricted Net Assets – Net assets that are subject to externally imposed restrictions that the University maintains permanently. Generally, the donors of these assets permit the University to use all or part of the income earned and net appreciation on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(Continued)

Income and realized and unrealized gains on investments of permanently restricted net assets are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund.
- As increases in temporarily restricted net assets until appropriated for expenditure by the University and donor restrictions for their use are met.

Subsequent to the enactment of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the adoption of FASB Staff Position No. 117-1 (see note 2(p)), gains and losses on investments are reported as increases or decreases in temporarily restricted net assets, when either time restricted or restricted by explicit external stipulations, except when such losses result in the market value of a donor-restricted endowment fund declining below the related book value, in which case the difference between the fair market value and book values is reflected within unrestricted net assets.

Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the externally stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions between the applicable classes of net assets in the consolidated statement of activities.

(a) Cash Equivalents

Cash equivalents consist primarily of short-term money market mutual funds and treasury bills with original maturities of ninety days or less. These amounts are carried at cost, which approximates fair value. Cash and cash equivalents that are part of the long term pool are shown within investments as those funds generally are not used for daily operating purposes.

(b) Contributions Receivable

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year, net of an allowance for uncollectible contributions receivable, are discounted to their present value at a risk adjusted rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, considering such factors as prior collection history, type of contribution, relationship with donor and other relevant factors.

(c) Loans Receivable, Net

Loans to students from Emory are carried at estimated net realizable value. Loans receivable from students under governmental loan programs, carried at cost, can only be assigned to the federal government or its designees. Loan balances are net of allowances for estimated uncollectible accounts of $0.8 million as of August 31, 2009 and 2008. Loans to qualified students are funded principally with government advances to Emory under the Perkins, Nursing and Health Professions Student Loan Programs.

(d) Other Receivables, Net

Other receivables are recorded at net realizable value and include receivables under grants and contracts, billings under clinical trials, royalty agreements, and medical services provided to other organizations and outstanding losses recoverable from reinsurers.

(e) Investments

Investments are carried at fair value, with the difference between fair value and cost (or fair value at date of gift) being recorded as unrealized gains (losses). The fair value of publicly traded fixed income and equity securities is based upon quoted market prices and exchange rates, if applicable. Fair values for private partnership interests, real estate, and oil and gas properties held through limited partnerships or commingled funds, and marketable alternative investments (often referred to as hedge funds and typically in the form of limited partnerships) are not as readily ascertainable. Fair value for these investments is established based on either external events which substantiate a change in fair value or a reasonable methodology that exists to capture and quantify changes in fair value. In some instances, those changes in fair value may require the use of estimates. Accordingly, such values may differ from the values that would have been used had a ready market for these investments existed. Those net asset values are determined by the investment managers and are reviewed and evaluated by the Emory Investment Management Office.

Investments in private partnership interests are valued using the most current information provided by the general partner and then evaluated by the Emory Investment Management Office. General partners typically value privately held companies at cost or an adjusted value based on a recent arm’s length transaction. Public companies are valued using quoted market prices and exchange rates, if applicable. Real estate partnerships and funds are valued based on appraisals of properties held and conducted by third-party appraisers retained by the general partner or investment manager. General partners of alternative investments that invest in marketable securities provide values based on quoted market prices and exchange rates for publicly traded securities and valuation estimates of derivative instruments. General partners of oil and gas partnerships also use third-party appraisers to value properties. Valuations provided by the general partners and investment managers are evaluated by management and management believes such values are reasonable estimates of fair value at August 31, 2009 and 2008.

(f) Life Income, Gift Annuities, and Interest in Perpetual Trusts Held by Others

The University’s split interest agreements with donors consist primarily of gift annuity agreements and irrevocable charitable remainder trusts for which the University serves as trustee. Assets held in the trusts are included in investments. Contribution revenues are recognized when trusts (or annuity agreements) are established, after recording liabilities for the present value of the estimated future payments to be made to beneficiaries. The liabilities are adjusted annually for changes in the value of assets, accretion of the discount, and other changes in the estimates of future benefits.

The University is also the beneficiary of certain perpetual trusts held and administered by others. The present value of the estimated future cash receipts from the trusts is recognized in investments and as contribution revenue at the date such trusts are established. The carrying value of the investments is adjusted annually for changes in fair value.

(g) Property and Equipment

Land, buildings, and equipment are recorded at cost at the date of acquisition or fair value at the date of gift to the University. Interest expense, net of interest earnings, on borrowings is capitalized during project construction periods as part of property cost. Depreciation expense is based on the straight-line method over the estimated useful lives of the assets, using the half-year convention beginning in the year the assets are placed in service. Useful lives are as follows: buildings – 15 to 60 years; land improvements and infrastructure – 5 to 20 years; moveable equipment – 3 to 20 years; fixed equipment – 10 to 30 years; and library books – 10 years.

(h) Bond Issuance Costs

Costs related to the registration and issuance of bonds are carried at cost less accumulated amortization, are being amortized over the life of the bonds on a method that approximates the effective-interest method, and are included in other assets in the consolidated balance sheet.

(i) Tuition and Fees

Tuition and fee revenues and related expenditures are recognized in the fiscal year during which the academic services are rendered. The accompanying consolidated statements of financial position as of August 31, 2009 and 2008 reflect deferred fall semester revenues and expenditures, which will be recognized as revenues and expenditures in fiscal years 2010 and 2009, respectively.

(j) Contributions Revenue

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions for specified purposes, capital projects or permanent endowments and contributions under split interest agreements are reported as non-operating revenues. All other contributions are recorded as operating revenues. Donor-restricted contributions are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Unconditional promises to give, with payments due in future periods, are recorded as increases in temporarily or permanently restricted assets at the estimated present value of future cash flows, net of an allowance for uncollectible pledges. Expirations of temporary restrictions on net assets, such as the donor stipulation being met or the passage of time, are reported as net assets released from restriction and reflect reclassifications from temporarily restricted net assets to unrestricted net assets. If the donor stipulation is met in the year of the gift, the contribution is reflected in the unrestricted net asset class. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period when the asset is placed in service. Conditional promises are recorded when donor conditions are substantially met.

(k) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenues on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

With respect to reserves for third-party payor cost report audits and anticipated settlements, the Hospitals routinely reserve 3.5% of relevant Medicare revenues through initial audit and settlement of related cost reports, which is then reduced to 1.5% of revenues until the related statutory reopening periods have expired (generally, three years from the date of original settlement). The Hospitals have historically provided such reserves in recognition of the complexity of relevant reimbursement regulations and the volatility of related settlement processes, and believe that such policy properly provides for the Hospitals' routine exposures in this area consistent with industry-specific accounting principles and practices. In any event, the Hospitals' estimates in this area will differ from actual experience, and those differences may be material.

During fiscal 2009 and 2008, net patient service revenue increased approximately $4.5 million and $12.7 million, respectively, due to adjustment of previously estimated third-party payor reserves that are no longer necessary as a result of final settlements and years that are no longer subject to audits, reviews, and investigations, and new reserves established in accordance with the System's stated policy.

(l) Income Taxes

The University is recognized as a tax-exempt organization as defined in Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and is generally exempt from the federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes is made in the consolidated financial statements.

On September 1, 2007, the University adopted FIN 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109.* FIN 48 clarifies the accounting for uncertainty in income tax positions recognized in accordance with FASB Statement No. 109, *Accounting for Income Taxes.* It also provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined. There was no significant impact on the University's consolidated financial statements as a result of the adoption of FIN 48.

(m) Asset Retirement Obligations

The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the University capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the recorded liability is recognized as a gain or loss in the consolidated statement of activities.

(n) Derivative Instruments

The University will from time to time utilize interest rate swaps to hedge interest rate market exposure of the underlying bonds. The University does not use derivative financial instruments for speculative or trading purposes. The University uses the accrual method to account for the interest rate swaps in connection with the underlying bonds. The difference between amounts paid and received under such agreements is reported in interest expense on a functional basis in the statements of activities. Changes in the fair value of these swaps are recognized as changes in net assets in the accompanying consolidated statements of activities.

(o) Pension and Postretirement Benefits

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS 158), in September 2006. SFAS 158 requires employers to recognize the funded status of their defined benefit plans and postretirement benefit plans as an asset or liability and to recognize changes in funded status during the year in which the changes occur as changes in unrestricted net assets for not-for-profit organizations. For the year ending August 31, 2009, the University changed to a fiscal year-end measurement of plan assets and benefit obligations per requirements of SFAS 158, which resulted in a decrease in unrestricted net assets of $3.4 million in the accompanying consolidated financial statements.

(p) New Accounting Pronouncements

Through June 30, 2008, the University's management and investment of donor-restricted endowment funds was subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA) that serves as a guideline to states to use in enacting legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar value threshold, the amount below which an organization could not spend from the fund in favor of a more robust set of guidelines about what constitutes prudent spending. Effective July 1, 2008, the State of Georgia enacted UPMIFA, the provisions of which apply to funds existing on or established after that date.

FASB Staff Position No. FAS 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 Endowments Funds* (FSP 117-1), is effective for fiscal years ending after December 15, 2008. A key component of FSP 117-1 requires a portion of a donor-restricted endowment fund that is not classified as permanently restricted be classified as temporarily restricted net assets until appropriated for expenditure. The University adopted FSP 117-1 for the year ended August 31, 2009 and has adjusted the August 31, 2008 financial statements to reflect the retroactive application of FSP 117-1 resulting in a reclassification of net assets from unrestricted to temporarily restricted (see note 8).

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements; however, it does not require any new fair value measurements. The provisions of this statement are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Effective September 1, 2008, the University implemented SFAS 157 and related required disclosures are presented in note 9.

During fiscal year 2009, the University early adopted certain provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)* (ASU 2009-12), which amends SFAS 157 and permits, as a practical expedient, fair value of investments within its scope to be estimated using net asset value or its equivalent (see note 9).

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to make an irrevocable election, at specified election dates, to measure eligible financial instruments and certain other items at fair value. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The provisions of this statement are effective as of the beginning of the first fiscal year that begins after November 15, 2007. SFAS 159 was effective September 1, 2008; the University elected not to measure any additional eligible assets or liabilities at fair value.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an Amendment of Statement No. 133* (SFAS 161). The standard requires enhanced disclosures about derivative instruments and hedged items that are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* and related interpretations. SFAS 161 is effective for periods beginning after November 15, 2009 and no comparative information for periods prior to the effective date is required. SFAS 161 is not expected to have a material impact on how the University accounts for these instruments.

In April 2009, the FASB issued SFAS No. 164, *Not-for-Profit Entities: Mergers and Acquisitions* (SFAS 164). SFAS 164 provides guidance on accounting for a combination of not-for-profit entities, which is a transaction or other event that results in a not-for-profit entity initially recognizing another not-for-profit entity, a business, or a nonprofit activity in its financial statements. SFAS 164 applies to a combination that meets the definition of either a merger of not-for-profit entities or an acquisition by a not-for-profit entity. SFAS 164 is effective for mergers for which the merger date is on or after the beginning of an initial reporting period beginning on or after December 15, 2009, and acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2009. The provisions of this pronouncement are not permitted to be applied to previous mergers or acquisitions.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS 165). The objective of SFAS 165 is to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The University adopted SFAS 165 effective August 31, 2009 (see note 28).

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (SFAS 168). SFAS 168 establishes the FASB Accounting Standards Codification (Codification) as the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretative releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification supersedes all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative.

Following the Codification, the Board will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting

Standards Updates, which will serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification. GAAP is not intended to be changed as a result of the FASB's Codification project, but it will change the way the guidance is organized and presented. As a result, these changes will have a significant impact on how entities reference GAAP in their financial statements and in their accounting policies for financial statements issued for interim and annual periods ending after September 15, 2009. In future financial statements, the University will provide references to the Codification topics.

(q) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items in the University's consolidated financial statements subject to such estimates and assumptions include valuations for certain investments without readily determinable fair values, the determination of the allowances for uncollectible accounts and contractual adjustments, reserves for employee healthcare and workers' compensation claims, accruals for asset retirement obligations, accrued professional and general liability costs, estimated third-party settlements and actuarially determined benefit liabilities related to the University's pension and other postretirement benefit plans. Depreciation expense is based on the estimated useful lives of the related assets. The carrying value of contributions to be received after one year are estimated by discounting the expected future cash flows at a risk free rate which could have been obtained at the date of the gift.

(r) Current Economic Environment

The recent economic downturn in the U.S. economy impacted the University in a number of ways. Some of the factors which impacted the University include, but are not limited to:

- Volatility in the tax-exempt bond market;
- Volatility in financing costs and limited ability to hedge those risks using instruments such as interest rate swap agreements;
- Volatility in the commercial banking industry and related potential issues including, but not limited to, liquidity access, counterparty arrangements and short-term financing capacity.
- Investment losses;
- Rising self-pay patient volumes and corresponding increases in uncompensated care; and
- An increasingly uncertain state and federal government reimbursement environment.

The above factors, along with others both currently in existence or which may in light of current circumstances arise in the future, could continue to have a material effect on the University's consolidated financial position and operating results, whether in terms of a recovery or further adverse impact.

(s) Reclassifications

If applicable, certain prior year amounts have been reclassified to conform to current year presentation.

(3) Contributions Receivable

Contributions receivable as of August 31, 2009 and 2008 consist of the following (in thousands):

		2009	2008
Unconditional promises expected to be collected in:			
Less than one year	$	92,293	69,412
One year to five years		127,975	176,550
Over five years		11	5,045
Total unconditional promises		220,279	251,007
Less:			
Unamortized discount		(14,256)	(21,523)
Allowance for uncollectible amounts		(13,059)	(13,969)
Contributions receivable, net	$	192,964	215,515

Contributions receivable scheduled to be collected after one year are discounted at a rate commensurate with the anticipated timing of receipt. Such amounts outstanding as of August 31, 2009 and 2008 generally are discounted on rates ranging from 0.49% to 5.11%.

The methodology for calculating an allowance for uncollectible contributions receivable is based upon management's analysis of the aging of payment schedules for all outstanding pledges over $1 million and other factors, including donor history and quality. This review resulted in allowances for uncollectible amounts totaling 6.3% and 6.1% respectively of contribution receivable as of August 31, 2009 and 2008.

In November 2006, Emory University received three gifts from the Robert W. Woodruff Foundation, Inc. for a total of $261.5 million. A gift of $240 million is restricted to support the University's future Healthcare facility projects and a $12.5 million gift is to provide support for the University President's strategic initiatives. The third gift of $9 million is for the renovation of the Woodruff Health Sciences Center Administration Building. As of August 31, 2009, $100 million has been received on the $240 million gift, $7.5 million has been received on the $12.5 million gift and the $9 million gift has been paid in full with the remaining $145 million reported in contributions receivable and temporarily restricted gifts.

At August 31, 2009, the University had received bequest intentions of approximately $86.4 million. These intentions to give are not recognized as assets or revenues and, if received, will generally be restricted for purposes stipulated by the donor.

(4) Business and Credit Concentrations

The System grants credit to patients, substantially all of whom reside in the southeastern United States. The System generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health programs, plans, or policies (e.g. Medicare, Medicaid, Blue Cross, and other preferred provider arrangements and commercial insurance policies). The mix of receivables from patients and third-party payors follows:

	2009	**2008**
Managed care and other third-party payors	51%	55%
Medicare	36	32
Patients	6	7
Medicaid	7	6
	100%	100%

(5) Net Patient Service Revenue

The System has agreements with governmental and other third-party payors that provide for reimbursement to the System at amounts different from established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the System's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- Medicare – Substantially all acute care and professional services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Certain types of exempt services and other defined payments related to Medicare beneficiaries are paid based upon cost reimbursement or other retroactive-determination methodologies. The System is paid for retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by the System and audits by the Medicare fiscal intermediary. The System's cost reports have been audited and substantially settled for all fiscal years through August 31, 2006. Revenues from the Medicare program accounted for approximately 31% and 32% of the System's net patient service revenue for the years ended August 31, 2009 and 2008, respectively.

- Medicaid – Inpatient and professional services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. Outpatient services are generally paid based upon cost reimbursement methodologies. The System's cost reports have been audited and substantially settled for all fiscal years through August 31, 2005. Revenues from the Medicaid program accounted for approximately 3% of the System's net patient service revenue for both the years ended August 31, 2009 and 2008. The System contracts with certain managed care organizations in providing services to Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diem rates.

The System participates in the State of Georgia Upper Payment Limit Program (the Program) with respect to certain qualifying physicians who practice at The Emory Clinic and The Emory Children's Center. In this respect, the System received and recognized as net patient service revenue $4.0 million and $12.4 million in Program funds during fiscal 2009 and 2008, respectively. The aggregate payment from the

Program to the System was enabled by a related intergovernmental transfer to the State from an entity that purchases physician services from the System. There can be no assurance that the System will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

The System has also entered into other reimbursement arrangements providing for payment methodologies which include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

The composition of net patient service revenue follows (in thousands):

		2009	2008
Gross patient service revenue	$	3,830,448	3,485,388
Less provisions for contractual and other adjustments		(2,070,657)	(1,851,288)
Net patient service revenue	$	1,759,791	1,634,100

(6) Royalty Receivable

During 2002, the University settled a patent dispute with SmithKline-Beecham Corp., d/b/a GlaxoSmithKline and Shire Pharmaceuticals Group PLC. Pursuant to this agreement, the University and the inventors will receive a minimum of $7.5 million annually for six years and $5 million annually for the subsequent four years as royalty payments for 3TC drug sales. The University's portion of these future payments, which is recorded in other receivables in the accompanying consolidated statements of financial position, totaled approximately $5.8 million and $8.7 million as of August 31, 2009 and 2008, respectively. The long-term portion of this royalty receivable has been discounted based on rates ranging from 1.74% to 2.14%.

(7) Investments

The following table summarizes the fair value of investments as of August 31, 2009 and 2008 (in thousands):

	2009	2008
Short-term investments and cash equivalents whose use is restricted	$ 340,661	539,447
Fixed income securities	1,225,004	1,189,199
U.S. equity securities	1,193,215	1,770,550
Non-U.S. equity securities	622,245	837,363
Oil and gas properties	253,045	372,733
Private market investments	924,136	907,020
Marketable alternative investments	1,039,511	991,361
Real estate investments	202,958	309,226
Miscellaneous investments	7,076	70,021
	$ 5,807,851	6,986,920

Certain cash equivalents included in investments are restricted for use by endowments and capital projects.

At August 31, 2009 and 2008, U.S. equity securities included investments in common stock of The Coca-Cola Company with a fair value totaling $0.6 billion and $0.7 billion, respectively. At August 31, 2009 and 2008, this represented 12.7% and 10.0%, respectively, of the fair value of all investments. These assets are primarily held in trusts that the University does not directly manage.

Due to the University's involvement in the development of the technology owned by GeoVax, Inc. (GeoVax), the University was the recipient of 233,905,253 shares of GeoVax Labs, Inc. (GOVX) common stock at the time of its initial public offering on September 28, 2006. As of August 31, 2009, the stock closed at $0.13 per share. Rule 144 of the 1933 Securities Act places restrictions on the sale of these securities, including volume limitations based on total shares outstanding. In addition, the securities hold restrictions which would transfer to market participants upon sale. Management believes a discounted value is warranted as these factors severely restrict the University's ability to freely sell the shares in the capital market at the published market value. The shares are recorded as an investment at a discounted value of $15.0 million instead of the published fair market value of $30.0 million. The discounted amount was determined using the theoretical value of a series of sequential put options on the common stock for purposes of determining the value of Emory's 32% common stock ownership. The put options are designed to capture the cost of assuring Emory's ability to realize the current market price. The valuation assumes the appropriate volatility is a multiple of the most recent historical volatility that corresponds to the maturity period.

The University's investment policies allow certain fund managers to use forward exchange contracts, currency hedges and swaps in order to reduce the volatility and manage market risk involved in its investment portfolio. These financial instruments are included in investments at fair value in the accompanying consolidated statements of financial position with the related gain or loss recognized as investment income and gains (losses) in excess of spending distribution for current operations in the accompanying consolidated statements of activities.

Investment securities are exposed to several risks, such as interest rates, currency, market and credit risks. Management continues to monitor the composition of its portfolio to assess the potential impact of market conditions on the valuation of its investments.

Liquidity risk represents the possibility that the University may not be able to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price. If the University was forced to dispose of an illiquid investment at an inopportune time, it might be forced to do so at a substantial discount to fair value. The University invests in alternative investments, which can be highly illiquid. Under adverse market or economic conditions, the secondary market for certain of these alternative investments could contract further. As a result, the University could find it more difficult to sell these securities or may only be able to sell the securities at prices lower than if such securities were widely traded.

The University may hold investments denominated in currencies other than the U.S. dollar. Thus there is exposure to currency risk because the value of the investments denominated in other currencies may fluctuate due to changes in currency exchange rates and this can have an adverse affect on the reported value of assets and liabilities denominated in currencies other that the U.S. dollar.

The University's investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolios are also subject to the risk where the issuer of security is not able to pay interest or repay principal when it is due.

The value of securities held by the University may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio. Those events impacting valuation may include (but not limited to) economic changes, market fluctuations, regulatory changes, global and political instability, currency, interest rate, and commodity price fluctuations. The University attempts to manage this risk through diversification, ongoing due diligence of fund managers, and monitoring of economic conditions.

Management is required to make certain estimates in the preparation of the consolidated financial statements. Among those potentially significant estimates are the valuation of private market investments, real estate, oil and gas properties, and certain alternative investments that invest in marketable securities. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material. Management's estimates are subjective and require judgment regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that appropriately reflect market and credit risks. The University believes that the carrying amounts of these investments are a reasonable estimate of fair value. Estimates, by their nature, are based on judgment and available information. Changes in assumptions could have a material impact on the consolidated financial statements.

The University also had outstanding commitments of $700 million as of August 31, 2009 for investment of endowment assets in venture capital, real estate, and oil and gas limited partnership agreements. Over the next five years, approximately 95% of the outstanding commitments are expected to be called by the general partners. Although the University is obligated to fund these commitments, many of these agreements allow resale. Funds to meet these commitments will be required over future years and will be generated from existing endowment assets.

(Continued)

As of August 31, 2009, the estimated fair value of the University's alternative investments totaled $2.4 billion. The limitations and restrictions on the University's ability to redeem or sell these investments vary by investment and range from required notice periods (generally 30 to 180 days after initial lock-up periods) for certain hedge funds, to specified terms at inception (generally 10 years) associated with private equity and venture capital interests.

Based upon the terms and conditions in effect at August 31, 2009, the University's hedge fund investments of $1.0 billion can be redeemed or sold as follows:

Fiscal Year Ending	Percent
2010	66%
2011	23%
2012	4%
2015-2019	7%

The projected maturity of the University's private equity and venture capital investments, based on vintage year and commitment amount, is below (in thousands). The amount committed includes drawn and undrawn capital and excludes return of capital. The August 31, 2009 market value represents drawn capital, unrealized gains (losses), income, less return of capital.

Vintage Year	Fiscal Year Ending	Amount Committed	Market Value at August 31, 2009
1900-2005	2010-2015	$1,568,753	$782,760
2006-2009	2016-2020	1,175,722	535,773
		$2,744,475	$1,318,533

The University participated in a securities lending program through November, 2008. Securities were loaned on an overnight basis in exchange for collateral equal to at least 102% of the securities loaned. The University was indemnified in this arrangement by the agent for the lending program. Collateral held by the University related to such loaned securities as of August 31, 2008 totaled $274.5 million. No such collateral was held by the University at August 31, 2009.

(8) Endowment Net Assets

Effective August 31, 2009, the University adopted the provisions of 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 Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The University's endowment consists of approximately 1,500 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the University has interpreted the State of Georgia Uniform Prudent Management of Institutional Funds Act of 2008 (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the University in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the University and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the University.
7. The investment policies of the University.

Endowment net assets consist of the following at August 31, 2009 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (53,825)	$ 1,880,194	$ 539,526	$ 2,365,895
Board-designated endowment funds	1,483,359	—	—	1,483,359
	$ 1,429,534	$ 1,880,194	$ 539,526	$ 3,849,254

Endowment net assets consist of the following at August 31, 2008 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (12,444)	$ 2,412,147	$ 518,927	$ 2,918,630
Board-designated endowment funds	1,766,456	—	—	1,766,456
	$ 1,754,012	$ 2,412,147	$ 518,927	$ 4,685,086

Changes in endowment net assets for the year ended August 31, 2008 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 1, 2007	$ 4,333,439	$ 119,758	$ 492,821	$ 4,946,018
Net asset reclassification based on adoption of FSP 117-1	(2,481,613)	2,481,613	—	—
Endowment net assets after reclassification	1,851,826	2,601,371	492,821	4,946,018
Investment return:				
Investment income	165,043	119,504	—	284,547
Net depreciation	(214,335)	(170,002)	—	(384,337)
Total investment return	(49,292)	(50,498)	—	(99,790)
Contributions	18,884	—	26,106	44,990
Appropriation of endowment assets for expenditure	(81,659)	(138,726)	—	(220,385)
Transfers to create board designated funds	14,253	—	—	14,253
Endowment net assets, August 31, 2008	$ 1,754,012	$ 2,412,147	$ 518,927	$ 4,685,086

(Continued)

Changes in endowment net assets for the year ended August 31, 2009 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 1, 2008	$ 1,754,012	$ 2,412,147	$ 518,927	$ 4,685,086
Investment return:				
Investment income	(32,163)	(80,813)	—	(112,976)
Net depreciation	(166,006)	(405,896)	—	(571,902)
Total investment return	(198,169)	(486,709)	—	(684,878)
Contributions	2,262	—	20,599	22,861
Appropriation of endowment assets for expenditure	(189,485)	(45,244)	—	(234,729)
Transfers to create board designated funds	60,914	—	—	60,914
Endowment net assets, August 31, 2009	$ 1,429,534	$ 1,880,194	$ 539,526	$ 3,849,254

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the University to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $53.8 million as of August 31, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner to attain a real total return of at least 6% over the long term. Over shorter time periods (rolling three years), the endowment assets performance will be measured versus a policy benchmark. The policy benchmark represents the weighted average of benchmark returns to each asset class in the policy asset allocation. The performance objective is to outperform the policy benchmark by at least 50 basis points net of fees, on average. It is not expected that the performance target will be met for every three year period.

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 employs a diversified asset allocation strategy across global equities, fixed income, marketable alternatives and private investment to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University employs a total return endowment spending policy that establishes the amount of endowment investment return available to support current operating and capital needs. The distribution of endowment income in 2009 and 2008 was based on a target of 4.75% of the previous 12 months' average market value ending on December 31. In establishing these policies, the University considered the expected return on its endowment. Accordingly, the University expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

Retrospective Application of FAS 117-1 on the 2008 Consolidated Financial Statements

The adoption of FSP 117-1 requires retrospective application to the 2008 consolidated financial statements. The impact of adjusting the 2008 consolidated financial statements is as follows (in thousands):

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
As previously reported at August 31, 2008	$ 5,241,972	$ 429,818	$ 1,271,819	$ 6,943,609
Reclassification of beginning net assets	(2,481,613)	2,481,613	—	—
Reclassification of net unrealized losses on investments	170,002	(170,002)	—	—
Reclassification of investment income and gains in excess of spending distribution for current operations	19,222	(19,222)	—	—
As adjusted at August 31, 2008	$ 2,949,583	$ 2,722,207	$ 1,271,819	$ 6,943,609

There was no impact on total assets, total liabilities, total net assets or total change in net assets from the retrospective application.

(9) Fair Values of Assets and Liabilities

The carrying values for cash and cash equivalents, patient receivables, short-term receivables and short-term payables approximate fair value because of the short maturity of these financial instruments. Contributions receivable and annuity and other split-interest obligations carrying amounts approximate fair value because these instruments are recorded at net present value. Long-term investments, assets held and liabilities under securities lending transactions and deposits held in custody for others are reflected in the accompanying consolidated financial statements at fair value at August 31, 2009 and 2008. It is not practicable to determine the fair value of loans receivables, comprised primarily of federally sponsored student loans, and government advances for federal loan programs due to significant government restrictions as to marketability, interest rates and repayment terms of these loans. The estimated fair value of the University's long-term debt, based on the quoted market prices for issues with similar terms and maturities, is approximately $2.0 billion and $1.7 billion at August 31, 2009 and 2008, respectively. The fair value of fixed and variable-rate debt maturities is determined by each bond's par amount outstanding multiplied by its price on an actively traded market as of August 31, 2009. The carrying value of long-term debt reflected in the accompanying consolidated statements of financial position is approximately $2.0 billion and $1.7 billion at August 31, 2009 and 2008, respectively. Reflected in the carrying value of long-term debt is a series of Capital Appreciation Bonds in which the investment return is considered to be in the form of compounded interest rather than accreted original issue discount. The University's carrying value of long-term debt reflected in the accompanying consolidated statements of financial position includes the accreted book value of $6.2 million. The ultimate maturity value of this series of bonds is $9.4 million

Effective September 1, 2008, the University adopted SFAS No. 157, which defines fair value, provides a framework for measuring fair value and expands disclosures about fair value measurements. The new standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 also prioritizes, with the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value based on the transparency of information used in the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Assets and liabilities measured and reported at fair value are classified and disclosed within one of the following categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets as of the reporting date. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities. The type of investments in Level 1 included listed equities held in the name of the University, and exclude listed equities and other securities held indirectly through commingled funds.

Level 2 – Valuations are determined through direct or indirect observations other than quoted market prices. The type of investments in Level 2 include those in which the University is a unit of account holder within a fund that holds underlying assets that are traded in active exchange markets with readily available pricing.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies including discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The following table summarizes the valuation of the University's assets and liabilities which are recorded at fair value by the SFAS 157 fair value hierarchy levels as of August 31, 2009 (in thousands):

	Total	Fair Value Hierarchy Ranking		
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Investments:				
Short-term investments and cash equivalents whose use is restricted	$ 340,661	340,661	—	—
Fixed income securities	1,225,004	182,517	1,039,302	3,185
U.S. equity securities	1,193,216	1,128,901	64,312	3
Non-U.S. equity securities	622,245	131,977	490,268	—
Oil and gas properties	253,045	—	—	253,045
Private market investments	862,530	—	—	862,530
Marketable alternative investments	1,039,511	—	908,629	130,882
Real estate investments	202,958	697	3,628	198,633
Miscellaneous investments	7,076	2,717	4,359	—
Total assets	$ 5,746,246	1,787,470	2,510,498	1,448,278
Financial liabilities:				
Other liabilites and deferrals:				
Derivative instruments	(63,832)	—	(63,832)	—
Deposits held in custody for others	(389,467)	—	(389,467)	—
Total liabilities	$ (453,299)	—	(453,299)	—

Certain investments in joint ventures totaling $61.6 million carried under the equity method of accounting are not reflected in the fair value hierarchy above.

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

The following table summarizes the University's Level 3 reconciliation by the SFAS 157 standards as of August 31, 2009 (in thousands):

		Investments
Balance at August 31, 2008	$	1,821,456
Total realized and unrealized gains (losses)		(416,163)
Net purchases, (sales), issuances and (settlements)		42,925
Transfer in Level 3		—
Amortization of premiums and discounts		60
Balance at August 31, 2009	$	1,448,278

In conjunction with the adoption of SFAS 157, the University elected to early adopt the measurement provisions of ASU 2009-12, to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. This guidance amends SFAS 157 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. Net asset value, in many instances may not equal fair value that would be calculated pursuant to SFAS 157.

(10) Property and Equipment

Property and equipment at August 31, 2009 and 2008 are summarized as follows (in thousands):

		2009	2008
Land and land improvements	$	136,095	131,073
Buildings and improvements		2,189,326	2,022,469
Equipment		1,083,602	1,011,173
Library and museum assets		260,573	243,978
Construction in progress		135,598	142,861
		3,805,194	3,551,554
Less accumulated depreciation		(1,617,032)	(1,496,483)
	$	2,188,162	2,055,071

Depreciation expense totaled $156.5 million and $144.4 million during 2009 and 2008, respectively.

(11) Long-Term Debt

At August 31, 2009 and 2008, bonds, notes and mortgages payable, including unamortized premiums and discounts, consisted of the following (dollars in thousands):

	Interest Rate Average	Final Maturity	Outstanding Principal 2009	Outstanding Principal 2008
Tax-exempt fixed-rate revenue bonds:				
2009 Series B	4.64%	September 1, 2035	$ 252,898	$ —
2009 Series C	4.90%	September 1, 2039	99,784	—
2008 Series B	4.75%	September 1, 2011	102,716	104,274
2008 Series C	4.96%	September 1, 2038	124,436	124,504
2005 Series A	4.63%	September 1, 2025	145,682	153,002
2002 Series A	4.63%	September 1, 2033	96,937	102,847
2001 Series A	5.10%	September 1, 2025	157,826	180,035
2000 Series A	4.99%	November 1, 2018	15,407	19,211
1999 Series A	4.97%	November 1, 2019	13,242	17,436
1998 Series A	4.67%	November 1, 2021	8,967	10,724
1998 Series B	5.00%	November 1, 2033	7,735	7,724
1997 Series C	4.80%	November 1, 2010	366	537
Total tax-exempt fixed-rate revenue bonds			1,025,996	720,294
Tax-exempt variable-rate revenue bonds:				
2008 Series A	1.75%	n/a	—	98,935
2005 Series B	0.86%	September 1, 2035	250,000	250,000
2005 Series C	0.86%	September 1, 2036	281,575	281,575
2002 Series B	0.97%	n/a	—	21,390
2001 Series B	0.96%	n/a	—	77,390
2000 Series B	0.83%	n/a	—	85,625
Total tax-exempt variable-rate revenue bonds			531,575	814,915
Taxable fixed-rate revenue bonds:				
2009 Series A	5.63%	September 1, 2019	248,594	—
1994 Series C	7.98%	October 1, 2024	7,760	7,990
Series 1991	8.91%	April 1, 2022	6,156	7,711
Total taxable fixed-rate revenue bonds			262,510	15,701
Taxable variable-rate revenue bonds:				
1999 Series B	1.76%	November 1, 2029	12,025	12,300
1995 Series B	1.76%	November 1, 2025	13,650	15,080
1994 Series B	1.42%	October 1, 2024	12,515	12,925
Total taxable variable-rate revenue bonds			38,190	40,305

	Interest Rate Average	Final Maturity	Outstanding Principal 2009	2008
Tax-exempt commercial paper:				
2007 Program 1	1.01%	April 1,2047	$ 19,000	$ 74,592
Total tax-exempt commercial paper			19,000	74,592
Taxable commercial paper:				
2008 Program 1	0.96%	April 1,2047	$ 100,000	$ —
Total taxable commercial paper			100,000	—
Multiple disbursement promissory notes, variable rate		2009	—	7,293
Other variable rate notes and mortgage:		2013	2,551	2,611
		2009	—	23
Total bonds, notes and mortgages payable			$ 1,979,822	$ 1,675,734

The University incurred interest expense of $63.0 million and $52.0 million in 2009 and 2008, respectively. These amounts include capitalized interest of $0.6 million and $1.4 million in 2009 and 2008, respectively.

During 2009, the average interest rate on University tax-exempt variable rate demand bonds (VRDB) and taxable debt was 0.87% and 1.65%, respectively. Related indices for this period were 1.15% for tax-exempt debt (The Securities Industry and Financial Markets Association Index – SIFMA) and 1.06% for taxable debt (London Interbank Offered Rate – LIBOR).

At August 31, 2009 the aggregate annual maturities of bonds, notes and mortgages payable for the next five years and thereafter are as follows (in thousands):

Payable in fiscal year:	
2010	$ 179,955
2011	44,115
2012	241,770
2013	57,075
2014	33,775
Thereafter	1,390,562
	$ 1,947,252
Unamortized net premium	32,570
	$ 1,979,822

As described above, certain of the University's revenue bonds bear interest at variable rates. As a component of the debt portfolio, the University entered into interest rate swap agreements that effectively convert certain variable rate revenue bond tranches to fixed rates. Significant terms of each of the swap agreements for August 31, 2009 are as follows (dollars in thousands):

Type	Effective date	Notional amount	University pays	University receives	Expiration date
Interest	08/04/2005	$ 250,000	3.238%	68% of 3-month LIBOR rate	09/01/2035
Interest	08/23/2005	80,000	3.255%	68% of 3-month LIBOR rate	09/01/2035
Basis	08/04/2005	250,000	68% of 3-month LIBOR rate plus 0.36%	SIFMA Muni Swap Index less 0.05%	09/01/2011
Interest	12/01/2009	75,000	3.583%	68% of 3-month LIBOR rate	09/01/2035
Interest	12/01/2007	75,000	3.549%	68% of 3-month LIBOR rate	09/01/2035
Interest	05/01/2008	75,000	3.607%	68% of 3-month LIBOR rate	09/01/2038
Interest	12/01/2008	100,000	3.286%	68% of 3-month LIBOR rate	12/01/2042
Constant Maturity	02/15/2009	62,500	1-month LIBOR	10-year International Swaps and Derivatives Association (ISDA) minus 99.8 basis points	01/01/2037

Net settlement transactions related to the swap agreements described above resulted in interest expense totaling $12.4 million and $3.8 million during 2009 and 2008, respectively. The fair value of each swap is the estimated amount the University would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. Per SFAS 157 guidelines, the University's swap agreements are categorized as Level 2 in the fair value hierarchy. The net fair value of all swap agreements represents a liability of $63.8 million as of August 31, 2009 and $11.5 million as of August 31, 2008. The change in fair value is included as a gain or loss in other non-operating activities on the consolidated statement of activities. The University's swap arrangements are exposed to credit loss in the event of nonperformance by the counterparty and to interest rate risk driven by factors influencing the spread between the taxable and tax-exempt market interest rates on its basis swap. The University monitors the credit standing of its counterparties.

The University established a Commercial Paper program of $400 million in tax-exempt notes and $100 million in taxable notes in fiscal 2007. At August 31, 2009, the University has $19 million in tax-exempt Commercial Paper outstanding. On October 20, 2009, the University paid off $11.5 million of the tax-exempt Commercial Paper which left an outstanding balance of $7.5 million. Additionally, the University established a taxable Commercial Paper program in November 2008 with an initial program order of $20 million. The current issue balance at August 31, 2009 is $100 million in taxable Commercial Paper. On September 23, 2009, the University paid off $62 million of the taxable Commercial Paper which left an outstanding balance of $38 million. The primary purpose of the program is to meet interim financing needs related to capital projects.

The University has standby credit facilities to enable the University to purchase tendered variable rate debt in the event of a failed remarketing. There are now two diversified facilities totaling $350 million that are committed for this sole purpose and cannot be used for operating needs of the University. As of August 31, 2009, there were no draws against these lines of credit.

In December 2005, the University established a $50 million line of credit to fund professional and graduate loans under the Emory School as Lender program. All student loans under this program are covered by a forward purchase agreement. After November 30, 2008, no new loans were made but the University will continue servicing existing serial borrowers at current rates. There were no draws against this line of credit at August 31, 2009 and 2008.

The University also has a $45 million line of credit. There were no draws against this line of credit at August 31, 2009. There were $7.3 million draws outstanding against this line of credit at August 31, 2008. The Emory Clinic has a $15 million line of credit against which there were no draws as of August 31, 2009 and 2008. Emory University has three letters of credit with a commercial bank totaling $2.4 million. There were no draws against these letters of credit as of August 31, 2009 and 2008.

During 2009, the University extinguished portions of its 2000, 2001, 2002, 2008 Series Bonds and Tax-Exempt Commercial Paper totaling $309.1 million with proceeds from the University's issuance of its 2009 Series Bonds. In addition, during 2008 the University extinguished portions of its 1997 Series Bonds and Tax-Exempt Commercial Paper totaling $87.5 million with proceeds from the University's issuance of its 2008 Series Bonds. The University incurred an accounting loss on the revenue bond refunding transactions totaling $0.8 million and $0.1 million in 2009 and 2008, respectively. The loss on refunding is included in non-operating losses in the accompanying 2009 and 2008 consolidated statement of activities.

In conjunction with Emory Healthcare's 35% joint venture interest in Emory-Adventist, Inc. the University has guaranteed $7.9 million of a $22.7 million outstanding note between a commercial bank and Emory-Adventist. The University has guaranteed $0.1 million, representing 35% of an additional $0.3 million loan. The University's potential liability for these obligations of Emory-Adventist, Inc. is limited to the amounts referenced above.

On September 1, 2006, The Carter Center, Inc. entered into a $1 million line of credit agreement with SunTrust Bank (see note 21). This line of credit carries a guarantee by Emory University of the entire $1 million and is expected to continue indefinite annual renewal.

The terms of the University's long-term debt provide for certain financial and nonfinancial covenants, including provisions as to the use of the proceeds, limits as to arbitrage and bond issue costs, and various other administrative requirements. At August 31, 2009, management believes that the University was in compliance with these covenants.

With regard to debt funding and in response to significant and recent economic changes altering the credit risk environment, the primary objectives of Emory's debt policy are to optimize its current and expected future debt structure and to maintain a diversified portfolio of debt within acceptable risk tolerances while decreasing the cost of capital. The policy is designed to manage the acquisition and allocation of debt as an important component of Emory's overall capital structure.

(12) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of August 31, 2009 and 2008 (in thousands):

		2009	2008
Appreciation on endowments restricted until appropriated	$	1,760,435	2,292,389
Term endowments		119,759	119,758
Contributions receivable, time and purpose restricted		169,355	193,140
Capital projects and other donor designations		127,692	108,410
Annuity and life income agreements		9,030	8,510
	$	2,186,271	2,722,207

Permanently restricted net assets as of August 31, 2009 and 2008 are comprised of (in thousands):

		2009	2008
Investments to be held in perpetuity, the income from which is expendable for operating activities	$	1,162,972	1,234,384
Contributions receivable, restricted for endowment		23,609	22,375
Endowments requiring income to be added to the original gift until funds reach a stipulated balance		12,918	11,664
Annuity and life income agreements		3,211	3,396
	$	1,202,710	1,271,819

Generally, the donors of these assets permit the University to use all or part of the income earned and net appreciation on related investments for general or specific purposes, such as scholarships, faculty salaries or other operational and administrative support.

(13) Investment Return

Investment return, as reflected in the accompanying consolidated statements of activities, for August 31, 2009 and 2008 is as follows (in thousands):

		2009	2008
Endowment spending distribution	$	182,142	173,640
Other investment income designated for current operations		32,127	35,969
Total operating return		214,269	209,609
Investment income and net gains (losses) less spending distribution for current operations		(273,747)	172,627
Unrealized losses on investments, net		(664,904)	(479,674)
Total nonoperating loss		(938,651)	(307,047)
Total loss	$	(724,382)	(97,438)

The components of investment return (loss) for August 31, 2009 and 2008 are reflected below (in thousands):

		2009	2008
Investment income	$	130,226	122,676
Realized (losses) gains on investments		(189,704)	259,560
Unrealized losses on investments, net		(664,904)	(479,674)
Total loss	$	(724,382)	(97,438)

The University employs a total return endowment spending policy that establishes the amount of endowment investment return available to support current operating and capital needs. The distribution of endowment income in 2009 and 2008 was based on 4.75% of the previous 12 months' average market value ending on December 31.

In addition to a core group of investment professionals dedicated to the management of Emory's endowment, Emory also employs external investment managers. External management fees paid directly (i.e. segregated investment account fees) totaled $8.2 million and $15.4 million, and internal management fees (including custody fees, consulting reviews and staff expenses) totaled $6.3 million and $5.5 million in fiscal years 2009 and 2008, respectively.

(14) Contributory Retirement Plans

The University has a contributory retirement plan covering certain employees and teaching staff. The University contributes an amount equal to 6% of each eligible employee's compensation to the plan as well as a supplemental contribution of 3% based on a 1.5-to-1 match of employee contributions of up to 2% of compensation. Emory Healthcare sponsors a retirement plan, covering most full-time employees, under which annuities are purchases with contributions by Emory Healthcare and its employees. The benefits are vested only to the extent of the annuities purchased. The Emory Clinic (TEC) sponsors The Emory Clinic, Inc. Retirement Savings Plan (the Plan), covering all its employees, except those considered leased employees or those covered under collective bargaining agreements, as defined. The Plan provides for employees to make salary reduction contributions and for TEC to make discretionary contributions to employees who have attained the age of 21 and are employees at the date the contribution is made. The Plan provides for contributions at an annual determined percentage of compensation and employees cliff vest in employer contributions after five years of service. Retirement expense totaled $76.4 million and $72.3 million during 2009 and 2008, respectively, and is included in operating expense in the accompanying consolidated statements of activities.

(15) Pension Plan

Emory Healthcare sponsors a defined benefit pension plan (the Plan) covering all employees who have attained the age of 21 and completed one year of service as defined in the Plan. Emory Healthcare contributes an amount sufficient to fund the Plan as determined by consulting actuaries. Plan assets generally consist of equity and fixed income securities. Emory Healthcare measures its participation in the Plan at August 31.

The changes in the projected benefit obligation as of August 31, 2009 and 2008 follow (in thousands):

		2009	2008
Projected benefit obligation, beginning of year	$	88,302	69,178
Service cost		15,827	14,737
Interest cost		5,975	4,324
Actuarial loss		13,608	1,509
Benefits paid		(1,491)	(1,446)
Projected benefit obligation, end of year	$	122,221	88,302

The changes in the fair value of plan assets, funded status of the plan, and the status of amounts recognized in the accompanying consolidated statements of financial position as of August 31, 2009 and 2008 follow (in thousands):

		2009	2008
Fair value of plan assets, beginning of year	$	77,572	67,675
Actual loss on plan assets		(9,817)	(2,200)
Employer contributions		18,946	13,543
Benefits paid		(1,491)	(1,446)
Fair value of plan assets, end of year	$	85,210	77,572
Funded status (deficit)	$	(37,011)	(10,730)
Employer contributions after measurement date		—	3,520
Accrued pension cost recognized in the consolidated statements of financial position	$	(37,011)	(7,210)

The components of net periodic pension cost for 2009 and 2008 follow (in thousands):

		2009	2008
Service cost	$	15,827	14,737
Interest cost		5,975	4,324
Expected return on plan assets		(6,928)	(5,534)
Amortization of prior service cost		552	552
	$	15,426	14,079

The components of the decrease in unrestricted net assets resulting from application of the measurement date provisions of SFAS No. 158 during 2009 follow (in thousands):

Service cost	$	3,957
Interest cost		1,494
Expected return on plan assets		(2,202)
	$	3,249

The amounts accumulated in unrestricted net assets follow (in thousands):

		2009	2008
Prior service cost	$	1,964	2,655
Net unrecognized actuarial loss		31,191	4,555
	$	33,155	7,210

The following are expected to be amortized from unrestricted net assets into net periodic pension cost in fiscal 2010 and 2009 (in thousands):

		2010	2009
Prior service cost	$	552	552
Net unrecognized actuarial loss		409	—
	$	961	552

Weighted average assumptions used to determine benefit obligations in the accompanying consolidated statements of financial position for 2009 and 2008 follow:

	2009	2008
Discount rate	6.62%	6.80%
Expected long-term rate of return on plan assets	8.00	8.00
Rate of compensation increase	3.50	3.50

Weighted average assumptions used to determine net periodic pension cost for 2009 and 2008 follow:

	2009	2008
Discount rate	6.80%	6.27%
Expected return on plan assets	8.00	8.00
Rate of compensation increase	3.50	3.50

Plan Assets

The Plan's investment objectives are to protect long-term asset value by applying prudent, low-risk, high-quality investment disciplines and to enhance the values by maximizing investment returns through active security management within the framework of the Plan's investment policy. Asset allocation strategies and investment management structure are designed to meet the Plan's investment objectives.

The Plan's expected long-term rate of return on assets is determined by reviewing the historical return of each asset category comprising the Plan's target asset allocation. This review produces an annual return assumption for each asset category. The product of the annual return assumption and the Plan's target asset allocation percentage for each asset category equals the annual return attribution by asset category.

The Plan's target and weighted average asset allocations follow:

	Target allocation 2009/2008	Plan assets at August 31, 2009	Plan assets at May 31, 2008
Plan assets:			
Cash and cash equivalents	0%	1%	3%
U.S. equity securities	55	54	54
Debt securities	30	29	28
International equity	15	16	15
Total	100%	100%	100%

Cash Flows

Emory Healthcare expects to contribute $18.3 million to the Plan in fiscal 2010.

Expected Future Benefit Payments

Benefit payments, excluding lump sum settlements, are expected to be paid as follows (in thousands):

	Benefit payments
2010	$ 1,355
2011	1,961
2012	2,715
2013	3,704
2014	4,933
2015-2019	49,613

Other Items

Emory Healthcare uses the straight-line method to amortize prior service cost.

(16) Postretirement Healthcare and Life Insurance Benefits

Effective January 1, 2003, the University discontinued subsidizing retiree healthcare and life insurance benefits for new employees. All University employees hired prior to January 1, 2003 and certain employees of Emory Healthcare who meet age and service requirements continue to be eligible for the retiree benefits. The cost of providing these benefits is shared with retirees. Emory University has reserved the right to make further changes or terminate these benefit plans.

The University funds a trust (VEBA Trust) for these retiree health and life benefits. The assets of the VEBA Trust are invested primarily in equity and fixed income securities. The University funds these benefits only to the extent of current retiree claims. The University measures its participation in the VEBA Trust at August 31.

Effective January 1, 2003, the VEBA Trust was split into two trusts: one for University retirees and the other for Emory Healthcare retirees. Effective September 1, 2005 and January 1, 2003, the University and Emory Healthcare, respectively, began funding retiree claims from trust assets.

The changes in the accumulated postretirement benefit obligation (APBO) as of August 31, 2009 and 2008 are as follows (in thousands):

	2009		
	Emory University	Emory Healthcare	Total
APBO, beginning of year	$ 44,587	25,325	69,912
Service cost	1,154	634	1,788
Interest cost	2,985	1,699	4,684
Actuarial loss	5,507	2,093	7,600
Benefits paid	(3,467)	(1,566)	(5,033)
Retiree drug subsidy paid	407	170	577
Effect of change in measurement date	1,035	583	1,618
APBO, end of year	$ 52,208	28,938	81,146

	2008		
	Emory University	Emory Healthcare	Total
APBO, beginning of year	$ 44,958	26,413	71,371
Service cost	1,293	716	2,009
Interest cost	2,781	1,637	4,418
Actuarial (gain)	(2,249)	(2,420)	(4,669)
Benefits paid	(2,589)	(1,185)	(3,774)
Retiree drug subsidy paid	393	164	557
APBO, end of year	$ 44,587	25,325	69,912

(Continued)

The changes in the fair value of plan assets, funded status of the plan and the status of the prepaid (accrued) postretirement benefit obligation recognized in the accompanying consolidated statements of financial position as of August 31, 2009 and 2008, are as follows (in thousands):

		2009		
		Emory University	**Emory Healthcare**	**Total**
Fair value of plan assets, beginning of year	$	52,633	23,964	76,597
Actual return (loss) on plan assets		(8,468)	(3,939)	(12,407)
Employer contributions (reimbursements)		213	(52)	161
Benefits paid		(3,467)	(1,566)	(5,033)
Retiree drug subsidy		—	170	170
Fair value of plan assets, end of year	$	40,911	18,577	59,488
Funded status (deficit)	$	(11,297)	(10,361)	(21,658)
Employee reimbursement after the measurement date		—	—	—
Accrued postretirement benefit cost recognized in the consolidated statements of financial position	$	(11,297)	(10,361)	(21,658)

		2008		
		Emory University	**Emory Healthcare**	**Total**
Fair value of plan assets, beginning of year	$	54,581	24,779	79,360
Actual return (loss) on plan assets		(596)	(189)	(785)
Employer contributions (reimbursements)		1,237	395	1,632
Benefits paid		(2,589)	(1,185)	(3,774)
Retiree drug subsidy		—	164	164
Fair value of plan assets, end of year	$	52,633	23,964	76,597
Funded status (deficit)	$	8,046	(1,361)	6,685
Employee reimbursement after the measurement date		(828)	(340)	(1,168)
Prepaid (accrued) postretirement benefit cost recognized in the consolidated statements of financial position	$	7,218	(1,701)	5,517

Actuarial assumptions used to determine the values of the APBO at August 31, 2009 and 2008 and the benefit costs for years ended August 31, 2009 and 2008 included a discount rate of 6.62% and 6.80%, respectively. Since the plan was amended on April 11, 2002 to limit the University's liability for future medical care cost increases to 4.00%, the per capita cost increase of healthcare benefits is capped at 4.00% beginning with fiscal year 2002. The estimated long-term rate of return on plan assets was 8.00% for the University and for Emory Healthcare for both years ended August 31, 2009 and 2008. A graded plan participation for election of medical coverage upon retirement has been assumed. This payment schedule reflects the new plan design which will accelerate the increase in retiree contributions, which is expected to result in more retirees electing not to continue coverage under the University's plan. All University retirees are assumed to elect life insurance benefits, regardless of their medical plan election.

The components of net periodic postretirement benefit credit for years ended August 31, 2009 and 2008 were as follows (in thousands):

		2009		
		Emory University	**Emory Healthcare**	**Total**
Service cost of benefits earned	$	1,154	634	1,788
Interest cost on APBO		2,985	1,699	4,684
Expected return on plan assets		(4,100)	(1,867)	(5,967)
Amortization of prior service cost		(2,241)	(2,075)	(4,316)
Recognized net actuarial loss		628	804	1,432
Net periodic postretirement benefit credit	$	(1,574)	(805)	(2,379)

		2008		
		Emory University	**Emory Healthcare**	**Total**
Service cost of benefits earned	$	1,293	716	2,009
Interest cost on APBO		2,781	1,637	4,418
Expected return on plan assets		(4,263)	(1,935)	(6,198)
Amortization of prior service cost		(2,241)	(2,075)	(4,316)
Recognized net actuarial loss		457	854	1,311
Net periodic postretirement benefit credit	$	(1,973)	(803)	(2,776)

The components of the decrease to unrestricted net assets resulting from application of the measurement date provisions of SFAS No. 158 during 2009 are as follows (in thousands):

	Emory University	Emory Healthcare	Total
Service cost	$ 289	159	448
Interest cost	746	425	1,171
Expected return on plan assets	(1,025)	(467)	(1,492)
	$ 10	117	127

The amounts accumulated in unrestricted net assets follow (in thousands):

	2009		
	Emory University	Emory Healthcare	Total
Prior service (credit)	$ (2,999)	(2,854)	(5,853)
Net unrecognized actuarial loss	32,372	19,804	52,176
	$ 29,373	16,950	46,323

	2008		
	Emory University	Emory Healthcare	Total
Prior service (credit)	$ (5,800)	(5,448)	(11,248)
Net unrecognized actuarial loss	14,057	12,443	26,500
	$ 8,257	6,995	15,252

The following are expected to be amortized from unrestricted net assets into net periodic postretirement benefit credit in fiscal 2010 and 2009 (in thousands):

	2010		
	Emory University	Emory Healthcare	Total
Prior service cost	$ 2,241	2,075	4,316
Net unrecognized actuarial loss	(1,950)	(1,444)	(3,394)
	$ 291	631	922

	2009		
	Emory University	Emory Healthcare	Total
Prior service cost	$ 2,241	2,075	4,316
Net unrecognized actuarial loss	(628)	(804)	(1,432)
	$ 1,613	1,271	2,884

Plan Assets

The asset allocation of the University's postretirement healthcare and life insurance benefits at August 31, 2009 and 2008 were as follows:

	Target allocation 2009/2010		2009		2008	
	Emory University	Emory Healthcare	Emory University	Emory Healthcare	Emory University	Emory Healthcare
Domestic equities	40%	40%	39%	38%	40%	39%
Domestic bonds	25	25	30	28	29	25
International equities	35	35	31	34	31	36
Total	100%	100%	100%	100%	100%	100%

The Investment Committee of the Emory University Board of Trustees approves the investment guidelines and asset allocation targets for the pension benefits and postretirement benefits plans. The primary objective of the funds is to ensure the solvency of the plans over time to meet plan obligations. The secondary objective is to meet or exceed the plans' actuarial assumed rate of return over time, without taking excess risk. The funds are diversified by asset class in accordance with established allocation targets and rebalanced as needed. Specific investments are apportioned to a combination of institutional pooled funds and mutual funds.

Cash Flows

Emory University and Emory Healthcare do not expect to contribute to their postretirement healthcare and life insurance benefit plans in 2010. Both entities plan to fund future retiree claims from VEBA Trust assets.

(Continued)

Expected Future Benefit Payments

Benefit payments are expected to be paid as follows (in thousands):

		Emory University	Emory Healthcare	Total
2010	$	3,059	1,324	4,383
2011		3,237	1,430	4,667
2012		3,421	1,553	4,974
2013		3,626	1,690	5,316
2014		3,840	1,844	5,684
2015-2019		22,651	11,948	34,599

(17) Charity Care

Emory Healthcare, Inc. and its operating companies provide care to patients who meet certain criteria under their charity care policies without charge or at amounts less than their established rates. Because such operating companies do not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenues.

Records are maintained to identify and monitor the level of charity care provided. These records include the amount of charges foregone for services and supplies furnished under the charity care policy. The amount of charity care provided, based on charges forgone, was $120.5 million and $70.2 million during fiscal years 2009 and 2008, respectively.

(18) Grants and Contracts

Grants and contracts from governmental units provide a major portion of funds for research, public service, and other university activities. These grant and contract awards generally specify the purpose for which the funds are to be used.

Federal government grants and contract revenues are recognized to the extent that the University incurs actual expenditures under program agreements with federal agencies. These revenues are recorded as unrestricted support. Amounts recorded in federal grants and contracts receivable are for grant expenses incurred in advance of the receipt of funds. Recovery of indirect costs has been recorded based on negotiated rates. Federal funds, together with the indirect costs, are subject to audit by the applicable agencies. In the opinion of management, any adjustment resulting from such audits would not be material to the consolidated financial statements.

(19) Functional Expenses

Expenses are reported in the accompanying consolidated statements of activities based on natural classification. Functional expenses for the years ended August 31, 2009 and 2008 are categorized as follows (in thousands):

	2009	2008
Instruction	$ 360,106	345,426
Research	371,661	350,620
Public service	50,113	28,479
Academic support	108,512	110,725
Student services	85,131	76,665
Institutional support	110,411	117,509
Scholarships and fellowships	12,625	11,759
Medical services	144,836	182,352
Healthcare services	1,716,544	1,538,317
Auxiliary enterprises	44,605	52,606
Independent operations	17,535	18,015
Total operating expenses	$ 3,022,079	2,832,473

Costs related to the operation and maintenance of property, including depreciation of property and equipment and interest on related debt, are allocated to program and supporting activities based upon information reported in the latest space study and debt financing records. Fundraising costs were approximately $22 million and $20 million in 2009 and 2008, respectively.

(20) Medical Professional and General Liability Insurance Coverage

CCIC, Emory Healthcare's wholly owned off-shore captive insurer, provides claims-made primary medical professional and general liability coverage for the University, the Hospitals, Emory Clinic and Wesley Woods Center. Tail coverage is provided for ECC; effective September 1, 2006, the Emory Children's Center Joint Venture is insured on a stand-alone basis. The CCIC primary program provides limits as follows (in thousands):

	Per Claim Limits		Aggregate
	Professional	General	(General Only)
September 1, 2007 through August 31, 2008	$ 3,000	$ 1,000	$ 3,000
September 1, 2008 through August 31, 2009	$ 3,000	$ 1,000	$ 3,000

In excess of the primary professional liability limit of $3 million per claim, CCIC provides a buffer layer of $3 million per claim and in the aggregate.

Above the buffer layer, CCIC provides an excess layer of professional liability coverage which is 100% reinsured as follows:

(1) Berkley Insurance Company (Berkley) reinsures CCIC 100% for a limit of $15 million per claim and in the aggregate, excess of the buffer layer, excess of the primary layer.

(2) Continental Casualty Company (CNA) and Lexington Insurance Company reinsure CCIC 100%, on a 50/50 basis, for a limit of $10 million per claim and in the aggregate, excess of the Berkley layer described above.

The Emory system is insured for excess general liability, employers' liability and automobile liability as follows:

(1) United Educators provides $25 million per claim excess of an underlying limit of $1 million per claim and in the aggregate for each of general liability, employers' liability, and automobile Emory purchases umbrella coverage in the amount of $100 million per claim and in the aggregate which provides excess coverage over United Educators and the CNA layers described above. Total excess coverage over the Clifton primary program is $125 million.

As of August 31, 2009 and 2008, the University has recorded an accrual for estimated losses associated with all retained CCIC risks, discounted at 3% and 5%, of $72.6 million and $72.2 million, respectively. On an undiscounted basis, the liability totaled $78.9 million and $80.3 million for fiscal 2009 and 2008, respectively. During fiscal 2008, the University's accrual for such losses was reduced principally due to significantly favorable experience in the University's professional and general liability risk portfolio that emerged during fiscal 2008. Therefore, the University's related accounting estimates, determined in consultation with the University's consulting actuaries, were modified during fiscal 2008 to reflect both currently observed and expected experience, resulting in a credit to related insurance expense in the accompanying fiscal 2008 consolidated statement of activities.

The estimated liability for professional and general liability claims will be significantly affected if current and future claims differ from historical trends. While the University monitors reported claims closely and considers potential outcomes as estimated by its actuaries when determining its professional and general liability accruals, the complexity of the claims, the extended period of time to settle the claims and the wide range of potential outcomes complicate the estimation. In the opinion of the University, adequate provision has been made for the related risk.

(21) Related-Party Transactions

The Carter Center, Inc. (CCI) is a nonprofit organization founded by former United States President Jimmy Carter which sponsors various domestic and international programs. The board of trustees of CCI is comprised of 22 members including the University President and 9 other members appointed by the University's board of trustees. The University's board of trustees has the authority to approve amendments to CCI's articles of incorporation and bylaws and to approve the annual and capital budgets of CCI. The University provides administrative support to CCI and has an economic interest in CCI but does not exercise control over the organization.

Deposits held in custody for others include $324.6 million and $372.2 million representing CCI's investment in the University's long term investment pool as of August 31, 2009 and 2008, respectively.

The Clifton Corridor Transportation Management Association (CCTMA) works with other agencies, including other Transportation Management Associations (TMAs), The Clean Air Campaign, and many other related agencies, to address common transportation concerns in the Clifton Corridor area by promoting alternative forms of transportation. The CCTMA board of directors is comprised of thirteen members, with six of the seats held by employees of the University. The University provides administrative support to CCTMA and has an economic interest in CCTMA but does not exercise control over the organization.

The CCTMA provides services to all operating units of Emory University and other employer members located within a three-mile radius from the intersection of Clifton Road and Haygood Drive in DeKalb County. CCTMA membership includes the Centers for Disease Control and Prevention, Children's Healthcare of Atlanta at Egleston, Emory University, the University Inn, the Veterans Administration (VA) Medical Center, and the VA Regional Office.

As of August 31, 2009 and 2008, the University reflected a liability with the CCTMA of $0.3 million, for both years, which is reported in deposits held in custody.

(22) Emory Healthcare – Investment in Partnerships

(a) EHCA, LLC

On February 1, 1999, EHC entered into a joint venture with HCA, Inc. (f/k/a Columbia/HCA). Pursuant to the joint venture, EHC and HCA formed a limited liability company named EHCA, LLC. On January 1, 2003, the joint venture was restructured such that EHCA, LLC, pursuant to a long-term agreement, leases one of HCA's Atlanta area hospitals. Under the terms of the joint venture, EHC is contractually responsible for the medical management and other clinical oversight associated with the activities of EHCA, LLC. HCA is contractually responsible for the operational management of the facilities. EHC received a $16.7 million payment at the inception of the joint venture for Emory University and/or EHC branding on all of the hospital facilities. Approximately $0.7 million and $1.1 million were recognized as revenue from accretion of the inception payment in fiscal 2009 and 2008, respectively. Beginning in fiscal 2010, EHC will generally recognize $0.4 million annually through the expiration of the agreement in fiscal 2024. HCA is entitled to all profits of EHCA, LLC until its initial capital contribution of $16.7 million is recovered. At that time, EHC is entitled to 40% of the profits. In addition, EHC does not share any of the losses of the joint venture. As a result, EHC has not recorded any profits or losses associated with EHCA, LLC since its inception. As EHC does not have any ownership interest in EHCA, LLC, no balances of EHCA, LLC are recorded in the accompanying consolidated financial statements.

(b) Emory University Hospital Midtown – CPI, LLC

Emory University Hospital Midtown (EUHM) entered into an equal partnership with Cousins Properties, Inc. (Cousins) to construct and operate a medical office tower (MOT). The MOT was completed and occupied by tenants in 2003, and the property is managed by Cousins.

Condensed financial information of the partnership follows (in thousands):

		Eight months ended August 31, 2009 (unaudited)	Year ended December 31, 2008 (audited by other auditors)
Balance sheet:			
Cash	$	1,509	964
Property and equipment		34,463	35,719
Other assets		620	542
Current liabilities		(1,794)	(928)
Notes payable		(50,033)	(50,661)
Partners' deficit	$	(15,235)	(14,364)
Income statement:			
Revenue	$	7,509	11,309
Expenses		(6,281)	(9,683)
Net income	$	1,228	1,626

During 2003, the partnership issued a note payable and distributed the proceeds to the partners. EUHM's portion of the distribution was in excess of its investment in the partnership. EUHM has recorded a net liability of $9.8 million and $9.1 million as of August 31, 2009 and 2008, respectively, for its portion of partners' deficit, which is included in other long-term liabilities in the accompanying consolidated statements of financial position. The investment in partnership is accounted for using the equity method of accounting.

The difference between EUHM's portion of partners' deficit above and the amount recorded as other long-term liabilities in the accompanying consolidated statements of financial position for 2009 and 2008 is principally attributable to EUHM's contribution of certain intangible assets associated with EUHM's prior ownership of the general physical location of the project, the value of which is appropriately not recognized in EUHM's own partnership accounting.

(c) Emory-Adventist, Inc.

The University has a 35% joint venture interest in Emory-Adventist, Inc. (Emory-Adventist), which owns and operates Emory-Adventist Hospital in Cobb County, Georgia. As of August 31, 2009 and 2008, EHC has recognized a net asset of $651 thousand and $256 thousand, respectively, for its portion of the Emory-Adventist unrestricted net assets. During 2009 and 2008, EHC recognized gains of $396 thousand and losses of $54 thousand, respectively, from its equity interest related to the joint venture. In addition, Emory-Adventist has $22.7 million of outstanding debt as of August 31, 2009, of which EHC guarantees $7.9 million, representing a 35% share of the outstanding debt.

Condensed financial information of the aforementioned partnership follows (in thousands):

		Eight months ended August 31, 2009 (unaudited)	Year ended December 31, 2008 (unaudited)
Balance Sheet:			
Cash and investments	$	8,097	5,256
Accounts receivable		4,091	3,952
Property and equipment, net		16,176	17,281
Other assets		2,728	2,659
Current liabilities		(4,882)	(4,382)
Long-term liabilities		(24,104)	(24,145)
Temporarily restricted net assets		(245)	(227)
Net assets	$	1,861	394
Income statement:			
Revenue	$	37,318	55,900
Expenses		(35,860)	(55,190)
Net income	$	1,458	710

The investment in Emory-Adventist is accounted for using the equity method of accounting.

(d) EHCA Johns Creek, LLC

During fiscal 2005, the University entered into an agreement with HCA to form a new joint venture, EHCA Johns Creek, LLC (Johns Creek), to build and operate a new 110-bed acute care hospital in the Johns Creek area of north Fulton County. Johns Creek is a 50/50 joint venture, with HCA and the University each having equal economic ownership and governance rights. As of August 31, 2009 and 2008, the University has recognized a net asset of $57.4 million and $60.1 million, respectively, for its portion of the Johns Creek net assets. During 2009 and 2008, the University recognized losses of $2.7 million and $6.4 million, respectively, related to the joint venture. The University accounts for its interest in Johns Creek using the equity method.

Through August 31, 2009, the University has made approximately $86 million in capital contributions to Johns Creek. Johns Creek commenced operations on February 1, 2007 and under the terms of related agreements, the University is obligated to make (and anticipates making) additional capital contributions to fund their share of any losses of the venture's operations. Other key terms and provisions of the joint venture follow:

- The University and HCA each appoint 50% of the total of ten Johns Creek directors, with voting by class as opposed to individual directors.

(Continued)

- Certain defined matters, including approval of all capital and operating budgets, certain contracts (including leases), capital expenditures above a certain threshold, and changes in services, must all be brought to the Board of Directors for approval.
- Certain "exit" provisions exist that allow either party to "put" its interest, at fair value, to the other at any time following the third anniversary of the new hospital.
- HCA will manage and operate the new hospital (generally providing corporate divisional services similar to those provided to other HCA hospitals) for a fee defined as 2% of net revenues.
- The University will provide clinical oversight and management services (principally consisting of a medical director and clinical Advisory Board constitution) at an hourly rate, subject to a cap.

Condensed balance sheet information of Johns Creek follows (in thousands):

	Eight months ended August 31, 2009 (unaudited)	Year ended December 31, 2008 (audited by other auditors)
Balance Sheet:		
Cash and cash equivalents	$ 12	$ 14
Net patient receivables	8,929	10,917
Other current assets	4,744	4,483
Property and equipment, net	126,981	134,435
Other assets	94	89
Current liabilities	(6,099)	(5,453)
Long-term liabilities	(19,816)	(25,928)
Partner's equity	$ 114,845	$ 118,557
Income statement:		
Revenue	55,172	69,772
Expenses	(58,992)	(79,382)
Net loss	$ (3,820)	$ (9,610)

(e) Pediatric Faculty Group

The University entered into a joint venture effective November 15, 2006 between Emory Children's Center, Inc. (ECC) and Children's Healthcare of Atlanta (CHOA) to coordinate various aspects of their mutual significant pediatric care operations. The agreement provides the University, through ECC, a 51% financial interest in the venture known as the Pediatric Faculty Group (PFG) and provides that CHOA will fund losses of the venture up to contractually predefined limits of $6.2 million in PFG's fiscal 2007 and $5.2 million in both PFG's fiscal 2008 and fiscal 2009. The financial position of the venture and the results of its operations are consolidated with ECC's financial position and results of operations in the accompanying consolidated financial statements.

(23) Asset Retirement Obligations

The University has identified asset retirement obligations primarily from contractual commitments to remove asbestos and lead paint in University facilities at the time of major renovation or demolition. The liability for asset retirement obligations at August 31, 2009 and 2008 is $32.8 million and $34.7 million, respectively, and is included in accounts payable and accrued liabilities in the accompanying consolidated financial statements.

Activity for the University's asset retirement obligations for the years ended August 31 follows (in thousands):

		2009	2008
Balance at beginning of year	$	34,713	32,063
Change in asset retirement obligations		(1,801)	2,827
Obligations settled in current period		(68)	(177)
Balance at end of year	$	32,844	34,713

(24) Commitments and Contingencies

The University is in the process of constructing, renovating and equipping certain facilities for which the outstanding commitments at August 31, 2009 totaled $70.6 million. At August 31, 2008, commitments totaled $85.4 million.

Lawsuits and claims have been filed against the University in the ordinary course of business. As one of the nation's largest research universities and academic medical centers, the University has active litigation that takes several forms. In addition, the University is subject to many federal and state regulations and, as a result, there may be one or more pending government investigations ongoing at any time. While the outcome of many of these actions is not presently determinable, it is the opinion of management that any resulting liability from these actions will not have a material adverse effect on the consolidated financial position or operating results of the University. Although the University has a comprehensive program of primary and excess insurance, if a final judgment were entered in any action in excess of its insurance coverage, the University would be liable for the excess. Management of the University believes that no currently pending lawsuit subjecting the University to liability would have a materially adverse effect on the University's financial position.

(25) Grady Memorial Hospital

The Emory University School of Medicine is a major supplier of the physicians and house staff at Grady Memorial Hospital based in Atlanta, GA. As one of the largest public hospitals in the Southeast, Grady is an internationally recognized teaching hospital with a historic commitment to the health needs of the most vulnerable. As a result of mounting financial pressures, Grady made organizational leadership and governance changes in fiscal year 2008 to address financial and operational constraints. While the hospital's ability to fully pay the University for services performed prior to December 2007 per the contractual agreement is uncertain, the amounts were converted to a note receivable of $22.5 million in October, 2009 to establish an agreed-upon payment plan with Grady administration. The University has established an allowance that management believes is adequate to protect against potential uncollectible amounts related to pre-2008 services performed.

(26) Leases and Development Agreements

The University, Cousins Properties, Inc. and Gables Apartments are in the process of entering into ground leases and related development agreements to develop approximately 15 acres along Clifton Road directly across from the Centers for Disease Control and Prevention. The plans allow for approximately 800 housing units (rental and for-sale), office, retail, work space, green space, and natural and other amenities.

(27) Conflict of Interest

University trustees, senior administrators, and certain research faculty may periodically be directly or indirectly associated with companies doing business with the University. The University requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the University. The annual disclosures cover these key officials and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict. Written conflict of interest policies for the University require, among other things, that no member of a governing board may participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each board member is required to certify compliance with the conflict of interest policy on an annual basis and indicate whether the University does business with an entity in which that member (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm’s length, for good and sufficient consideration, based on terms that are fair and reasonable to the University, and in accordance with applicable conflict of interest laws.

(28) Subsequent Events

The University has evaluated its subsequent events (events occurring after August 31, 2009) through December 22, 2009, which represents the date the consolidated financial statements were available to be issued and determined that all significant events and disclosures are included in the consolidated financial statements.

During fiscal 2009, the University was notified by the Department of Justice Tax Review Division that its request for a refund of certain prior years’ FICA taxes remitted for the University’s and Emory Healthcare’s medical residents and fellows was settled. With receipt of this settlement notification, the University recognized approximately $54 million as other receivables in the consolidated financial statements as of August 31, 2009 with an offsetting liability for the same amount. Emory Healthcare recognized approximately $13 million as other receivables in the consolidated financial statements as of August 31, 2009 and a reduction in employee benefits cost in the fiscal 2009 consolidated financial statements. The full amount of the settlement was received in the first quarter of fiscal 2010.

SUPPLEMENTARY INFORMATION

EMORY UNIVERSITY (excluding Emory Healthcare)

Schedule 1

STATEMENTS OF FINANCIAL POSITION - INFORMATION

August 31, 2009 and 2008

(Dollars in thousands)

	2009	2008 As Adjusted
ASSETS:		
Cash and cash equivalents	$ 332,868	$ -
Cash held as collateral under securities lending transactions	-	274,510
Student accounts receivable, net	44,277	50,747
Loans receivable, net	32,003	34,597
Contributions receivable, net	192,964	215,515
Accrued investment income receivable	7,302	8,161
Other receivables, net	160,242	124,284
Prepaid expenses, deferred charges and other assets	132,484	109,930
Investments	5,587,206	6,593,557
Property and equipment, net	1,688,920	1,570,051
Due from affiliates	393,228	399,712
Total assets	**$ 8,571,494**	**$ 9,381,064**
LIABILITIES AND NET ASSETS:		
Liability under securities lending transactions	$ -	$ 274,510
Accounts payable and accrued liabilities	212,664	190,947
Liability for derivative instruments	63,832	11,487
Interest payable	25,925	13,306
Annuities payable	18,857	21,548
Bonds, notes, and mortgages payable	1,977,272	1,673,100
Accrued liabilities for benefit obligations and professional liabilities	29,701	27,712
Deferred tuition and other revenue	243,328	219,500
Deposits held in custody for others	389,467	438,786
Government advances for federal loan programs	17,705	17,723
Due to affiliates	240,754	157,894
Total liabilities	3,219,505	3,046,513
Unrestricted net assets	1,972,468	2,350,179
Temporarily restricted net assets	2,186,059	2,721,801
Permanently restricted net assets	1,193,462	1,262,571
Total net assets	5,351,989	6,334,551
Total liabilities and net assets	**$ 8,571,494**	**$ 9,381,064**

See accompanying independent auditors' report.

EMORY UNIVERSITY (excluding Emory Healthcare)

Schedule 2

STATEMENT OF ACTIVITIES - INFORMATION

Year Ended August 31, 2009 (with summarized financial information for the year ended 2008)

(Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total August 31, 2009	Total August 31, 2008
OPERATING REVENUES:					
Tuition and fees	$ 428,460	$ -	$ -	$ 428,460	$ 400,123
Less: scholarship allowances	(132,810)	-	-	(132,810)	(115,205)
Net tuition and fees	295,650	-	-	295,650	284,918
Endowment spending distribution	182,142	-	-	182,142	173,640
Other investment income designated for current operations	32,127	-	-	32,127	35,969
Gifts and contributions	38,971	-	-	38,971	45,880
Indirect cost recoveries	102,487	-	-	102,487	93,848
Government grants and contracts	259,007	-	-	259,007	256,966
Other grants and contracts	60,222	-	-	60,222	51,676
Medical services	149,694	-	-	149,694	148,511
Auxiliary enterprises	59,581	-	-	59,581	57,716
Independent operations	18,802	-	-	18,802	22,659
Patent and royalty revenue	4,379	-	-	4,379	10,801
Other revenue	30,719	-	-	30,719	29,443
Net assets released from restrictions	12,873	(12,873)	-	-	-
Total operating revenues	**1,246,654**	**(12,873)**	**-**	**1,233,781**	**1,212,027**
OPERATING EXPENSES:					
Salaries and fringe benefits	892,826	-	-	892,826	847,807
Student financial aid	12,417	-	-	12,417	11,759
Other operating expenses	273,096	-	-	273,096	324,417
Interest on indebtedness	42,375	-	-	42,375	33,419
Depreciation	99,617	-	-	99,617	87,920
Total operating expenses	**1,320,331**	**-**	**-**	**1,320,331**	**1,305,322**
NET OPERATING REVENUES/(EXPENSES)	**(73,677)**	**(12,873)**	**-**	**(86,550)**	**(93,295)**
NON-OPERATING REVENUES/(EXPENSES):					
Net unrealized losses on investments	(161,235)	(407,990)	(77,805)	(647,030)	(451,935)
Investment income and gains (losses) less spending distribution for current operations	(128,209)	(128,141)	(9,591)	(265,941)	163,824
Investment management fees	(14,042)	(163)	(279)	(14,484)	(20,928)
Gifts and contributions	3,709	8,807	17,063	29,579	42,497
Loss on disposal of property and equipment	(705)	-	-	(705)	(8,993)
Loss on advance refunding of debt	(809)	-	-	(809)	(133)
Change in fair value of derivative instruments	(52,345)	-	-	(52,345)	(33,830)
Other non-operating items	(20,042)	4,618	1,503	(13,921)	14,035
Total non-operating expenses	**(373,678)**	**(522,869)**	**(69,109)**	**(965,656)**	**(295,463)**
Net transfers from affiliates	69,644	-	-	69,644	72,728
CHANGE IN NET ASSETS	**(377,711)**	**(535,742)**	**(69,109)**	**(982,562)**	**(316,030)**
BEGINNING NET ASSETS	**2,350,179**	**2,721,801**	**1,262,571**	**6,334,551**	**6,650,581**
ENDING NET ASSETS	**$ 1,972,468**	**$ 2,186,059**	**$ 1,193,462**	**$ 5,351,989**	**$ 6,334,551**

See accompanying independent auditors' report.

EMORY UNIVERSITY (excluding Emory Healthcare)

Schedule 3

STATEMENT OF ACTIVITIES - INFORMATION (As Adjusted)

Year Ended August 31, 2008

(Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total August 31, 2008
OPERATING REVENUES:				
Tuition and fees	$ 400,123	$ -	$ -	$ 400,123
Less: scholarship allowances	(115,205)	-	-	(115,205)
Net tuition and fees	284,918	-	-	284,918
Endowment spending distribution	173,640	-	-	173,640
Other investment income designated for current operations	35,969	-	-	35,969
Gifts and contributions	45,880	-	-	45,880
Indirect cost recoveries	93,848	-	-	93,848
Government grants and contracts	256,966	-	-	256,966
Other grants and contracts	51,676	-	-	51,676
Medical services	148,511	-	-	148,511
Auxiliary enterprises	57,716	-	-	57,716
Independent operations	22,659	-	-	22,659
Patent and royalty revenue	10,801	-	-	10,801
Other revenue	29,443	-	-	29,443
Net assets released from restrictions	5,905	(5,905)	-	-
Total operating revenues	**1,217,932**	**(5,905)**	**-**	**1,212,027**
OPERATING EXPENSES:				
Salaries and fringe benefits	847,807	-	-	847,807
Student financial aid	11,759	-	-	11,759
Other operating expenses	324,417	-	-	324,417
Interest on indebtedness	33,419	-	-	33,419
Depreciation	87,920	-	-	87,920
Total operating expenses	**1,305,322**	**-**	**-**	**1,305,322**
NET OPERATING REVENUES/(EXPENSES)	**(87,390)**	**(5,905)**	**-**	**(93,295)**
NON-OPERATING REVENUES/(EXPENSES):				
Net unrealized losses on investments	$ (246,565)	(172,793)	(32,577)	(451,935)
Investment income and gains in excess of spending distribution for current operations	173,594	(18,588)	8,818	163,824
Investment management fees	(20,634)	(147)	(147)	(20,928)
Gifts and contributions	4,097	3,971	34,429	42,497
Loss on disposal of property and equipment	(8,993)	-	-	(8,993)
Loss on advance refunding of debt	(133)	-	-	(133)
Change in fair value of derivative instruments	(33,830)	-	-	(33,830)
Other non-operating items	17,797	(4,783)	1,021	14,035
Total non-operating revenues/(expenses)	**(114,667)**	**(192,340)**	**11,544**	**(295,463)**
Net transfers from affiliates	72,728	-	-	72,728
CHANGE IN NET ASSETS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	**(129,329)**	**(198,245)**	**11,544**	**(316,030)**
Cumulative effect of change in accounting principle	**(2,481,613)**	**2,481,613**	**-**	**-**
CHANGE IN NET ASSETS	**(2,610,942)**	**2,283,368**	**11,544**	**(316,030)**
BEGINNING NET ASSETS	**4,961,121**	**438,433**	**1,251,027**	**6,650,581**
ENDING NET ASSETS	**$ 2,350,179**	**$ 2,721,801**	**$ 1,262,571**	**$ 6,334,551**

See accompanying independent auditors' report.

EMORY UNIVERSITY (excluding Emory Healthcare)

Schedule 4

STATEMENTS OF CASH FLOWS - INFORMATION

Years Ended August 31, 2009 and 2008

(Dollars in thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (982,562)	$ (316,030)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Nonoperating items:		
Gifts restricted for long-term investment and capital projects	(27,580)	(43,933)
Net realized loss (gain) on sale of investments	182,201	(247,630)
Loss on disposal of property and equipment	705	8,993
Noncash items:		
Depreciation	99,617	87,920
Accretion/amortization of bond discounts/premiums	(5,330)	2,985
Net unrealized losses on investments	647,030	451,935
Change in fair value of derivative instruments	52,345	33,830
Gifts of securities and other assets	6,207	8,498
Gifts of securities and other assets for long-term investment and capital projects	(35,000)	(49,000)
Gifts of property, plant and equipment	(806)	(1,738)
(Increase) decrease in:		
Accounts receivable, net	(29,488)	22,238
Contributions receivable	22,551	37,361
Accrued investment income receivable	859	(948)
Prepaid expenses, deferred charges and other assets	(19,753)	(19,563)
Due to/from affiliates	89,344	(29,693)
Increase (decrease) in:		
Accounts payable and interest payable	34,336	26,690
Accrued liabilities for benefit obligations and professional liabilities	1,989	2,648
Deferred tuition and other revenue	23,828	15,790
Net cash provided by (used in) operating activities	**60,493**	**(9,647)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disbursements of loans to students	(1,869)	(3,979)
Repayment of loans from students	4,463	20,273
Proceeds from sales and maturities of investments	5,532,062	7,467,769
Purchases of investments	(5,326,149)	(7,520,565)
Change in collateral deposits under securities lending transactions	274,510	95,978
Change in obligation to return collateral under securities lending transactions	(274,510)	(95,978)
Purchases of property, plant and equipment	(218,385)	(205,957)
(Decrease) increase in deposits held in custody for others	(49,319)	19,007
Net cash used in investing activities	**(59,197)**	**(223,452)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Gifts restricted for long-term investment and capital projects	27,580	43,933
Proceeds from bonds and mortgages payable	701,276	327,978
Principal repayments of bonds and mortgages payable	(391,774)	(150,426)
(Decrease) increase in annuities payable	(2,691)	(1,598)
Decrease in government advances for federal loan programs	(18)	(1,071)
Bond issuance costs	(2,801)	(374)
Net cash provided by financing activities	**331,572**	**218,442**
Net increase (decrease) in cash and cash equivalents	**332,868**	**(14,657)**
Cash and cash equivalents at beginning of year	**-**	**14,657**
Cash and cash equivalents at end of year	**$ 332,868**	**$ -**

See accompanying independent auditors' report.