EMORY UNIVERSITY

Consolidated Financial Statements and
Supplementary Information

August 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

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, 2010 and 2009, 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, 2010 and 2009, 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.

Our audits for the years ended August 31, 2010 and 2009 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, 2010 and 2009.

KPMG LLP

December 17, 2010

EMORY UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31, 2010 and 2009
(Dollars in thousands)

	2010	2009
ASSETS:		
Cash and cash equivalents	$ 341,954	$ 413,879
Patient accounts receivable, net	225,825	224,863
Student accounts receivable, net	46,128	45,894
Loans receivable, net	29,510	32,003
Contributions receivable, net	165,565	192,964
Accrued investment income receivable	12,503	9,263
Other receivables, net	157,456	187,210
Prepaid expenses, deferred charges and other assets	128,053	153,562
Investments	6,031,035	5,807,851
Property and equipment, net	2,262,731	2,188,162
Total assets	**$ 9,400,760**	**$ 9,255,651**
LIABILITIES AND NET ASSETS:		
Accounts payable and accrued liabilities	$ 283,203	$ 350,071
Liability for derivative instruments	153,543	63,832
Interest payable	29,760	25,925
Annuities payable	19,260	18,857
Bonds, notes and mortgages payable	1,839,164	1,979,822
Accrued liabilities for benefit obligations and professional liabilities	277,669	202,421
Deferred tuition and other revenue	355,268	285,084
Deposits held in custody for others	418,073	389,467
Government advances for federal loan programs	17,784	17,705
Total liabilities	3,393,724	3,333,184
Unrestricted net assets	2,513,786	2,533,486
Temporarily restricted net assets	2,190,610	2,186,271
Permanently restricted net assets	1,302,640	1,202,710
Total net assets	6,007,036	5,922,467
Total liabilities and net assets	**$ 9,400,760**	**$ 9,255,651**

See accompanying notes to consolidated financial statements.

EMORY UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended August 31, 2010 (with summarized financial information for the year ended 2009)
(Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total August 31, 2010	Total August 31, 2009
OPERATING REVENUES:					
Tuition and fees	$ 448,689	-	-	$ 448,689	$ 428,460
Less: scholarship allowances	(151,732)	-	-	(151,732)	(132,810)
Net tuition and fees	296,957	-	-	296,957	295,650
Endowment spending distribution	176,642	-	-	176,642	182,142
Other investment income designated for current operations	33,269	-	-	33,269	41,975
Gifts and contributions	39,494	-	-	39,494	38,971
Indirect cost recoveries	112,886	-	-	112,886	102,487
Grants and contracts	344,975	-	-	344,975	304,603
Medical services	137,460	-	-	137,460	149,524
Auxiliary enterprises	60,648	-	-	60,648	59,581
Independent operations	20,251	-	-	20,251	18,802
Net patient service revenue	1,844,943	-	-	1,844,943	1,759,791
Patent and royalty revenue	6,258	-	-	6,258	4,379
Other revenue	69,008	-	-	69,008	68,123
Net assets released from restrictions	22,166	(22,166)	-	-	-
Total operating revenues	**3,164,957**	**(22,166)**	**-**	**3,142,791**	**3,026,028**
OPERATING EXPENSES:					
Salaries and fringe benefits	1,867,293	-	-	1,867,293	1,831,789
Student financial aid	11,625	-	-	11,625	12,417
Other operating expenses	1,033,755	-	-	1,033,755	958,375
Interest on indebtedness	61,445	-	-	61,445	62,977
Depreciation	159,236	-	-	159,236	156,521
Total operating expenses	**3,133,354**	**-**	**-**	**3,133,354**	**3,022,079**
NET OPERATING REVENUES/(EXPENSES):	**31,603**	**(22,166)**	**-**	**9,437**	**3,949**
NON-OPERATING REVENUES/(EXPENSES):					
Net unrealized gains (losses) on investments	20,281	17,885	125,921	164,087	(664,904)
Investment income and gains (losses) less spending distribution for current operations	77,805	32,355	1,768	111,928	(273,747)
Investment management fees	(19,798)	(168)	(126)	(20,092)	(14,484)
Gifts and contributions	9,020	3,185	16,175	28,380	32,214
Loss on disposal of property and equipment	(158)	-	-	(158)	(705)
Loss on defeasement of debt	167	-	-	167	-
Change in fair value of derivative instruments	(81,906)	-	-	(81,906)	(52,345)
Other non-operating items	(56,714)	(26,752)	(43,808)	(127,274)	(51,120)
Total non-operating revenues/(expenses)	**(51,303)**	**26,505**	**99,930**	**75,132**	**(1,025,091)**
CHANGE IN NET ASSETS	**(19,700)**	**4,339**	**99,930**	**84,569**	**(1,021,142)**
BEGINNING NET ASSETS	2,533,486	2,186,271	1,202,710	5,922,467	6,943,609
ENDING NET ASSETS	**$ 2,513,786**	**$ 2,190,610**	**$ 1,302,640**	**$ 6,007,036**	**$ 5,922,467**

See accompanying notes to financial statements.

EMORY UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended August 31, 2009
(Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total August 31, 2009
OPERATING REVENUES:				
Tuition and fees	$ 428,460	-	-	$ 428,460
Less: scholarship allowances	(132,810)	-	-	(132,810)
Net tuition and fees	295,650	-	-	295,650
Endowment spending distribution	182,142	-	-	182,142
Other investment income designated for current operations	41,975	-	-	41,975
Gifts and contributions	38,971	-	-	38,971
Indirect cost recoveries	102,487	-	-	102,487
Grants and contracts	304,603	-	-	304,603
Medical services	149,524	-	-	149,524
Auxiliary enterprises	59,581	-	-	59,581
Independent operations	18,802	-	-	18,802
Net patient service revenue	1,759,791	-	-	1,759,791
Patent and royalty revenue	4,379	-	-	4,379
Other revenue	68,123	-	-	68,123
Net assets released from restrictions	12,873	(12,873)	-	-
Total operating revenues	**3,038,901**	**(12,873)**	**-**	**3,026,028**
OPERATING EXPENSES:				
Salaries and fringe benefits	1,831,789	-	-	1,831,789
Student financial aid	12,417	-	-	12,417
Other operating expenses	958,375	-	-	958,375
Interest on indebtedness	62,977	-	-	62,977
Depreciation	156,521	-	-	156,521
Total operating expenses	**3,022,079**	**-**	**-**	**3,022,079**
NET OPERATING REVENUES/(EXPENSES):	**16,822**	**(12,873)**	**-**	**3,949**
NON-OPERATING REVENUES/(EXPENSES):				
Net unrealized losses on investments	(179,109)	(407,990)	(77,805)	(664,904)
Investment income and losses less spending distribution for current operations	(136,015)	(128,141)	(9,591)	(273,747)
Investment management fees	(14,042)	(163)	(279)	(14,484)
Gifts and contributions	6,344	8,807	17,063	32,214
Loss on disposal of property and equipment	(705)	-	-	(705)
Change in fair value of derivative instruments	(52,345)	-	-	(52,345)
Other non-operating items	(57,047)	4,424	1,503	(51,120)
Total non-operating revenues/(expenses)	**(432,919)**	**(523,063)**	**(69,109)**	**(1,025,091)**
CHANGE IN NET ASSETS	**(416,097)**	**(535,936)**	**(69,109)**	**(1,021,142)**
BEGINNING NET ASSETS	2,949,583	2,722,207	1,271,819	6,943,609
ENDING NET ASSETS	**$ 2,533,486**	**$ 2,186,271**	**$ 1,202,710**	**$ 5,922,467**

See accompanying notes to consolidated financial statements.

EMORY UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended August 31, 2010 and 2009
(Dollars in thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 84,569	$ (1,021,142)
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	(42)	(27,580)
Net realized (gains) losses on sale of investments	(223,942)	191,133
Loss on disposal of property and equipment	158	705
Proceeds from constant maturity swap settlement	7,805	-
Noncash items:		
Depreciation	159,236	156,521
Accretion/amortization of bond discounts/premiums	(6,119)	(5,330)
Net unrealized (gains) losses on investments	(164,087)	664,904
Change in fair value of derivative instruments	81,906	52,345
Gifts of securities and other assets	(1,339)	(28,793)
Gifts of property, plant and equipment	(42)	(806)
(Increase) decrease in:		
Accounts and other receivables, net	28,558	(83,719)
Contributions receivable	27,399	22,551
Accrued investment income receivable	(3,240)	471
Prepaid expenses, deferred charges and other assets	25,509	(20,039)
Increase (decrease) in:		
Accounts payable and interest payable	(79,624)	(10,322)
Accrued liabilities for benefit obligations and professional liabilities	75,248	65,189
Deferred tuition and other revenue	70,184	58,971
Net cash provided by operating activities	**82,137**	**15,059**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disbursements for loans to students	(2,278)	(1,869)
Repayment of loans from students	4,771	4,463
Proceeds from sales and maturities of investments	5,430,192	5,819,435
Purchases of investments	(5,264,008)	(5,467,610)
Change in collateral deposits under securities lending transactions	-	274,510
Change in obligation to return collateral under securities lending transactions	-	(274,510)
Purchases of property, plant and equipment	(217,330)	(272,811)
Increase (decrease) in deposits held in custody for others	28,606	(49,285)
Net cash (used in) provided by investing activities	**(20,047)**	**32,323**

(Continued)

EMORY UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended August 31, 2010 and 2009
(Dollars in thousands)

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES:		
Gifts restricted for long-term investment and capital projects	42	27,580
Proceeds from bonds and mortgages payable	14,450	701,276
Principal repayments of bonds and mortgages payable	(148,989)	(391,858)
Increase (decrease) in annuities payable	403	(2,691)
Increase (decrease) in government advances for federal loan programs	79	(18)
Bond issuance costs	-	(2,801)
Net cash (used in) provided by financing activities	**(134,015)**	**331,488**
Net (decrease) increase in cash and cash equivalents	**(71,925)**	**378,870**
Cash and cash equivalents at beginning of year	**413,879**	**35,009**
Cash and cash equivalents at end of year	**$ 341,954**	**$ 413,879**
Supplemental disclosure:		
Cash paid for interest	$ 77,664	$ 54,125
Property, plant and equipment acquisitions that were reflected in accounts payable	16,591	16,699

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). Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC).

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of externally imposed restrictions. Accordingly, net assets of the University are classified and reported as follows:

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 net assets released from restrictions and shown as reclassifications between the applicable classes of net assets.

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, *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* (included in ASC Subtopic 958-205, *Presentation of Financial Statements*), (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.

(a) Cash Equivalents

Cash equivalents consist primarily of short-term money market mutual funds and treasury bills with original maturities of 90 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. Contributions restricted for capital projects or permanent or term endowment funds and contributions under split-interest agreements or perpetual trusts are reported as non-operating revenue. 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 amounts, 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, 2010 and 2009. Loans to qualified students are funded principally with government advances to Emory under the Federal Direct Loan, 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 that 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 Emory. 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, 2010 and 2009.

(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. Beginning September 1, 2009, assets are depreciated beginning on their assigned in-service date. Useful lives are as follows: buildings – 10 to 60 years; land improvements and infrastructure – 5 to 39.5 years; moveable equipment – 3 to 20 years; fixed equipment – 3 to 30 years; leasehold improvements – term of the lease; 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, 2010 and 2009 reflect deferred fall semester revenues and expenditures, which will be recognized as revenues and expenditures in fiscal years 2011 and 2010, 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, the volatility of related settlement processes, and an increasingly provocative overall healthcare regulatory environment, 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 2010 and 2009, net patient service revenue increased by approximately $8.7 million and $8.1 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. As of August 31, 2010 and 2009, there were no uncertain tax positions.

(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 exchanges 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 exchanges 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 exchanges 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, included in ASC Topic 715 and ASC Subtopic 958-715, Compensation - Retirement Benefits. ASC Topic 715 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 ended August 31, 2009, the University changed to a fiscal year-end measurement of plan assets and benefit obligations per requirements of ASC Topic 715, which resulted in a decrease in unrestricted net assets of $3.4 million in the accompanying consolidated financial statements.

(p) New Accounting Pronouncements

During fiscal year 2009, the University early adopted certain provisions of Accounting Standards Update ASU No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)* (ASU 2009-12), which amends ASC Topic 820 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 March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an Amendment of Statement No. 133* (SFAS 161), which is included in ASC Topic 815, *Derivatives and Hedging*. 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, which is included in ASC Topic 815. ASC Topic 815 is effective for periods beginning after November 15, 2008 and no comparative information for periods prior to the effective date is required. The University adopted ASC Topic 815 during fiscal 2010, and required disclosures are presented in note 9.

In April 2009, the FASB issued SFAS No. 164, *Not-for-Profit Entities: Mergers and Acquisitions* (SFAS 164), which is included in ASC Subtopic 958-805, *Business Combinations*. ASC Subtopic 958-805 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. ASC Subtopic 958-805 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. ASC Subtopic 958-805 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. This pronouncement did not have a material impact on the University during fiscal 2010.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (SFAS 168), which is included in ASC Topic 105, *Generally Accepted Accounting Principles*. ASC Topic 105 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.

In January 2010, the FASB issued ASU No. 2010-06, *"Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements"* (ASU 2010-06). ASU 2010-06 requires separate disclosure for the amounts and reasons for significant transfers in and out of defined fair value measurement hierarchies. ASU 2010-06 also requires entities to separately present information about purchases, sales, issuances, and settlements. The ASU also clarifies existing disclosures for each class of assets and liabilities as well as the valuation techniques and inputs used to measure fair value for recurring and nonrecurring hierarchy levels of fair value measurements (see Note 10). ASU 2010-06 will be effective for the University for the fiscal year beginning September 1, 2010.

(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 that impacted the University include, but are not limited to:

- Volatility in the tax-exempt bond market;
- Volatility in the commercial banking industry and related potential issues including, but not limited to, liquidity access, counterparty arrangements and short-term financing capacity.
- Volatility in market valuations;
- 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, 2010 and 2009 consist of the following (in thousands):

		2010	2009
Unconditional promises expected to be collected in:			
Less than one year	$	15,214	92,293
One year to five years		191,084	127,975
Over five years		292	11
Total unconditional promises		206,590	220,279
Less:			
Unamortized discount		(30,000)	(14,256)
Allowance for uncollectible amounts		(11,025)	(13,059)
Contributions receivable, net	$	165,565	192,964

Approximately 70% of the total unconditional promises to Emory are committed by two foundations with a long-standing history of support for Emory. 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, 2010 and 2009 generally are discounted on rates ranging from 1.54% to 8.75%.

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 5.34% and 5.93% respectively of contribution receivable as of August 31, 2010 and 2009.

In November 2006, the 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, 2010, $100 million has been received on the $240 million gift, $10 million has been received on the $12.5 million gift, and the $9 million gift has been paid in full with the remaining $142.5 million reported in contributions receivable and temporarily restricted gifts.

At August 31, 2010, the University had received bequest intentions of approximately $108 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:

	2010	2009
Managed care and other third-party payors	51%	51%
Medicare	36	36
Patients	6	6
Medicaid	7	7
	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 30% and 31% of the System's net patient service revenue for the years ended August 31, 2010 and 2009, 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 10% of the System's net patient service revenue for both the years ended August 31, 2010 and 2009. 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 $3.9 million and $4.0 million in Program funds during fiscal 2010 and 2009, respectively. The aggregate payment from the Program to the System was enabled by a related intergovernmental transfer to the State of Georgia 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):

		2010	2009
Gross patient service revenue	$	4,168,648	3,830,448
Less provisions for contractual and other adjustments		(2,323,705)	(2,070,657)
Net patient service revenue	$	1,844,943	1,759,791

(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 $3.0 million and $5.8 million as of August 31, 2010 and 2009, 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, 2010 and 2009 (in thousands):

	2010	2009
Cash equivalents	$ 264,638	340,661
Fixed income securities	1,456,418	1,225,004
U.S. equity securities	1,229,872	1,193,215
Non-U.S. equity securities	643,075	622,245
Oil and gas properties	277,695	253,045
Private markets	1,009,759	862,530
Hedged absolute return	454,040	462,203
Long/short strategy	309,677	274,694
Other strategy	128,331	302,614
Real estate investments	199,864	202,958
Miscellaneous investments	2,688	7,076
Total investments at fair value	5,976,057	5,746,245
Joint ventures (equity method)	54,978	61,606
Total investments	$ 6,031,035	5,807,851

At August 31, 2010 and 2009, cash equivalents included in investments of $236.2 million and $322.9 million, respectively, are restricted for use by endowments and special projects.

At August 31, 2010 and 2009, U.S. equity securities included investments in common stock of The Coca-Cola Company with a fair value totaling $0.7 billion and $0.6 billion, respectively. At August 31, 2010 and 2009, this represented 13.7% and 12.7%, 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. In April 2010, GeoVax had a 1:50 reverse stock split. During fiscal year 2010, Emory sold 2,835,000 shares of GeoVax. As of August 31, 2010, the University owned 4,621,405 shares. The stock closed on August 31, 2010, at $2.05 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 that 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 $4.7 million instead of the published fair market value of $9.5 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 29.5% 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 exchanges 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 $542.2 million as of August 31, 2010 for investment of endowment assets in private markets, 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.

As of August 31, 2010, 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 type. Based upon the terms and conditions in effect at August 31, 2010, the University's alternative investments can be redeemed or sold as follows (in thousands):

	2010	Unfunded Commitments	Redemption Frequency *(if currently eligible)*	Redemption Notice Period
Hedge Strategies:				
Absolute return strategy	$ 454,040	24,800	30 - over 365 days	5 - 180 days
Long/short equity strategy	309,677	—	30 - 365 days	5 - 90 days
Other strategy	128,331	—	90 - 365 days	90 - 180 days
Oil and gas properties	277,695	76,969	N/A	N/A
Real estate investments	199,864	73,638	N/A	N/A
Joint ventures	54,978	—	N/A	N/A
Private market investments	1,009,759	366,784	N/A	N/A
	$ 2,434,344	542,191		

(8) Endowment Net Assets

Effective August 31, 2009, the University adopted the provisions of ASC Subtopic 958-205, *Presentation of Financial Statements*. ASC Subtopic 958-205 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the 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 UPMIFA as providing among other things, expanded spending flexibility by allowing, subject to a standard of prudence, the University to spend from an endowment fund without regard to the book value of the corpus of the fund. This flexibility under UPMIFA allows an expenditure that lowers the value of the corpus of an endowment fund below its book value, which was previously not allowed. 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, 2010 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (48,720)	1,928,802	555,800	2,435,882
Board-designated endowment funds	1,199,918	—	—	1,199,918
	$ 1,151,198	1,928,802	555,800	3,635,800

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	1,158,721	—	—	1,158,721
	$ 1,104,896	1,880,194	539,526	3,524,616

Changes in endowment net assets for the year ended August 31, 2010 are as follows (in thousands):

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 1, 2009	$	1,104,896	1,880,194	539,526	3,524,616
Investment return:					
Investment income (loss)		152,474	79,493	—	231,967
Net appreciation (depreciation)		30,069	16,271	—	46,340
Total investment return (loss)	$	182,543	95,764	—	278,307
Contributions		41	—	16,274	16,315
Appropriation of endowment assets for expenditure		(151,575)	(47,156)	—	(198,731)
Transfers to create board-designated funds		15,293	—	—	15,293
Endowment net assets, August 31, 2010	$	1,151,198	1,928,802	555,800	3,635,800

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	$	1,381,770	2,412,147	518,927	4,312,844
Investment return:					
Investment income (loss)		(22,543)	(80,813)	—	(103,356)
Net appreciation (depreciation)		(121,612)	(405,896)	—	(527,508)
Total investment return (loss)	$	(144,155)	(486,709)	—	(630,864)
Contributions		2,262	—	20,599	22,861
Appropriation of endowment assets for expenditure		(170,765)	(45,244)	—	(216,009)
Transfers to create board-designated funds		35,784	—	—	35,784
Endowment net assets, August 31, 2009	$	1,104,896	1,880,194	539,526	3,524,616

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 $48.7 million and $53.8 million as of August 31, 2010 and 2009, respectively. 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.

(Continued)

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 2010 and 2009 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 if projected growth rates are achieved. Additional real growth will be provided through new gifts and any excess investment return.

(9) Derivative Instruments and Hedging Activities

The University has executed derivative financial instruments in the normal course of its business.

As a component of the debt portfolio, the University entered into interest rate swap agreements that effectively convert certain variable rate debt to fixed rates.

The following table summarizes the general terms for each of the University's exchange agreements as of August 31, 2010 and 2009 (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	09/01/2035
Interest	08/23/2005	80,000	3.255%	68% of 3-month LIBOR	09/01/2035
Basis	08/04/2005	250,000	68% of 3-month LIBOR 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	09/01/2035
Interest	12/01/2007	75,000	3.549%	68% of 3-month LIBOR	09/01/2035
Interest	05/01/2008	75,000	3.607%	68% of 3-month LIBOR	09/01/2038
Interest	12/01/2008	100,000	3.286%	68% of 3-month LIBOR	12/01/2042
Constant Maturity (1)	02/15/2009	62,500	1 month LIBOR	10 year International Swaps and Derivatves Association (ISDA) minus 998.8 basis points	01/01/2037

(1) On December 29, 2009, the University terminated its Constant Maturity exchange agreement.

Net settlement transactions related to the exchange agreements described above resulted in interest expense totaling $19.7 million and $12.4 million during 2010 and 2009, respectively. The fair value of each exchange is the estimated amount the University would receive or pay to terminate the exchange agreement at the reporting date, taking into account current interest rates and the current credit worthiness of the exchange counterparties. The University's exchange agreements are categorized as Level 2 in the fair value hierarchy. The net fair value of all exchange agreements represents a liability of $153.5 million as of August 31, 2010 and $63.8 million as of August 31, 2009. 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 exchange 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 exchange. The University monitors the credit standing of its counterparties.

Certain University derivative instruments contain provisions requiring long-term, unsecured debt to be maintained at specified credit ratings from Moody's Investor Service and Standard and Poor's Rating Service. If the ratings of the University's debt were to fall below certain benchmarks, the counterparty could request immediate payment on derivatives in net liability positions. At August 31, 2010, the University's long-term debt ratings exceeded these benchmarks.

During 2009, the University was required to post collateral for one of counterparty agreements. The aggregate fair value of all derivative instruments with credit-risk related contingent features that are in a liability position on August 31, 2010 is $153.5 million for which Emory University had posted collateral of $0 at August 31, 2010 with $1.8 million posted on September 2, 2010 related to August 31, 2010 fair value. If the credit-risk related features underlying these agreements were triggered on August 31, 2010, Emory University would have been required to post an additional $34.5 million.

The following table summarizes the derivatives not designated as hedging instruments under ASC Topic 815 as of August 31, 2010 and 2009 (in thousands):

		2010		2009	
		Fair Value (1)	**Gain (Loss)** (2)	**Fair Value** (1)	**Gain (Loss)** (2)
August 4, 2005 Interest Rate Swap	$	(50,161)	(30,344)	(19,817)	(20,678)
August 23, 2005 Interest Rate Swap		(16,704)	(10,101)	(6,603)	(6,665)
August 4, 2005 Basis Swap		(752)	692	(1,444)	1,586
December 1, 2009 Interest Rate Swap		(20,026)	(10,622)	(9,403)	(7,044)
December 1, 2007 Interest Rate Swap		(19,539)	(9,689)	(9,850)	(6,522)
May 1, 2008 Interest Rate Swap		(21,830)	(10,311)	(11,519)	(6,706)
December 1, 2008 Interest Rate Swap		(24,531)	(14,244)	(10,287)	(9,501)
February 15, 2009 Constant Maturity Swap (3)		—	2,713	5,091	3,185
	$	(153,543)	(81,906)	(63,832)	(52,345)

(1) Reported as liability for derivative instruments on Statement of Financial Position.

(2) Located in non-operating revenues and expenses as change in fair value of derivative instruments.

(3) The Constant Maturity Swap was terminated on December 29, 2009 resulting in a $0.4 million reduction in interest on indebtedness and $7.8 million gain recorded in non-operating revenues and expenses as change in fair value of derivative

The following tables identify the fair value amounts of derivative instruments included in investments categorized by primary underlying risk at August 31, 2010 and 2009 (in thousands). Balances are presented on a gross basis, prior to the application of counterparty netting. Total derivative assets and liabilities, and their related gains or losses are adjusted on an aggregate basis to take into consideration the effects of master netting arrangements with its counterparties.

Fair Values of Derivative Instruments at August 31, 2010

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location		Fair Value	Balance Sheet Location		Fair Value
Interest Rate Contracts:						
Swaptions	Investments	$	255	Investments	$	(883)
Swaps	Investments		36,342	Investments		(38,787)
Futures	Investments		25	Investments		(16)
		$	36,622		$	(39,686)
Foreign Exchange Contracts:						
Forward contracts	Investments		2,694	Investments		(3,789)
Credit Contracts:						
Swaps	Investments		410	Investments		(417)
Equity Contracts:						
Options			-	Investments		(30)
Other Contracts:						
Futures	Investments		-	Investments		(2,300)
Total Derivatives		$	39,726		$	(46,222)

Fair Values of Derivative Instruments at August 31, 2009

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location		Fair Value	Balance Sheet Location		Fair Value
Interest Rate Contracts:						
Swaptions	Investments	$	-	Investments	$	(494)
Swaps	Investments		119,265	Investments		(118,522)
Futures	Investments		546	Investments		(119)
		$	119,811		$	(119,135)
Foreign Exchange Contracts:						
Forward contracts	Investments		4,984	Investments		(3,450)
Credit Contracts:						
Swaps	Investments		15	Investments		(15)
Equity Contracts:						
Options			-			-
Other Contracts:						
Futures	Investments		15,450	Investments		-
Total Derivatives		$	140,260		$	(122,600)

2010 Asset Derivatives

	Location of Gain (Loss) Recognized in Income on Derivative		Amount of Gain (Loss) Recognized in Income on Derivative
Interest Rate Contracts:			
Options	Non-Operating Revenue (Expense)	$	9
Swaptions	Non-Operating Revenue (Expense)		264
Swaps	Non-Operating Revenue (Expense)		(378)
Futures	Non-Operating Revenue (Expense)		1,360
		$	1,255
Foreign Exchange Contracts:			
Forward contracts	Non-Operating Revenue (Expense)		1,175
Credit Contracts:			
Swaps	Non-Operating Revenue (Expense)		3
Equity Contracts:			
Options	Non-Operating Revenue (Expense)		436
Other Contracts:			
Options	Non-Operating Revenue (Expense)		33
Total		$	2,902

Emory is exposed to interest rate risk driven by factors influencing the spread between the taxable and tax-exempt market interest rates on its basis swap.

Emory is exposed to financial loss in the event of nonperformance by a counterparty to any of the financial instruments described above. General market conditions could impact the credit standing of the counterparties and, therefore, potentially impact the value of the instruments on Emory's consolidated balance sheet. Emory controls this counterparty credit risk by considering the credit rating, business risk, and reputation of any counterparty before entering into a transaction, monitoring for any change in the credit standing of its counterparty during the life of the transaction, and requiring collateral be posted when predetermined thresholds are crossed.

Investment strategies employed by Emory and investment managers retained by Emory may incorporate the use of various derivative financial instruments with off balance sheet risk. Emory uses these instruments for a number of investment purposes, including hedging or altering exposure to certain asset classes and cost-effectively adding exposures to portions of the portfolio.

During the year ended August 31, 2010, Emory or external investment managers on Emory's behalf, entered into:

a) **Forward contracts** with various counterparties to obtain exposure to foreign currency exchange rate movements, and in other cases, to hedge against certain foreign currency exchange rate risks resulting from non-U.S. dollar denominated investment securities. Forward contracts are contracts in which the seller agrees to exchange specified currencies on a specified date at a specified rate or to make cash settlement for the value of the agreement at expiration. Risks associated with forward currency contracts are the inability of counterparties to meet the terms of their contracts and movements in exchange rates. Gains and losses on forward transactions are recorded based on changes in fair value. Emory has established procedures to actively monitor and manage market and credit risks.

b) **Futures contracts** to hedge exposure to equity price and interest rate movements and to obtain exposure to movements in the exchange rates of certain currencies, prices of certain commodities, and equities prices. Futures contracts are agreements in which the seller agrees to either make delivery of specified assets on a specified future date at a specified price or make cash settlement for the value of the agreement at expiration. Emory's maximum loss exposure for purchased contracts is the notional value of the contracts. Emory has unlimited liability on contracts sold. Emory has established procedures to actively monitor and manage market and credit risks.

The purchase and sale of futures contracts requires margin deposits with a Futures Commission Merchant (FCM). The Commodity Exchange Act requires an FCM to segregate all customer transactions and assets from the FCM's proprietary activities. A customer's cash and other equity deposited with an FCM are considered commingled with all other customer funds subject to the FCM's segregation requirements. In the event of an FCM's insolvency, recovery may be limited to Emory's pro rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total of cash and other equity deposited.

c) **Swap agreements**, including equity, index, interest rate, credit default, option, and variance swaps as part of its investment strategies to gain exposure to and, in some cases, hedge against changes in stock prices, interest rate levels, credit strength of specified companies, and market volatility. Generally, a swap contract is an agreement that obligates two parties to exchange a series of cash flows at specified intervals based upon, or calculated by, reference to changes in specified prices or rates for a specified notional amount of the underlying assets. The payment flows are usually netted against each other, with the difference, subject to a predetermined threshold limit, being paid by one party to the other. During the term of the swap contracts, changes in value are recognized as unrealized gains or losses by marking the contracts to market. Emory records a realized gain or loss when periodic payments are received or made. Loss may result from the failure of the counterparty to the swap contract failing to comply with the terms of the swap contract. Such loss is generally limited to the aggregate of the unrealized gain on the swap contract less collateral held or plus any collateral posted with the counterparty. Emory considers the creditworthiness of its swap contract counterparties in evaluating potential credit risk. Additionally, risks may arise from unanticipated movements in the fair value of the underlying securities and the lack of market liquidity to unwind the positions at current fair values.

d) **Option contracts** (including swaptions, which are options on swaps) to obtain exposure to price movements of certain financial instruments and as economic hedges against certain equity positions held in its portfolio. Option contracts purchased give Emory the right, but not the obligation, to buy or sell within a limited time, a financial instrument, commodity, or currency at a contracted price. Option contracts may also be settled in cash, based on the difference between the contracted price and market price at the exercise date. The value of an option has two components: time value and intrinsic value. An option expires on a certain date and as the expiration date approaches, the time value of an option will decline. In addition, if the stock underlying the option declines in price, the intrinsic value of an "in the money" option will decline. Further, if the price of the stock underlying the option does not exceed the strike price of the option on the expiration date, the option will expire worthless. As a result, there is the potential for Emory to lose its entire investment in an option.

Options written (sold) by Emory obligate Emory to buy or sell within a limited time, a financial instrument, commodity, or currency at a contracted price. Alternatively, Emory can settle in cash, based on the difference between the contracted price and market price at the exercise date. All options expose Emory to market risk for changes in the financial instrument underlying the written option.

Emory is exposed to counterparty risk in that the seller of an option contract might not sell or purchase the underlying asset as agreed under the terms of the option contract. The maximum exposure to loss from counterparty risk for Emory is the fair value of the contracts and the premiums paid to purchase its open option contracts. Emory considers the creditworthiness of the intermediary counterparty to its option transactions in evaluating potential credit risk.

e) **Transactions where Emory received rights from its portfolio companies** upon an investment in a debt or equity of a company. The rights provide Emory with exposure, and potential gains from, depreciation or appreciation of the portfolio company's share price. Rights entitle the holder to buy stock of the issuing company at a specified price. Changes in the value of the rights are recognized as unrealized gains or losses by at the end of each day's trading. If the right is exercised, the new stock is assigned a cost basis at the strike price and the right is marked to zero. If the right is sold, Emory records a realized gain or loss.

f) **Transactions where Emory received warrants from its portfolio companies** upon an investment in the debt or equity of a company. The warrants provide Emory with exposure and potential gains upon appreciation of the portfolio company's share price.

The value of a warrant has two components: time value and intrinsic value. A warrant expires on a certain date and as that date approaches, the time value of a warrant will decline. In addition, if the stock underlying the warrant declines in price, the intrinsic value of an "in the money" warrant will decline. Further, if the price of the stock underlying the warrant does not exceed the strike price of the warrant on the expiration date, the warrant will expire worthless. As a result, there is the potential for Emory to lose its entire investment in a warrant.

Emory is exposed to counterparty risk in that the issuer of warrants may fail to settle its exercised warrants. The maximum loss from counterparty risk for Emory is the fair value of the contracts and the purchase price of the warrants. Emory considers the effects of counterparty risk when determining the fair value of its investments in warrants.

(10) 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 terms and relative 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 estimated net present value. Long-term investments and deposits held in custody for others are reflected in the accompanying consolidated financial statements at fair value at August 31, 2010 and 2009. 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

$1.9 billion and $2.0 billion at August 31, 2010 and 2009, 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, 2010. The carrying value of long-term debt reflected in the accompanying consolidated statements of financial position is approximately $1.8 billion and $2.0 billion at August 31, 2010 and 2009, 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 $4.5 million. The ultimate maturity value of this series of bonds is $7.7 million.

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 ASC Topic 820 fair value hierarchy levels as of August 31, 2010 (in thousands):

	Total Fair Value	Fair Value Hierarchy Level 1	Level 2	Level 3
Financial assets:				
Investments:				
Short-term investments and cash equivalents	$ 264,638	264,638	—	—
Fixed income securities	1,456,418	169,139	1,285,556	1,723
U.S. equity securities	1,229,872	1,197,847	32,022	3
Non-U.S. equity securities	643,075	196,439	446,636	—
Oil and gas properties	277,695	—	—	277,695
Private market investments	1,009,759	—	—	1,009,759
Marketable alternative investments:				
Hedged absolute return strategy	454,040	—	102,755	351,285
Hedged long/short equity strategy	309,677	—	149,476	160,201
Hedged other strategy	128,331	—	13,865	114,466
Real estate investments	199,864	682	3,628	195,554
Miscellaneous investments	2,688	2,688	—	—
Total assets (1)	$ 5,976,057	1,831,433	2,033,938	2,110,686
Financial liabilities:				
Other liabilities and deferrals:				
Derivative instruments	(153,543)	—	(153,543)	—
Deposits held in custody for others	(418,073)	—	(418,073)	—
Total liabilities	$ (571,616)	—	(571,616)	—

(1) Certain investments in joint ventures carried under the equity method of accounting are not reflected in the fair value hierarchy.

The following table summarizes the valuation of the University's assets and liabilities which are recorded at fair value by the ASC Topic 820 fair value hierarchy levels as of August 31, 2009 (in thousands):

		Total	Fair Value Hierarchy		
		Fair Value	**Level 1**	**Level 2**	**Level 3**
Financial assets:					
Investments:					
Short-term investments and cash equivalents	$	340,661	340,661	—	—
Fixed income securities		1,225,004	182,517	1,039,302	3,185
U.S. equity securities		1,193,215	1,128,900	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:					
Hedged absolute return strategy		462,203	—	400,079	62,124
Hedged long/short equity strategy		274,694	—	274,694	—
Hedged other strategy		302,614	—	233,856	68,758
Real estate investments		202,958	697	3,628	198,633
Miscellaneous investments		7,076	2,717	4,359	—
Total assets (1)	$	5,746,245	1,787,469	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)	—

(1) Certain investments in joint ventures carried under the equity method of accounting are not reflected in the fair value hierachy.

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. For fiscal year 2010, the University changed its definition of near term to within 120 days of the statement of financial position. This change resulted in a reclassification of $455.4 million in investments from Level 2 to Level 3 as reflected in the Level 3 reconciliation for fiscal year 2010. 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 tables summarize the University's Level 3 reconciliation as of August 31, 2010 and 2009 (in thousands):

		Balance as of August 31, 2009	Net Realized and Unrealized Gains (Losses)	Net Purchases, (Sales) and (Settlements)	Transfer In (Out) Level 3	Amortization Premiums and Discounts	Balance as of August 31, 2010
Investments:							
Fixed income securities	$	3,185	(1,339)	(401)	233	45	1,723
U.S. equity securities		3	—	—	—	—	3
Oil and gas properties		253,045	(5,536)	30,186	—	—	277,695
Private market investments		862,530	49,941	97,288	—	—	1,009,759
Hedge absolute return		62,124	16,267	10,000	262,894	—	351,285
Hedge long/short strategy		—	—	—	160,201	—	160,201
Hedge other strategy		68,758	13,595	—	32,113	—	114,466
Real estate investments		198,633	(23,416)	20,337	—	—	195,554
Total	$	1,448,278	49,512	157,410	455,441	45	2,110,686

Of the $49.5 million in Level 3 Net Realized and Unrealized Gains (Losses) for the period ending August 31, 2010, approximately $51.3 million is the unrealized gain associated with investments held by the University for the entire year.

		Balance as of August 31, 2008	Net Realized and Unrealized Gains (Losses)	Net Purchases, (Sales) and (Settlements)	Transfer In (Out) Level 3	Amortization Premiums and Discounts	Balance as of August 31, 2009
Investments:							
Fixed income securities	$	3,488	(1,004)	641	—	60	3,185
U.S. equity securities		3	—	—	—	—	3
Oil and gas properties		372,733	(131,817)	12,129	—	—	253,045
Private market investments		1,237,215	(263,118)	(111,567)	—	—	862,530
Hedge absolute return strategy		—	7,124	55,000	—	—	62,124
Hedge other strategy		—	8,758	60,000	—	—	68,758
Real estate investments		208,017	(36,106)	26,722	—	—	198,633
Total	$	1,821,456	(416,163)	42,925	—	60	1,448,278

Of the ($416.2 million) in Level 3 Net Realized and Unrealized Gains (Losses) for the period ending August 31, 2009, approximately ($429.2 million) is the unrealized loss associated with investments held by the University for the entire fiscal year.

(11) Property and Equipment

Property and equipment at August 31, 2010 and 2009 are summarized as follows (in thousands):

	2010	2009
Land and land improvements	$ 137,545	136,094
Buildings and improvements	2,301,522	2,189,326
Equipment	1,250,188	1,083,602
Library and museum assets	277,572	260,573
Construction in progress	54,325	135,599
	4,021,152	3,805,194
Less accumulated depreciation	(1,758,421)	(1,617,032)
	$ 2,262,731	2,188,162

Depreciation expense totaled $159.2 million and $156.5 million during 2010 and 2009, respectively.

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 was estimated using an inflation rate of 5.00% and discount rate of 4.74%. The liability for asset retirement obligations at August 31, 2010 and 2009 is $48.0 million and $32.8 million, respectively, and is included in accounts payable and accrued liabilities in the accompanying consolidated financial statements.

(12) Long-Term Debt

At August 31, 2010 and 2009, bonds, notes and mortgages payable, including unamortized premiums and discounts, consisted of the following (dollars in thousands):

	Interest Rate Average	Final Maturity	Outstanding Principal 2010	2009
Tax-exempt fixed-rate revenue bonds:				
2009 Series B [1]	4.72%	September 1, 2035	$ 245,044	252,898
2009 Series C	4.90%	September 1, 2039	99,708	99,784
2008 Series B	4.75%	September 1, 2011	100,951	102,716
2008 Series C	4.96%	September 1, 2038	124,367	124,436
2005 Series A	4.75%	September 1, 2025	138,183	145,682
2002 Series A [2]	4.67%	September 1, 2033	83,993	96,937
2001 Series A [3]	5.12%	September 1, 2025	134,810	157,826
2000 Series A	5.00%	November 1, 2018	12,269	15,407
1999 Series A	5.09%	November 1, 2019	8,795	13,242
1998 Series A	4.75%	November 1, 2021	—	8,967
1998 Series B	5.00%	November 1, 2033	7,746	7,735
1997 Series C	4.90%	November 1, 2010	185	366
Total tax-exempt fixed-rate revenue bonds			$ 956,051	1,025,996
Tax-exempt variable-rate revenue bonds:				
2005 Series B	0.19%	September 1, 2035	$ 250,000	250,000
2005 Series C	0.19%	September 1, 2036	281,575	281,575
Total tax-exempt variable-rate revenue bonds			$ 531,575	531,575
Taxable fixed-rate revenue bonds:				
2009 Series A	5.63%	September 1, 2019	$ 248,735	248,594
1994 Series C	8.00%	October 1, 2024	7,510	7,760
Series 1991	8.91%	April 1, 2022	4,461	6,156
Total taxable fixed-rate revenue bonds			$ 260,706	262,510
Taxable variable-rate revenue bonds:				
1999 Series B	0.30%	November 1, 2029	11,730	12,025
1995 Series B	0.30%	November 1, 2025	12,110	13,650
1994 Series B	0.52%	October 1, 2024	12,075	12,515
Total taxable variable-rate revenue bonds			$ 35,915	38,190

	Interest Rate Average	Final Maturity		Outstanding Principal 2010	2009
Tax-exempt commercial paper:					
2007 Program 1	0.27%	April 1, 2047	$	—	19,000
2010 Program 1	0.29%	August 1, 2050		14,450	—
Total tax-exempt commercial paper			$	14,450	19,000
Taxable commercial paper:					
2008 Program 1	0.26%	April 1, 2047	$	38,000	100,000
Total taxable commercial paper			$	38,000	100,000
Other variable rate notes and mortgage	Various	2013	$	2,467	2,551
Total bonds, notes and mortgages payable			$	1,839,164	1,979,822

(1) Included in the 2009 Series Bonds is a medium-term maturity of $43.0 million due on September 1, 2019 at an average interest rate of 4.68%.

(2) Included in the 2002 Series A Bonds is a medium-term maturity of $28.0 million due on September 1, 2012 at a rate of 4.75%.

(3) Included in the 2001 Series A Bonds is a medium-term maturity of $105.0 million due September 1, 2011 at a rate of 5.25%.

The University incurred interest expense of $61.4 million and $63.0 million in 2010 and 2009, respectively. These amounts include capitalized interest of $15.7 million and $0.6 million in 2010 and 2009, respectively.

During 2010, the average interest rate on University tax-exempt variable rate demand bonds (VRDB) and taxable debt was 0.19% and 0.30%, respectively. Related indices for this period were 0.26% for tax-exempt debt (The Securities Industry and Financial Markets Association Index – SIFMA) and 0.27% for taxable debt (London Interbank Offered Rate – LIBOR).

At August 31, 2010 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:		
2011	$	94,785
2012		239,895
2013		55,115
2014		33,775
2015		35,300
Thereafter		1,353,843
	$	1,812,713
Unamortized net premium		26,451
	$	1,839,164

The University established a Commercial Paper program of $400 million in tax-exempt notes and $100 million in taxable notes in fiscal 2007. On September 23, 2009, the University paid off $62 million of the taxable Commercial Paper which left an outstanding balance of $38 million which remains outstanding as of August 31, 2010. On August 18, 2010, the University established a $400 million tax-exempt Commercial Paper program to replace the 2007 Commercial Paper program. On that date, the University issued $14.5 million of tax-exempt Commercial Paper to refund $7.5 million of outstanding 2007 Commercial Paper and $7.0 million of the outstanding Series 1998A bonds. On November 1, 2010, the University issued an additional $11.5 million of tax-exempt Commercial Paper to refund all of the University's Series 1999A and 2000A fixed rate bonds. As of November 1, 2010, the University has $26.0 million in tax-exempt Commercial Paper outstanding. 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. Currently, it has 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, 2010, 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, 2010 and 2009.

The University also has a $45 million line of credit. There were no draws against this line of credit at August 31, 2010 and 2009. The Emory Clinic has a $15 million line of credit against which there were no draws as of August 31, 2010 and 2009. 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, 2010 and 2009.

During 2010, the University extinguished a portion of its 1998 Series Bonds and Tax-Exempt Commercial Paper totaling $14.5 million with proceeds from the University's issuance of its 2010 Tax-Exempt

Commercial Paper. In addition, 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. The University incurred an accounting loss on the revenue bond refunding transactions totaling $0.2 million and $0.8 million in 2010 and 2009, respectively. The loss on refunding is included in non-operating losses in the accompanying 2010 and 2009 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 22). This line of credit carries a guarantee by Emory University of the entire $1 million and is expected to continue indefinite annual renewals.

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, 2010, 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.

(13) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of the following as of August 31, 2010 and 2009 (in thousands):

	2010	2009
Appreciation on endowments restricted until appropriated	$ 1,808,905	1,760,435
Term endowments	119,897	119,759
Contributions receivable, time and purpose restricted	144,559	169,355
Capital projects and other donor designations	108,409	127,692
Annuity and life income agreements	8,840	9,030
	$ 2,190,610	2,186,271

Permanently restricted net assets as of August 31, 2010 and 2009 are comprised of (in thousands):

		2010	2009
Investments to be held in perpetuity, the income from which is expendable for operating activities	$	1,265,507	1,162,972
Contributions receivable, restricted for endowment		21,006	23,609
Endowments requiring income to be added to the original gift until funds reach a stipulated balance		12,808	12,918
Annuity and life income agreements		3,319	3,211
	$	1,302,640	1,202,710

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.

(14) Investment Return

Investment return, as reflected in the accompanying consolidated statements of activities, for August 31, 2010 and 2009 is as follows (in thousands):

		2010	2009
Endowment spending distribution	$	176,642	182,142
Other investment income designated for current operations		33,269	41,975
Total operating return	$	209,911	224,117
Investment income and net gains (losses) less spending distribution for current operations		111,928	(273,747)
Unrealized gains (losses) on investments, net		164,087	(664,904)
Total nonoperating gain (loss)	$	276,015	(938,651)
Total gain (loss)	$	485,926	(714,534)

The components of investment return (loss) for August 31, 2010 and 2009 are reflected below (in thousands):

		2010	2009
Investment income	$	97,897	141,503
Realized gains (losses) on investments		223,942	(191,133)
Unrealized gains (losses) on investments, net		164,087	(664,904)
Total gain (loss)	$	485,926	(714,534)

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 2010 and 2009 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 $14.6 million and $8.2 million, and internal management fees (including custody fees, consulting reviews and staff expenses) totaled $5.5 million and $6.3 million in fiscal years 2010 and 2009, respectively.

(15) 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 purchased 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 $76.0 million and $76.4 million during 2010 and 2009, respectively, and is included in operating expense in the accompanying consolidated statements of activities.

(16) 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, 2010 and 2009 follow (in thousands):

		2010	2009
Projected benefit obligation, beginning of year	$	122,221	88,302
Service cost		17,968	15,827
Interest cost		8,046	5,975
Actuarial loss		39,686	13,608
Benefits paid		(1,867)	(1,491)
Projected benefit obligation, end of year	$	186,054	122,221

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, 2010 and 2009 follow (in thousands):

		2010	2009
Fair value of plan assets, beginning of year	$	85,210	77,572
Actual gain (loss) on plan assets		4,778	(9,817)
Employer contributions		18,337	18,946
Benefits paid		(1,867)	(1,491)
Fair value of plan assets, end of year	$	106,458	85,210
Funded status (deficit)	$	(79,596)	(37,011)
Accrued pension cost recognized in the consolidated statements of financial position	$	(79,596)	(37,011)

The components of net periodic pension cost for 2010 and 2009 follow (in thousands):

		2010	2009
Service cost	$	17,968	15,827
Interest cost		8,046	5,975
Expected return on plan assets		(8,638)	(6,928)
Amortization of prior service cost		552	552
Recognized actuarial (gain) loss		409	—
	$	18,337	15,426

The components of the decrease in unrestricted net assets resulting from application of the measurement date provisions of ASC Topic 715 and Subtopic 958-715, *Compensation-Retirement Benefits*, during 2009 follow (in thousands):

		2009
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):

		2010	2009
Prior service cost	$	1,412	1,964
Net unrecognized actuarial loss		75,068	31,191
	$	76,480	33,155

The following are expected to be amortized from unrestricted net assets into net periodic pension cost in fiscal 2011 (in thousands):

		2011
Prior service cost	$	552
Net unrecognized actuarial loss		4,580
	$	5,132

Weighted average assumptions used to determine benefit obligations in the accompanying consolidated statements of financial position for 2010 and 2009 follow:

	2010	2009
Discount rate	5.42%	6.62%
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 2010 and 2009 follow:

	2010	2009
Discount rate	6.62%	6.80%
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	**Plan assets at August 31,**	
	2010/2011	**2010**	**2009**
Plan assets:			
Cash and cash equivalents	0%	1%	1%
U.S. equity securities	55	53	54
Debt securities	30	31	29
International equity	15	15	16
Total	100%	100%	100%

Cash Flows

Emory Healthcare expects to contribute $29.3 million to the Plan in fiscal 2011.

Expected Future Benefit Payments

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

	Benefit payments
2011	$ 1,854
2012	2,641
2013	3,664
2014	4,937
2015	6,438
2016-2019	61,106

Other Items

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

(Continued)

The following table summarizes the Plan's assets which are recorded at fair value as of August 31, 2010 (in thousands):

		Total Fair Value	Fair Value Hierarchy Level 1	Level 2	Level 3
Financial assets:					
Investments:					
Short-term investments and cash equivalents	$	1,500	1,500	—	—
U.S. equity securities		56,377	—	56,377	—
Debt securities		33,062	—	33,062	—
International equities		15,519	—	15,519	—
Total assets	$	106,458	1,500	104,958	—

The following table summarizes the Plan's assets which are recorded at fair value as of August 31, 2009 (in thousands):

		Total Fair Value	Fair Value Hierarchy Level 1	Level 2	Level 3
Financial assets:					
Investments:					
Short-term investments and cash equivalents	$	1,252	1,252	—	—
U.S. equity securities		46,137	—	46,137	—
Debt securities		24,488	—	24,488	—
International equities		13,333	—	13,333	—
Total assets	$	85,210	1,252	83,958	—

(17) 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 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, 2010 and 2009 are as follows (in thousands):

	2010		
	Emory University	Emory Healthcare	Total
APBO, beginning of year	$ 52,208	28,938	81,146
Service cost	1,260	679	1,939
Interest cost	3,404	1,892	5,296
Actuarial loss	10,751	6,971	17,722
Benefits paid	(3,059)	(1,324)	(4,383)
Retiree drug subsidy paid	417	185	602
APBO, end of year	$ 64,981	37,341	102,322

	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

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

	2010		
	Emory University	**Emory Healthcare**	**Total**
Fair value of plan assets, beginning of year	$ 40,911	18,577	59,488
Actual return (loss) on plan assets	2,666	1,233	3,899
Benefits paid	(3,072)	(2,064)	(5,136)
Retiree drug subsidy	417	185	602
Fair value of plan assets, end of year	$ 40,922	17,931	58,853
Funded status (deficit)	$ (24,059)	(19,410)	(43,469)
Employee reimbursement after the measurement date	—	—	—
Accrued postretirement benefit cost recognized in the consolidated statements of financial position	$ (24,059)	(19,410)	(43,469)

	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)

(Continued)

Actuarial assumptions used to determine the values of the APBO at August 31, 2010 and 2009 and the benefit costs for years ended August 31, 2010 and 2009 included a discount rate of 5.42% and 6.62%, 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, 2010 and 2009. 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 cost (credit) for years ended August 31, 2010 and 2009 were as follows (in thousands):

	2010		
	Emory University	**Emory Healthcare**	**Total**
Service cost of benefits earned	$ 1,260	679	1,939
Interest cost on APBO	3,404	1,892	5,296
Expected return on plan assets	(3,151)	(1,433)	(4,584)
Amortization of prior service cost	(291)	(2,075)	(2,366)
Recognized net actuarial loss	—	1,444	1,444
Net periodic postretirement benefit cost	$ 1,222	507	1,729

	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)

The components of the decrease to unrestricted net assets resulting from application of the measurement date provisions of ASC Topic 715 and Subtopic 958-117, *Compensation-Retirement Benefits,* during 2009 follow (in thousands):

	2009		
	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):

	2010		
	Emory University	**Emory Healthcare**	**Total**
Prior service (credit)	$ (758)	(779)	(1,537)
Net unrecognized actuarial loss	41,658	25,531	67,189
	$ 40,900	24,752	65,652

	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

The following are expected to be amortized from unrestricted net assets into net periodic postretirement benefit credit in fiscal 2011 and 2010 (in thousands):

	2011		
	Emory University	**Emory Healthcare**	**Total**
Prior service cost	$ (758)	(779)	(1,537)
Net unrecognized actuarial loss	2,680	1,980	4,660
	$ 1,922	1,201	3,123

	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

Plan Assets

The asset allocation of the University's postretirement healthcare and life insurance benefits at August 31, 2010 and 2009 were as follows:

	Target allocation 2010/2011		**2010**		**2009**	
	Emory University	**Emory Healthcare**	**Emory University**	**Emory Healthcare**	**Emory University**	**Emory Healthcare**
U.S. equity securities	40%	40%	38%	38%	38%	38%
Debt securities	25	25	29	28	30	28
International equities	35	35	33	34	32	34
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 investments 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.

The following table summarizes the University's VEBA Trust assets as of August 31, 2010 (in thousands):

		Total	Fair Value Hierarchy		
		Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Investments:					
Short-term investments and cash equivalents	$	7	7	—	—
U.S. equity securities		15,567	9,549	6,018	—
Debt securities		11,708	7,583	4,125	—
International equities		13,640	—	13,640	—
Total assets	$	40,922	17,139	23,783	—

The following table summarizes University's VEBA Trust assets as of August 31, 2009 (in thousands):

		Total	Fair Value Hierarchy		
		Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Investments:					
Short-term investments and cash equivalents	$	3	3	—	—
U.S. equity securities		15,570	9,217	6,353	—
Debt securities		12,252	8,394	3,858	—
International equities		13,086	—	13,086	—
Total assets	$	40,911	17,614	23,297	—

The following table summarizes Emory Healthcare's VEBA Trust assets as of August 31, 2010 (in thousands):

		Total	Fair Value Hierarchy		
		Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Investments:					
Short-term investments and cash equivalents	$	1	1	—	—
U.S. equity securities		6,875	4,513	2,362	—
Debt securities		4,929	3,316	1,613	—
International equities		6,126	—	6,126	—
Total assets	$	17,931	7,830	10,101	—

The following table summarizes Emory Healthcare's VEBA Trust assets as of August 31, 2009 (in thousands):

	Total	Fair Value Hierarchy		
	Fair Value	Level 1	Level 2	Level 3
Financial assets:				
Investment:				
U.S. equity securities	$ 6,983	4,351	2,632	—
Debt securities	5,188	3,739	1,449	—
International equities	6,406	—	6,406	—
Total assets	$ 18,577	8,090	10,487	—

Cash Flows

Emory University and Emory Healthcare do not expect to contribute to their postretirement healthcare and life insurance benefit plans in 2011. Both entities plan to fund future retiree claims from VEBA Trust assets.

Expected Future Benefit Payments

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

	Emory University	Emory Healthcare	Total
2011	$ 3,328	1,485	4,813
2012	3,540	1,617	5,157
2013	3,754	1,759	5,513
2014	3,974	1,915	5,889
2015	4,190	2,082	6,272
2016-2020	24,514	13,357	37,871

Expected Medicare Retiree Drug Subsidies

Medicare retiree drug subsidies are expected to be received as follows (in thousands):

	Emory University	Emory Healthcare	Total
2011	$ 559	223	782
2012	627	256	883
2013	690	293	983
2014	749	334	1,083
2015	804	374	1,178
2016-2020	4,965	2,629	7,594

(18) 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 $167.8 million and $120.5 million during fiscal years 2010 and 2009, respectively.

(19) 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.

(20) Functional Expenses

Expenses are reported in the accompanying consolidated statements of activities based on natural classification. Functional expenses for the years ended August 31, 2010 and 2009 are categorized as follows (in thousands):

	2010	2009
Instruction	$ 365,547	360,106
Research	390,670	371,661
Public service	47,672	50,113
Academic support	109,857	108,512
Student services	76,061	85,131
Institutional support	107,885	110,411
Scholarships and fellowships	15,011	12,625
Medical services	168,388	144,836
Healthcare services	1,794,556	1,716,544
Auxiliary enterprises	40,910	44,605
Independent operations	16,797	17,535
Total operating expenses	$ 3,133,354	3,022,079

(Continued)

Functional expenses are shown in categories recommended by the National Association of College and University Business Officers. The University's primary program services are instruction, sponsored and departmental research, and health care services. Expenses reported as public service, academic support student services, institutional support, scholarships and fellowships, auxiliary enterprises and independent operations are incurred in support of these primary program services.

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. Total amounts allocated in 2010 and 2009 were $147.7 million and $149.9 million, respectively. Fundraising costs were approximately $18 million and $22 million in 2010 and 2009, respectively.

(21) 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, 2008 through August 31, 2009	$	3,000	1,000	3,000
September 1, 2009 through August 31, 2010	$	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.

(3) Zurich American Insurance Company reinsures CCIC 100% for a limit of $10 million per claim and in the aggregate, excess of the CNA and Lexington layer described above.

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

(1) United Educators provides $35 million per claim excess of an underlying limit of $1 million per claim and in the aggregate for each of general liability, employers' liability, international liability and automobile liability. Emory purchases umbrella coverage in the amount of $90 million per claim and in the aggregate which provides excess coverage over United Educators and the Zurich layers described above. Total excess coverage over the Clifton primary and buffer layers is $125 million.

As of August 31, 2010 and 2009, the University has recorded an accrual for estimated losses associated with all retained CCIC risks of approximately $75.0 million (discounted at 2%) and $72.6 million (discounted at 3%), respectively.

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.

(22) 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 $359.4 million and $324.6 million representing CCI's investment in the University's long term investment pool as of August 31, 2010 and 2009, 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, 2010 and 2009, the University reflected a liability with the CCTMA of $0.3 million, for both years, which is reported in deposits held in custody.

 (Continued)

(23) 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 $0.4 million and $0.7 million were recognized as revenue from accretion of the inception payment in fiscal 2010 and 2009, 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, 2010 (unaudited)	Year ended December 31, 2009 (audited by other auditors)
Balance sheet:			
Cash	$	1,954	961
Property and equipment		32,407	33,821
Other assets		530	495
Current liabilities		(1,883)	(847)
Notes payable		(49,044)	(49,710)
Partners' deficit	$	(16,036)	(15,280)
Income statement:			
Revenue	$	7,641	11,324
Expenses		(6,397)	(9,540)
Net income	$	1,244	1,784

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 $10.2 million and $9.8 million as of August 31, 2010 and 2009, 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 2010 and 2009 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, 2010 and 2009, EHC has recognized a net asset of $1 thousand and $651 thousand, respectively, for its portion of the Emory-Adventist unrestricted net assets. During 2010 and 2009, EHC recognized losses of $650 thousand and gains of $396 thousand, respectively, from its equity interest related to the joint venture. In addition, Emory-Adventist has $22.0 million of outstanding debt as of August 31, 2010, of which EHC guarantees $7.7 million, representing a 35% share of the outstanding debt.

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

		Eight months ended August 31, 2010 (unaudited)	Year ended December 31, 2009 (audited by other auditors)
Balance sheet:			
Cash and investments	$	6,319	9,536
Accounts receivable		2,882	3,444
Property and equipment, net		15,928	16,041
Other assets		2,801	2,622
Current liabilites		(5,885)	(6,984)
Long-term liabilities		(21,932)	(22,529)
Temporarily restricted net assets		(109)	(203)
Net assets	$	4	1,927
Income statement:			
Revenue	$	35,524	58,910
Expenses		(37,561)	(57,450)
Net income	$	(2,037)	1,460

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. The University accounts for its interest in Johns Creek using the equity method (see note 29).

Through August 31, 2010, 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.
- 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 (see note 29).
- 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, 2010 (unaudited)	Year ended December 31, 2009 (audited by other auditors)
Balance sheet:			
Cash and cash equivalents	$	12	12
Net patient receivables		10,798	8,929
Other current assets		4,172	4,744
Property and equipment		116,707	126,981
Other assets		100	94
Current liabilities		(7,931)	(6,099)
Long-term liabilites		(13,905)	(19,816)
Partners' equity	$	109,953	114,845
Income statement:			
Revenue	$	66,965	55,172
Expenses		(67,633)	(58,992)
Net income	$	(668)	(3,820)

(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 $5.8 million and $5.2 million, respectively, in both PFG's fiscal 2010 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.

(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, 2010 totaled $22.2 million. At August 31, 2009, commitments totaled $70.6 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 totaling $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 the balance in the outstanding note receivable.

(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) Medical Resident FICA Refund

In March 2009, the Internal Revenue Service (IRS) announced an administrative determination to accept the positions that medical residents are exempt from Federal Insurance Contributions Act (FICA) taxes for calendar years 1991 to 2002. 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.

(29) Subsequent Events

In July 2010, HCA exercised a contractual "put" of its interest in Johns Creek to Emory Healthcare with an anticipated closing of purchase in January 2011. The parties are following the exit provisions in accordance with the agreement to determine the fair value of HCA's interest in Johns Creek. As provisions of the agreement are complex and provide for a multi-tiered process in finalizing agreed-upon fair value, Emory Healthcare is unable to currently estimate the amount of any potential gain or loss on the settlement of this transaction.

On November 1, 2010, Tax-Exempt Commercial Paper Series A-3 and Series A-4 Notes were issued at $13.3 million. The proceeds were used to redeem the Series 1999A and Series 2000A Bonds.

The University has evaluated its subsequent events (events occurring after August 31, 2010) through December 17, 2010, 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.

SUPPLEMENTARY INFORMATION

EMORY UNIVERSITY (excluding Emory Healthcare)

Schedule 1

STATEMENTS OF FINANCIAL POSITION - INFORMATION

August 31, 2010 and 2009

(Dollars in thousands)

	August 31, 2010	August 31, 2009
ASSETS:		
Cash and cash equivalents	$ 267,433	$ 332,868
Student accounts receivable, net	45,096	44,277
Loans receivable, net	29,510	32,003
Contributions receivable, net	165,565	192,964
Accrued investment income receivable	6,510	7,302
Other receivables, net	116,310	132,357
Prepaid expenses, deferred charges and other assets	107,369	132,484
Investments	5,795,645	5,587,206
Property and equipment, net	1,765,130	1,688,920
Due from affiliates	381,356	421,113
Total assets	**$ 8,679,924**	**$ 8,571,494**
LIABILITIES AND NET ASSETS:		
Accounts payable and accrued liabilities	$ 105,409	$ 165,540
Liability for derivative instruments	153,543	63,832
Interest payable	29,760	25,925
Annuities payable	19,260	18,857
Bonds, notes and mortgages payable	1,836,697	1,977,272
Accrued liabilities for benefit obligations and professional liabilities	66,282	40,998
Deferred tuition and other revenue	348,494	279,155
Deposits held in custody for others	418,073	389,467
Government advances for federal loan programs	17,784	17,705
Due to affiliates	220,577	240,754
Total liabilities	3,215,879	3,219,505
Unrestricted net assets	1,974,023	1,972,468
Temporarily restricted net assets	2,190,290	2,186,059
Permanently restricted net assets	1,299,732	1,193,462
Total net assets	5,464,045	5,351,989
Total liabilities and net assets	**$ 8,679,924**	**$ 8,571,494**

See accompanying independent auditors' report.

EMORY UNIVERSITY (excluding Emory Healthcare)
STATEMENT OF ACTIVITIES - INFORMATION

Schedule 2

Year Ended August 31, 2010 (with summarized financial information for the year ended 2009)
(Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total August 31, 2010	Total August 31, 2009
OPERATING REVENUES:					
Tuition and fees	$ 448,689	-	-	$ 448,689	$ 428,460
Less: scholarship allowances	(151,732)	-	-	(151,732)	(132,810)
Net tuition and fees	296,957	-	-	296,957	295,650
Endowment spending distribution	176,642	-	-	176,642	182,142
Other investment income designated for current operations	25,602	-	-	25,602	32,127
Gifts and contributions	39,494	-	-	39,494	38,971
Indirect cost recoveries	112,886	-	-	112,886	102,487
Grants and contracts	344,976	-	-	344,976	319,229
Medical services	137,460	-	-	137,460	149,694
Auxiliary enterprises	60,648	-	-	60,648	59,581
Independent operations	20,251	-	-	20,251	18,802
Patent and royalty revenue	6,258	-	-	6,258	4,379
Other revenue	30,900	-	-	30,900	30,719
Net assets released from restrictions	22,166	(22,166)	-	-	-
Total operating revenues	**1,274,240**	**(22,166)**	**-**	**1,252,074**	**1,233,781**
OPERATING EXPENSES:					
Salaries and fringe benefits	906,191	-	-	906,191	892,826
Student financial aid	11,625	-	-	11,625	12,417
Other operating expenses	277,643	-	-	277,643	273,096
Interest on indebtedness	42,767	-	-	42,767	42,375
Depreciation	100,572	-	-	100,572	99,617
Total operating expenses	**1,338,798**	**-**	**-**	**1,338,798**	**1,320,331**
NET OPERATING REVENUES/(EXPENSES):	**(64,558)**	**(22,166)**	**-**	**(86,724)**	**(86,550)**
NON-OPERATING REVENUES/(EXPENSES):					
Net unrealized gains (losses) on investments	8,147	17,885	125,921	151,953	(647,030)
Investment income and gains (losses) less spending distribution for current operations	68,427	32,355	1,768	102,550	(265,941)
Investment management fees	(19,798)	(168)	(126)	(20,092)	(14,484)
Gifts and contributions	6,966	2,963	16,175	26,104	29,579
Loss on disposal of property and equipment	440	-	-	440	(705)
Loss on defeasement of debt	167	-	-	167	-
Change in fair value of derivative instruments	(81,906)	-	-	(81,906)	(52,345)
Other non-operating items	(2,622)	(26,638)	(37,468)	(66,728)	(14,730)
Total non-operating revenues/(expenses)	**(20,179)**	**26,397**	**106,270**	**112,488**	**(965,656)**
Net transfers from affiliates	86,292	-	-	86,292	69,644
CHANGE IN NET ASSETS	**1,555**	**4,231**	**106,270**	**112,056**	**(982,562)**
BEGINNING NET ASSETS	1,972,468	2,186,059	1,193,462	5,351,989	6,334,551
ENDING NET ASSETS	**$ 1,974,023**	**$ 2,190,290**	**$ 1,299,732**	**$ 5,464,045**	**$ 5,351,989**

See accompanying independent auditors' report.

EMORY UNIVERSITY (excluding Emory Healthcare)

Schedule 3

STATEMENT OF ACTIVITIES - INFORMATION

Year Ended August 31, 2009
(Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total August 31, 2009
OPERATING REVENUES:				
Tuition and fees	$ 428,460	-	-	$ 428,460
Less: scholarship allowances	(132,810)	-	-	(132,810)
Net tuition and fees	295,650	-	-	295,650
Endowment spending distribution	182,142	-	-	182,142
Other investment income designated for current operations	32,127	-	-	32,127
Gifts and contributions	38,971	-	-	38,971
Indirect cost recoveries	102,487	-	-	102,487
Grants and contracts	319,229	-	-	319,229
Medical services	149,694	-	-	149,694
Auxiliary enterprises	59,581	-	-	59,581
Independent operations	18,802	-	-	18,802
Patent and royalty revenue	4,379	-	-	4,379
Other revenue	30,719	-	-	30,719
Net assets released from restrictions	12,873	(12,873)	-	-
Total operating revenues	**1,246,654**	**(12,873)**	**-**	**1,233,781**
OPERATING EXPENSES:				
Salaries and fringe benefits	892,826	-	-	892,826
Student financial aid	12,417	-	-	12,417
Other operating expenses	273,096	-	-	273,096
Interest on indebtedness	42,375	-	-	42,375
Depreciation	99,617	-	-	99,617
Total operating expenses	**1,320,331**	**-**	**-**	**1,320,331**
NET OPERATING REVENUES/(EXPENSES):	**(73,677)**	**(12,873)**	**-**	**(86,550)**
NON-OPERATING REVENUES/(EXPENSES):				
Net unrealized losses on investments	(161,235)	(407,990)	(77,805)	(647,030)
Investment income and losses less spending distribution for current operations	(128,209)	(128,141)	(9,591)	(265,941)
Investment management fees	(14,042)	(163)	(279)	(14,484)
Gifts and contributions	3,709	8,807	17,063	29,579
Loss on disposal of property and equipment	(705)	-	-	(705)
Change in fair value of derivative instruments	(52,345)	-	-	(52,345)
Other non-operating items	(20,851)	4,618	1,503	(14,730)
Total non-operating revenues/(expenses)	**(373,678)**	**(522,869)**	**(69,109)**	**(965,656)**
Net transfers from affiliates	69,644	-	-	69,644
CHANGE IN NET ASSETS	**(377,711)**	**(535,742)**	**(69,109)**	**(982,562)**
BEGINNING NET ASSETS	2,350,179	2,721,801	1,262,571	6,334,551
ENDING NET ASSETS	**$ 1,972,468**	**$ 2,186,059**	**$ 1,193,462**	**$ 5,351,989**

See accompanying independent auditors' report.

EMORY UNIVERSITY (excluding Emory Healthcare)

Schedule 4

STATEMENTS OF CASH FLOWS - INFORMATION

Years Ended August 31, 2010 and 2009

(Dollars in thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 112,056	$ (982,562)
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	(42)	(27,580)
Net realized (gain) loss on sale of investments	(223,942)	182,201
(Gain) loss on disposal of property and equipment	(440)	705
Proceeds from constant maturity swap settlement	7,805	-
Noncash items:		
Depreciation	100,572	99,617
Accretion/amortization of bond discounts/premiums	(6,119)	(5,330)
Net unrealized (gains) losses on investments	(151,953)	647,030
Change in fair value of derivative instruments	81,906	52,345
Gifts of securities and other assets	(1,339)	(28,793)
Gifts of property, plant and equipment	(42)	(806)
(Increase) decrease in:		
Accounts receivable, net	15,228	(1,603)
Contributions receivable	27,399	22,551
Accrued investment income receivable	792	859
Prepaid expenses, deferred charges and other assets	25,115	(19,753)
Due to/from affiliates	19,580	61,459
Increase (decrease) in:		
Accounts payable and interest payable	(72,887)	(29,487)
Accrued liabilities for benefit obligations and professional liabilities	25,284	13,286
Deferred tuition and other revenue	69,339	59,655
Net cash provided by operating activities	**28,312**	**43,794**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disbursements of loans to students	(2,278)	(1,869)
Repayment of loans from students	4,771	4,463
Proceeds from sales and maturities of investments	5,430,194	5,532,062
Purchases of investments	(5,261,399)	(5,326,149)
Change in collateral deposits under securities lending transactions	-	274,510
Change in obligation to return collateral under securities lending transactions	-	(274,510)
Purchases of property, plant and equipment	(159,709)	(201,686)
Increase (decrease) in deposits held in custody for others	28,606	(49,319)
Net cash provided by (used in) investing activities	**40,185**	**(42,498)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Gifts restricted for long-term investment and capital projects	42	27,580
Proceeds from bonds and mortgages payable	14,450	701,276
Principal repayments of bonds and mortgages payable	(148,906)	(391,774)
Increase (decrease) in annuities payable	403	(2,691)
Increase (decrease) in government advances for federal loan programs	79	(18)
Bond issuance costs	-	(2,801)
Net cash (used in) provided by financing activities	**(133,932)**	**331,572**
Net (decrease) increase in cash and cash equivalents	**(65,435)**	**332,868**
Cash and cash equivalents at beginning of year	**332,868**	**-**
Cash and cash equivalents at end of year	**$ 267,433**	**$ 332,868**

See accompanying independent auditors' report.