Financial Aid at Yale

Yale University Financial Report 2008–2009

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Highlights

Five-Year Financial Overview ($ in millions)	2009	2008	Fiscal Years 2007	2006	2005
Operating Budget Bottom Line (see page 19)	$ ---	$ ---	$ ---	$14.5	($14.5)
Financial Position Highlights (see page 29):					
Total assets	$25,937.8	$33,864.8	$32,165.3	$27,711.6	$22,505.7
Total liabilities	8,543.3	9,586.5	8,079.5	8,213.3	6,004.5
Total net assets	$17,394.5	$24,278.3	$24,085.8	$19,498.3	$16,501.2
Endowment:					
Net investments, at fair value	$16,103.5	$22,686.3	$22,364.7	$17,949.1	$15,091.0
Total return on investments	(24.6%)	4.5%	28.0%	22.9%	22.3%
Spending from endowment	5.2%	3.8%	3.8%	4.1%	4.5%
Facilities:					
Land, buildings and equipment, net of accumulated depreciation	$3,665.6	$3,199.6	$2,746.4	$2,486.9	$2,263.2
Disbursements for building projects	599.6	568.9	373.3	265.1	259.3
Debt	$3,376.0	$3,067.2	$1,954.6	$1,954.3	$1,582.9
Statement of Activity Highlights (see page 30):					
Operating revenue	$2,600.7	$2,347.5	$2,121.2	$1,971.0	$1,835.6
Operating expenses	2,493.5	2,314.5	2,108.5	1,963.6	1,786.9
Increase in net assets from operating activities	$107.2	$33.0	$12.7	$7.4	$48.7

Five-Year Enrollment Statistics	2009	2008	Fiscal Years 2007	2006	2005
Student Fees:					
Yale College term bill	$46,000	$45,000	$43,050	$41,000	$38,850
Freshmen Enrollment:					
Class of:	’12	’11	’10	’09	’08
Freshmen applications	22,817	19,323	21,101	19,451	19,682
Freshmen admitted	1,952	1,911	1,878	1,880	1,958
Admissions rate	8.6%	9.9%	8.9%	9.7%	9.9%
Freshmen enrollment	1,320	1,320	1,315	1,321	1,308
Yield	68.7%	70.6%	70.9%	71.3%	68.1%
Total Enrollment:					
Yale College	5,266	5,300	5,319	5,380	5,281
Graduate and professional schools	6,107	6,064	6,004	6,000	5,971

Message from the Vice President for Finance and Business Operations

Yale University has had a longstanding policy of need-blind admission and generous financial aid support. This year's Financial Report reviews the history of financial aid at Yale and highlights the recent significant enhancements the University has made to this program. Recognizing the serious impact of these difficult financial times on students and their families, Yale College has reaffirmed its commitment to making the College accessible to the best and brightest applicants without regard to their ability to pay. Also, the Graduate School of Arts and Sciences and virtually all of the professional schools have been able to increase their financial support for students over the last six years. I think you will enjoy reading the powerful stories about how Yale's financial aid has had a profound influence on our students.

This year posed numerous challenges to the University's financial plans and budgets. The financial and capital market disruption resulted in the endowment value falling by 29.1% to $16.3 billion, the net of negative 24.6% endowment returns, 0.7% endowment giving and endowment spending of 5.2%. In response, the University immediately began reducing expenses including the deferral of much of our capital building and renovation projects. Building construction and renovation projects already underway will continue until completion, including the renovation of Morse and Ezra Stiles Colleges, completing our decade-long plan to refurbish all undergraduate residences. Essential utilities projects will also remain on schedule. But we will postpone work on all other previously approved projects until market conditions improve or until gift funding is received. While new construction and major renovations will be delayed, steady investment in capital maintenance of existing buildings is a key priority and therefore will continue.

Endowment spending is typically determined based on the previous year's beginning market value; as such the drop in endowment value we experienced in 2009 would not be felt until fiscal year 2011. However, Yale decided, as did many of our peers, to reflect the impact of the lower endowment beginning in fiscal year 2010 rather than face several sequential years of declining distributions. Therefore, the fiscal year 2010 budget was prepared with significantly less endowment income available to the operating budget. Departments and schools responded with appropriate expense reductions including some elimination of positions. Capital deferrals and other prudent spending adjustments will continue to be implemented as we manage through these challenging times.

The University's "Yale Tomorrow" fund raising campaign has now completed the fifth year of its seven-year plan and has received $2.72 billion in gifts and documented commitments, surpassing the 75% mark toward the campaign goal of $3.5 billion (which was increased in June 2008 from the original goal of $3 billion). The $434 million in gifts and new pledges recorded during the fiscal year exceeded the goal of $400 million required to keep the campaign on track to reach $3.5 billion by June 2011. As would be expected during a period of significant national and international economic turmoil, new gifts and payments on prior commitments dropped in fiscal year 2009 when compared to the results for fiscal year 2008, a year when Yale set an all-time record for donations received. Nonetheless, the $368 million received during the last fiscal year came close to equaling the receipts for fiscal year 2007 ($395.7 million) and surpassed any year prior to fiscal year 2006. Such outstanding donor support is critical if the University is to achieve its strategic goals while mitigating the effects of the downturn in the economy on the endowment.

Much effort and progress has been made during the year laying the groundwork for improved finance and administration services at Yale. The division of Finance and Business Operations has identified areas in which its policies, processes and service quality can be made more simple, helpful and accurate while reducing the cost of providing services over time. Already, several new systems as well as key foundational technologies have been put in place in the areas of Human Resources, Procurement, Financial Planning and Reporting and Research Administration. Going forward, this program, which was approved during more prosperous times, will be narrowed in scope and stretched out in timing of delivery in order to reduce costs and dependence on outside assistance. We remain committed to introducing these new processes and systems as they will be critical to delivering needed cost reductions and enable us to better support the institution as growth resumes in the future.

Prudent management practices are enabling Yale to adjust to the challenges of the financial and credit markets while remaining focused on delivering excellence in the areas of our core mission, the creation, preservation and dissemination of knowledge. The effects of the downturn are deep and appear to be longstanding; however, the University is financially strong and can confidently continue its academic, research and clinical activities with the kind of exceptional quality and care that has stood the test of time.

Shauna R. King
Vice President for Finance and Business Operations

FINANCIAL AID FACT

University-wide,

68%

of students receive financial aid from Yale

An Investment That Matches Yale's Commitment

"Financial aid supports our mission and intellectual life as surely as it supports our students."

President Richard C. Levin

Financial aid allows Yale to attract the most talented students from across the country and around the world. It ensures that those with limited means, but unlimited promise, can afford a Yale education and that the faculty can work with the very best students to be found anywhere.

The University's commitment defines the Yale experience for all those who teach and study here. "When you listen to the broad range of perspectives and viewpoints represented in a Yale class discussion, you immediately appreciate the profound impact of financial aid," says Peter Salovey, Provost. "In all likelihood, more than half of these outstanding students might not be here if it were not for financial aid."

During the past decade, the University has consistently and dramatically increased its support for both its undergraduate and graduate students.

In 2008 Yale College announced the largest expansion of financial aid in its history.

Families with incomes below $120,000 have seen their contributions reduced by up to 50%. Most families with incomes between $120,000 and $200,000 have seen reductions of 33% or more. Today, nearly 55% of Yale College students receive financial aid, and families with incomes under $60,000 pay nothing at all. "Middle-class families have become accustomed to being left out. They are thrilled that Yale has put them back in the equation," says Jeffrey Brenzel, Dean of Undergraduate Admissions.

Among Yale's graduate and professional schools, the Graduate School of Arts and Sciences offers full support for all Ph.D. students, and the School of Music is now tuition free, thanks to the generosity of a single donor.

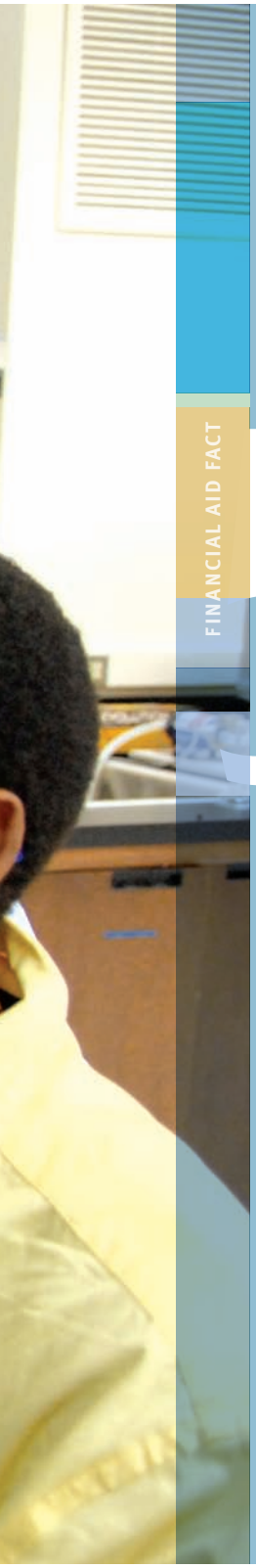
In Yale's other graduate programs, increasing support is a top priority. "Financial aid is as important to society as it is to individuals," says President Levin. "We want to encourage outstanding students to enter careers where rewards are measured by more than high salaries."

Beneficiaries
Students
Families
Yale

Methods
Increasing grants
Reducing family contributions
Expanding awards for international study

Benefits
Less stress
More time to learn
No one turned away for financial reasons

Results
Students who get the most out of Yale



FINANCIAL AID FACT

At Yale College, families with incomes below $120,000 have seen the amount they are expected to contribute toward educational costs reduced by up to

50%

Yale College: Changing the Equation for Students and Their Families

Saying yes to the very best students

In 1966 Yale became the first major university in the nation to announce it would no longer consider whether a family could pay for a college education when deciding to make an offer of admission.

"While the most selective universities had become more meritocratic over the course of the 20th century, never before had any of them severed the connection between admissions and ability to pay. It was a revolutionary innovation," wrote Geoffrey Kabaservice, in an article entitled "Birth of a New Institution" (*Yale Alumni Magazine,* December 1999).

"The vast majority of colleges can only dream about the opportunity we have to choose students without regard to whether they can pay. It means that we can always focus absolutely and entirely on the student's potential contribution to the Yale community and the world," says Jeffrey Brenzel.

Examples of Parental and Student Annual Contributions

	Case A	Case B	Case C
Parents' income	$60,000	$90,000	$180,000
Parents' assets	$100,000	$150,000	$200,000
PARENTS' CONTRIBUTION			
One child in college			
New policy	0	$2,950	$23,050
Old policy	$4,450	$12,550	$38,150
PARENTS' CONTRIBUTION			
Two children in college			
New policy	0	$1,500	$11,650
Old policy	$2,750	$7,350	$22,300
STUDENT'S CONTRIBUTION			
New policy	$2,600	$2,600	$2,600
Old policy	$4,400	$4,400	$4,400

Need-blind admission is only half the equation. What has made this admission policy truly meaningful is Yale's financial support for those who are admitted, even in today's difficult economic climate.

"Can I afford to come to Yale?" — Getting the word out

"There's still a lot of disbelief out there," explains Sam Hafer '11. "Many students think they couldn't possibly afford Yale."

Sam is one of more than 100 students who fan out around the country and the world to make presentations about Yale admissions and financial aid. The Ambassador Program is part of Yale's extensive outreach to high schools with a significant percentage of low-income students. The student ambassadors have succeeded in increasing the applications from these schools by over 15%.

"I love talking about my own financial aid experience and encouraging kids who may be reluctant to apply," says Elle Ramel '11. "At Yale there's a very good chance that the student to the left or the right of you is on financial aid, and that makes the atmosphere very egalitarian. That's something I can speak to firsthand."

Helping families to see for themselves

In 2008 Yale introduced an online calculator to help families determine whether they qualify for Yale financial aid. "The formula underlying the calculator is very sophisticated. Yale College financial aid is entirely need-based, so by entering income, asset information, and other variables, a family can get a picture of their specific situation. This helps make the whole financial aid process more transparent, and it has already been used by thousands of families," says Caesar Storlazzi, University Director of Student Financial Services & Chief Financial Aid Officer.

Beyond tuition, room, and board

"Financial aid at Yale also includes student employment and travel grants. These not only reduce the economic burden on families, but also broaden the Yale experience," explains Ernst Huff, Associate Vice President for Student Financial and Administrative Services.

Students who receive financial aid have always been responsible for making a modest term-time contribution to the cost of a Yale education. In 2009, that contribution is just $2,600 a year. As a result,

FINANCIAL AID FACT

2008

saw the largest expansion of financial aid in Yale College history

a student can now meet his or her obligation by working on campus for just eight hours a week.

Student employment is also open to all students, including those whose families pay full tuition, room, and board. At a time when so many family budgets are stretched to the limit, Yale jobs allow students to cover personal expenses and be more independent.

Many jobs pay far more than a salary. They offer experience directly related to a student's area of interest. Biology major Lauren Hallett '08, for instance, worked for the Yale Center for Environmental Law and Policy developing indicators of biodiversity conservation for their Environmental Performance Index. Today, as a 2008 Fulbright Scholar, she is investigating how to repair a woodland habitat in Australia.

International Summer Awards are another Yale first. "In 2005, Yale made the decision that financial aid awards should include the opportunity to study or intern abroad, because an international experience is now such an essential part of a Yale education," explains Lloyd Suttle, Deputy Provost. "We are still the only one of our peer institutions who has made this commitment."

Morgan Welch '12 was a recipient of a Richard U. Yale Light Fellowship and spent the summer of 2009 in Beijing. This excerpt from her blog speaks volumes about the importance of Yale's decision:

"Being thrown head-first into a foreign country is a very liberating experience. Even though I got off the plane thinking, 'I have the language skills of a three-year-old,' I quickly picked up speech and comprehension. After living in Beijing I feel I'm more than prepared to live/work/study wherever in the world I end up. To everyone at the Light Fellowship office, thank you so much for giving me this opportunity. It absolutely changed my life."

"The vast majority of colleges can only dream about the opportunity we have to choose students without regard to whether they can pay."

Jeffrey Brenzel, Dean of Undergraduate Admissions

"At Yale there's a very good chance that the student to the left or the right of you is on financial aid, and that makes the atmosphere very egalitarian."

Elle Ramel '11

STAYING FOCUSED ON WHAT MATTERS

"It never feels like a maze," says Emily Arnold '04 in describing the Office of Student Financial Services. "During my four years at Yale, there was always a person my mother could call if she had a question. It was very reassuring knowing that Yale was working with us." As Diane Frey, Director of the Student Financial Services Center, explains, "Every person who answers the phone is a highly trained professional who can immediately access student records and begin to help." The office is also open from 8:30 to 4:30, with no appointment necessary. "When families have concerns, we don't want them to spend time worrying," says Frey. "We want students to stay focused on their Yale educations."

Yale's Graduate and Professional Schools: Beginning a Lifetime Career Without a Lifetime of Debt

Sustaining the life of the mind

The Graduate School of Arts and Sciences, organized in 1847, is the second largest school at Yale, with 2,500 students. It is also the nation's oldest graduate school and was the first to award the Ph.D. degree in the United States.

Yale provides Ph.D. students with five full years of support, covering tuition, health insurance, and a generous stipend, which is currently $25,500. In the humanities and social sciences this support is completely funded by Yale. In the sciences, students are partially supported by faculty grants. However, Yale guarantees support should students lose their lab funding.

"Yale's support gave me the freedom and the security to explore during my first year before I decided what I really wanted to research. This is not the case at many other graduate schools," says Paul Pearlman, an electrical engineering student in his fourth year at Yale.

Yale graduate students are the future stewards of their disciplines, and they will be required to contribute new knowledge to their fields. "Since we have offered full support, more outstanding candidates have been able to choose Yale over other leading institutions. This is critically important to our faculty. Not surprisingly, we have also seen a steady increase in the number of prestigious awards and outside fellowships won by Yale students," says Jon Butler, Dean of the Graduate School of Arts and Sciences.

Yale as a creative force

Yale has long been the choice of gifted students in music, drama, and the arts. Yet even the most talented and dedicated artists face low salaries and uncertain employment opportunities. "Ultimately, we would love to be able to offer more graduate students a tuition-free education, as we now do at the School of Music," explains Peter Salovey. "When we support artists, we also enrich the lives of everyone who will experience their work."

Although the Yale School of Drama is not tuition free, the cost of attending Yale is now the lowest of any leading theater program in the country. Thanks to an increase in endowed scholarships, the average student can graduate with as little as $6,000 in loans, down from $37,000 just a few years ago.

At the Yale School of Art, increasing financial aid will help graduates avoid the pressure to commercialize their art or even abandon their work for more lucrative professions.

Encouraging nonprofit careers

For students in law, medicine, or management who are planning high-paying careers, graduating with debt is an investment in the future. But for those who want to enter the nonprofit world, it can be prohibitive. The School of Management currently assists qualified graduates who work in the nonprofit or public sectors, as well as some private companies, in repaying need-based educational loans received while attending SOM.

"I promote SOM to a lot of people in the nonprofit community. I tell them they can get the best education in the world and then go make the world better. It's a great program," explains Nick Hardigg '99 M.B.A., Executive Director of the Alaska Conservation Foundation.

To attract future leaders who may not have adequate financial resources and to allow graduates to begin their careers without the constraints of challenging debt, the School of Medicine is working to

"I promote SOM to a lot of people in the non-profit community. I tell them they can get the best education in the world and then go make the world better."

Nick Hardigg '99 M.B.A.

reduce student reliance on loans. Yale Law School helps graduates pursue careers in government, public interest law, and academia through a loan forgiveness program and fellowships.

Can we better serve those who serve others?

At the Yale School of Nursing, many students graduate with over $100,000 in debt. Shouldering the high end of this burden are graduates of Yale's unique three-year program. Students with undergraduate degrees in other fields spend eleven months completing the requirements for the R.N. degree and the next two years earning their M.S. in nursing. And although the need for nurses is increasing, federal support for nursing education has become more restricted.

The situation at the Yale School of Public Health is comparable. Students graduate with an average debt of $63,000, and there is no loan forgiveness program available yet.

In recent years, Yale Divinity students have benefited from increased scholarship aid, and indebtedness at graduation actually declined in 2006 and 2007. In 2008, however, it again increased, and graduates in that year averaged $49,000 in debt.

"Yale's nursing, public health and divinity school programs are so strong, and our students so dedicated, that graduates are willing to take on significant debt. But reducing their burden is among our top priorities," says President Levin.

Designing the future

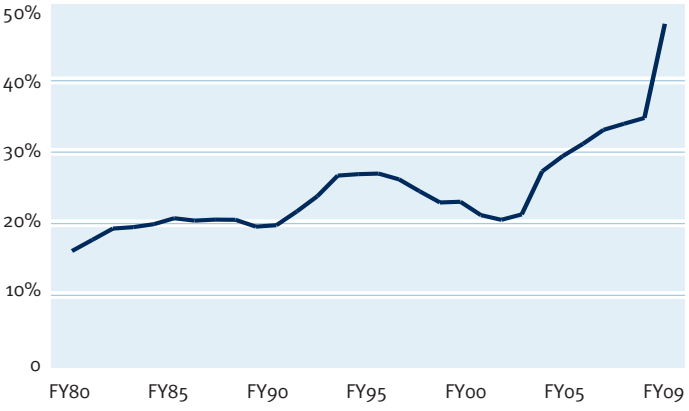
Financial aid allows Yale to attract students with a vision for what the world can be and the talent to create it. At the School of Engineering & Applied Science, establishing endowments is a priority since all Ph.D. students are awarded five years of full support. At the School of Architecture, increased support is essential if Yale is to stay competitive with other leading programs. The average loan debt for recent graduates is $76,859, with a typical starting salary of just $45,000. And at the School of Forestry & Environmental Studies, financial aid allows Yale to admit a high percentage of international students to better tackle global issues. "At Yale, I've built a network of colleagues from around the world with whom I will be working for life," says Alark Saxena, M.E.M. '07.

The Picture in Numbers

The largest commitment in Yale's history

With the 2008 expansion of financial aid at Yale College, the cost of financial aid has risen dramatically, as has the percentage of tuition paid by scholarship grants.

Yale College Scholarships as a Percentage of Tuition Revenue



In 2009–2010 the University has budgeted nearly $100 million for financial aid for Yale College and over $50 million for the Graduate School of Arts and Sciences.

The total University investment for financial aid is over $251 million. At this time of financial uncertainty for many families, Yale's commitment is more important than ever.

Grants have replaced loans

Today, financial aid has become almost entirely grant- rather than loan-based at Yale College and its peer institutions. "The hope for the most sought-after students and their families is that financial aid will be in the form of grants," explains Caesar Storlazzi.

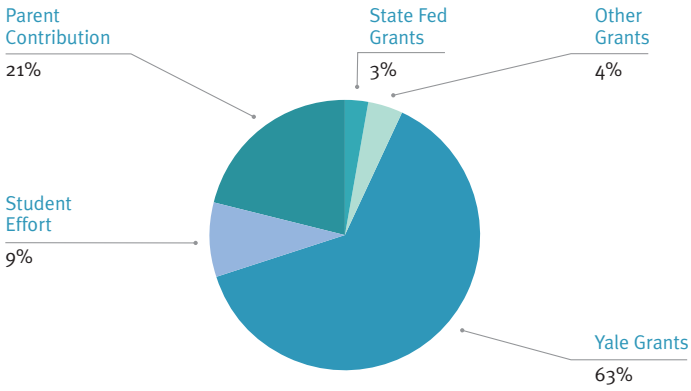
For those who do need to take out loans—particularly graduate students—private loans and federal student loans from private lenders have become far less available in the current economic climate.

A steady decline in federal funding

Over the past three decades, federal grant support for undergraduate education has seen a steady decline. In 1978 the federal government contributed twenty-five cents of every dollar of grant aid awarded by Yale College. Today that figure is less than four cents of every dollar, with the shortfall covered by Yale's own resources.

In addition, there has been a sizeable decrease in funds available for the existing Perkins Loan Program: a campus-based federal loan program with a fixed rate of 5%. Not only do these loans have favorable rates, they are forgiven for people who work in designated areas of need such as nursing or special education in underserved areas. For many Yale students planning nonprofit or public health careers, these loans effectively turn into scholarships, so the new restrictions are acutely felt. Pending federal legislation would expand the Perkins program but do away with forgiveness provisions.

Paying for a Yale College Education



FINANCIAL AID FACT

50%

of Yale College tuition revenue is paid by scholarship grants

FINANCIAL AID FROM BOTH SIDES

"I grew up in New Haven and remember driving by Yale and wondering what was inside the hidden courtyards," says Caesar Storlazzi, University Director of Student Financial Services & Chief Financial Aid Officer. "But until my high school encouraged me to apply for financial aid, I never dreamed I would find out. Yale gave me incredible opportunities as an undergraduate, not the least of which was my term-time job in the student loan office. That experience sent me down a very rewarding career path. I love telling students and parents, 'Yes, you can afford a Yale education,' especially since I know firsthand about their concerns."

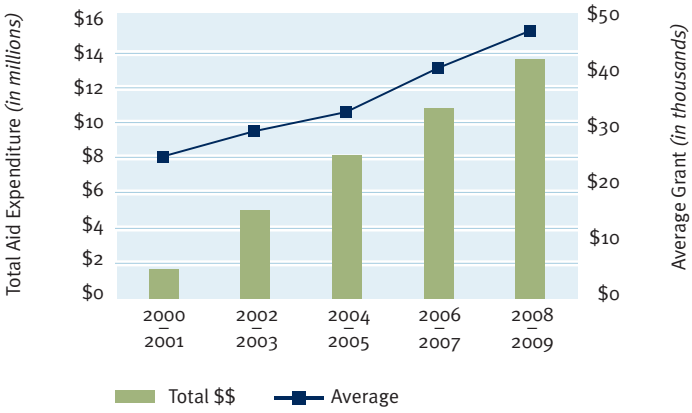
Yale steps up for international students

Yale's commitment to international students is a critical aspect of the University's emergence as a true global university. Since 2004, Yale College has extended its financial aid policy to all international students, many of whom are dependent on full University support.

At the graduate level, grants vary from school to school, and the ability of international students to borrow from private lenders has essentially disappeared.

In 2008 Yale stepped up to fill the void. The International Graduate & Professional Loan is a Yale-funded program that allows students to borrow at a fixed rate of 7.75% and does not require a co-signer. The University has lent nearly $9.5 million to highly qualified international students who otherwise could not afford to pursue their degrees. "This is another example of how financial aid gives traction to Yale's values and need-blind admission policies," says Caesar Storlazzi.

International Student Aid



From Generation to Generation

"It is an object of high importance, to keep down the expenses, within the reach of persons in moderate circumstances."

Professor James L. Kingsley in 1823

A fundamental issue

Although Yale's early generations could not imagine today's diverse University, they certainly recognized the importance of financial aid.

"It is an object of high importance, to keep down the expenses, within the reach of persons in moderate circumstances. From these we are to expect the most vigorous and successful efforts while they are here; and the greatest amount of good to the community, when they enter upon the business of life," wrote Professor James L. Kingsley in 1823.

Yale's first scholarship had been created nearly a century earlier by Bishop George Berkeley. He established it specifically to support students doing graduate studies because Yale "breeds the best clergymen and most learned of any college in America."

The first undergraduate scholarship was established in 1823 with a gift of $5,000 from David Curtis DeForest. In *Yale, A History,* Brooks Mather Kelley writes that the gift specified that the money was to accumulate until 1852. DeForest calculated that the principal would then amount to $25,941.80 and 6 mills and produce an annual income of $1,556, to be used for financial aid.

Keeping Yale affordable

In the early 1850s, President Theodore Woolsey identified scholarships and fellowships as a fund-raising priority. He also expressed Yale's fears that raising tuition above $33 (low even by 19th-century standards) would turn away "the children of the poor and of persons in moderate circumstances." After great debate, tuition was raised to $39.

At the end of the century in 1899, Yale was spending $58,412 (7.5% of its total expenses of $769,598) on scholarships, fellowships, prizes, and student aid.

By the 1920s the endowment and scholarships had grown dramatically, but during the Depression, need also escalated. Yale preserved financial aid by expanding the bursary system of student employment. Student jobs were to be "useful to the University and related to the life of the college or to the student's intellectual interests."

Yale jobs continued to be an important component of financial aid. "On-campus jobs generally paid far better than outside jobs and allowed students to meet their obligation to Yale more quickly," explains Lloyd Suttle '69. "As a recipient of financial aid at a time when the student contribution was larger than it is today, I can speak to how much that was appreciated."

Every year

2,437

endowed scholarships are awarded to Yale University students

FINANCIAL AID FACT

Theodore Dwight Woolsey

The ripple effect

For those who received financial aid from Yale, supporting the next generation is a natural outgrowth of their own experiences. "I had never thought of college as an option until my senior year in high school," explains Kenneth Wolfe '61, retired Chairman and Chief Executive Officer of the Hershey Corporation. Wolfe has generously supported financial aid through current use gifts to the Alumni Fund and has also served for many years as an Alumni Fund Agent. "When I won a scholarship to Yale it changed my aspirations for life in a general sense. At Yale, I was surrounded by people who were talented and motivated, and being in their company influenced how I thought about my own possibilities. And my story is certainly not unique," Wolfe continues.

"My parents were Irish immigrants, and without financial aid I would never have been able to consider a school like Yale," says William J. Mulrow '78. "At Yale, my classes, professors, and an internship in New Haven city hall lit a fire in me about public service." Mulrow, who has built a successful thirty-year career in financial services and government, has endowed an undergraduate scholarship and made other gifts to ensure that outstanding young people have access to a Yale education. He believes strongly that financial aid is life changing not just for individuals, but for society. "Progress is rooted in access to a world-class education. This principle was ingrained in me from my first days at Yale."

Attorney Paul E. Stanzler '73 captured the reciprocal nature of financial aid in a letter to his benefactor, Alfred B. Nelson. "I was the recipient for several years of a scholarship established in your mother's name. I am profoundly grateful for your generosity, as it allowed me to enjoy a wonderful education and experience at Yale.... I write to let you know that I have taken a more concrete step to redeem Yale's (and of course, your) generosity by reciprocating in kind. Five years ago, I established an undergraduate scholarship in my mother's name."

"Not only did Yale support me for four years, my summer fellowship in rural Guatemala planted the seeds for Mercado Global," says Ruth DeGolia '04, the co-founder of Mercado Global, a nonprofit fair trade organization that sells traditional handicrafts made by women. "For the women we work with, selling their handicrafts in the U.S. has given them a profitable business," DeGolia continues. "When we first asked our Guatemalan colleagues what they wanted to do with their profits, they said, 'Set up a scholarship program for the girls.' I think that's a testament to the kind of ripple effect Yale financial aid can have in the world."

"When I won a scholarship to Yale it changed my aspirations for life in a general sense. At Yale, I was surrounded by people who were talented and motivated, and being in their company influenced how I thought about my own possibilities."

Kenneth Wolfe '61

Beneficiaries
Students
Professors
Society

Methods
Grants
Loans
Stipends
Internships
Loan forgiveness

Benefits
Freedom to explore
Ability to choose careers for love, not money

Results
Dedicated, talented professionals

2009–2010 Yale University financial aid budget:

over $251 million

FINANCIAL AID FACT

Financial Results

Overview

The University manages its operations to achieve long-term financial equilibrium. It is committed to sustaining both the programs and the capital assets (Endowment and facilities) supporting those programs over multiple generations. Endowment income, Yale's largest source of revenue, is allocated to the Operating Budget based on a spending policy that preserves the Endowment asset values for future generations, while providing a robust revenue stream for current programs. Similarly, the Operating Budget increasingly provides the funds needed, through the Capital Replacement Charge (CRC), to replenish the capital base necessary to ensure that buildings are maintained to support current programs.

The Statement of Activities in the audited financial statements is presented in accordance with generally accepted accounting principles (GAAP). GAAP recognizes revenue when earned and expenses when incurred. The Operating Budget is focused more on resources available and used in the fiscal period presented. The Budget does not include certain expenses that are paid out over the long term, such as unused vacation time, and certain revenue that will not be received within the next fiscal year, such as pledged contribution revenue. Another significant difference is that the Operating Budget treats the CRC as an expense rather than the historical cost depreciation expensed in the Statement of Activities. The University has been increasing the funding of the CRC since 1996. In fiscal 2009, Yale funded $193.2 million of the CRC from the Operating Budget and departmental funds and $59.2 million from capital gifts. GAAP financial statements do not present fund balance transfers between the operating, physical, and financial categories, as the Operating Budget does. Also, the operations of Yale University Press are consolidated in the Statement of Activities, but are not part of the Operating Budget for FY2009.

A summary of the differences between the Operating Budget presentation and the Statement of Activities is as follows ($ in thousands):

	2009	2008
Operating Budget Bottom Line	$ -	$ -
Operating Budget add to / (use of) fund balances	68,843	(14,081)
Pledge activity	(12,565)	19,869
Expenses related to long-term liabilities	(49,499)	(31,214)
Capital funding in excess of depreciation	42,475	37,981
Yale Press operating results	1,875	1,456
Interest hedge realized loss	14,554	4,770
Energy hedge realized loss	11,439	-
Funding transfers	30,069	14,269
Increase in net assets from operations per the Statement of Activities	$ 107,191	$ 33,050

The Budget presents operating activity by funding source. The category "General Appropriations" includes the cost of education for the University. The category "Other" includes programs supported by endowments and gifts, sponsored research, patient care, and other revenue sources. Endowment and gift activities are separated to facilitate and monitor the University's fiduciary responsibility for compliance with donor intentions for restricted activity. Sponsored research includes the funding from federal, state, and non-governmental entities and the direct costs of the related research. Other activity includes health services provided by the Yale Medical Group as part of Yale's role in the Academic Health Center of Yale-New Haven Health Systems.

Yale University Operating Budget Revenue and Expense

for the year ended June 30, 2009 ($ in thousands)

	General Appropriations	Other	Actual June 30, 2009	Budget June 30, 2009
Revenues:				
Tuition, room and board	$ 409,050	$ 14,645	$ 423,695	$ 415,660
Funded scholarships	(162,726)	(30,606)	(193,332)	(195,477)
Net Tuition, room and board	246,324	(15,961)	230,363	220,183
Sponsored agreement income	143,739	445,151	588,890	556,498
Medical services income	36,415	380,235	416,650	390,246
Contributions	5,337	81,960	87,297	94,342
Allocation of Endowment spending	70,908	1,098,574	1,169,482	1,164,000
Unrestricted and recovery income	750,935	(750,935)	-	-
Other investment income	12,658	(44,844)	(32,186)	57,761
Other income	53,301	64,933	118,234	111,362
Transfers	(42,776)	23,829	(18,947)	(2,226)
Total Revenue	1,276,841	1,282,942	2,559,783	2,592,166
Expenses:				
Faculty salaries	184,291	327,958	512,249	502,351
Staff salaries and wages	404,976	224,471	629,447	633,481
Total Salaries and wages	589,267	552,429	1,141,696	1,135,832
Employee benefits	139,805	162,236	302,041	329,416
Student stipends	21,151	36,177	57,328	63,573
Other expenses	191,001	426,758	617,759	601,400
Interest and capital replacement	263,369	42,413	305,782	287,001
Utilities	72,248	(5,914)	66,334	74,841
Total Expenses	1,276,841	1,214,099	2,490,940	2,492,063
Operating results-budgeted activity	-	68,843	68,843	100,103
Add to fund balances	-	(68,843)	(68,843)	(100,103)
Operating Budget Bottom Line	$ -	$ -	$ -	$ -

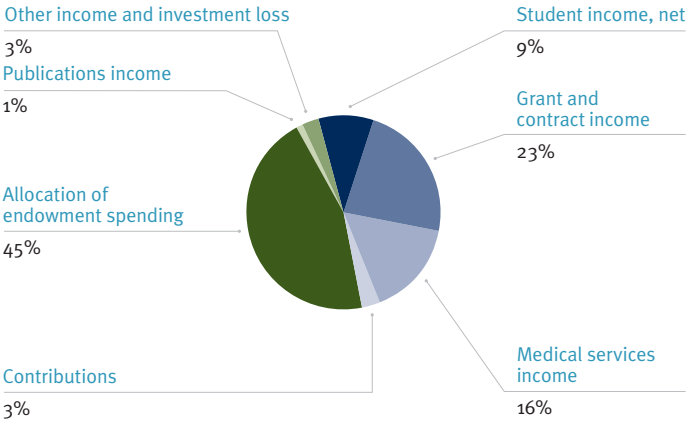
FY09 Operating Budget Results

The University ended the year with a balanced budget as planned. The University budgeted to increase its fund balances by $100.1 million but ended the fiscal year with an increase in operating fund balances of $68.8 million. Revenues were higher in net tuition, room and board, sponsored agreements, medical services, allocation of Endowment spending, and other income. Grants and contract revenue was significantly higher than budget, as the School of Medicine and the Faculty of Arts and Sciences experienced higher growth in research funding than budgeted. Medical services income was favorable to budget because of continued efficiencies and growth in the Yale Medical Group. However, contributions to the University's Operating Budget were under budget reflecting the poor economic conditions in FY2009 and investment income to the Operating Budget was significantly under budget due to factors related to the economic environment. The University was able to control spending and ended the year under budget for expenses as cost cutting initiatives began in anticipation of lower income from the endowment over the next few years.

Operating Revenue

As shown in the chart below, the University derives its operating revenue from five main sources: student income (net of certain scholarships and fellowships), grants and contracts, medical services, contributions, and Endowment income. Additional revenues are received from a variety of programs.

Operating Revenue



Student Income, Net

Student income, which includes revenue from tuition, fees, and room and board, net of certain scholarships and fellowships decreased 6.5% during 2009 and amounted to $229.4 million, or 9% of operating revenues. Of the total amount, tuition and fees accounted for $364.2 million, a 4.6% increase over 2008. Revenue from room and board increased 4.3% to $59.5 million. In accordance with generally accepted accounting principles, student income is presented net of certain scholarships and fellowships, which totaled $194.3 million and $160.2 million for 2009 and 2008, respectively.

During the 2008-2009 academic year, 11,373 students were enrolled at the University; 5,266 were undergraduate students attending programs at Yale College, and 6,107 were pursuing their studies at the Graduate School of Arts and Sciences and the twelve professional schools. (Figures are based on full-time equivalents.)

Students enrolled in Yale College paid $35,300 for tuition and $10,700 for room and board, bringing the total term bill to $46,000 for the 2008-2009 academic year. The increase in the Yale College term bill was 2.2% over the 2007-2008 academic year. Students enrolled in the Graduate School of Arts and Sciences paid $31,500 for tuition, a 3.3% increase over the 2007-2008 academic year.

The University maintains a policy of offering Yale College admission to qualified applicants without regard to family financial circumstances. This "need-blind" admission policy is supported with a commitment to meet in full the demonstrated financial need of all students throughout their undergraduate years.

During the 2008-2009 academic year, 2,767 undergraduates, representing 52.3% of eligible Yale College enrollment, received financial aid. In the Graduate School of Arts and Sciences, 2,604 students, or 98.6% of those eligible, received financial aid. In the professional schools, 2,954 students, or 86.1% of those eligible, received financial aid. In all, 8,325 University students, or 73.3% of total University eligible enrollment, received some form of University-administered student aid in the form of loans, gifts, or a combination of both loans and gifts.

Grant and Contract Income

Grant and contract income experienced a 4.9% growth from $561.4 million in 2008 to $589.1 million in 2009. The Yale School of Medicine, which receives 80% of the University's grant and contract income, reported an increase of 5.4% for 2009, while the remaining University sectors had an increase of 3.2%.

The federal government funded $460.8 million, or 78% of 2009 grant and contract income, in support of Yale's research and training programs. The largest federal sponsor was the National Institutes of Health (NIH), which provided revenues of $367.3 million during 2009, an increase of 2.4% over the prior year. The American Reinvestment & Recovery Act, enacted in February 2009 appropriated $10.4 billion to

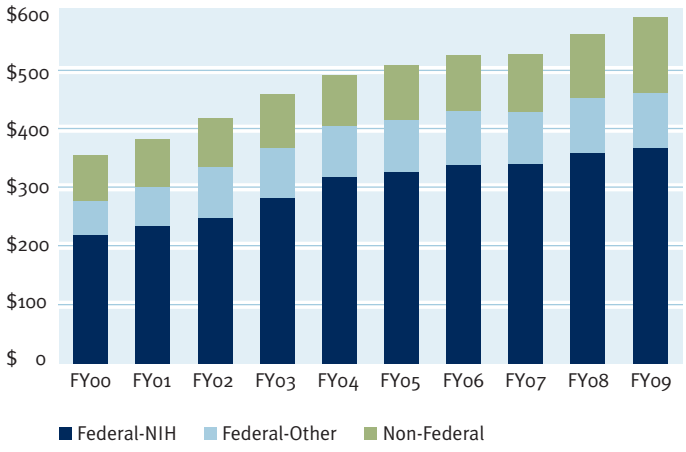
the NIH. This stimulus money had minimal impact in fiscal 2009, as proposals were being written and approved, but should have an impact in both fiscal 2010 and 2011. The University also receives significant research support from the National Science Foundation, the Department of Energy, the Department of Defense, and student aid awards from the Department of Education. Nonfederal sources, which include foundations, voluntary health agencies, corporations, and the State of Connecticut, provided an additional $128.3 million in research, training, and other purposes during 2009.

In addition to funding the direct cost of sponsored programs, grant and contract awards generally include reimbursement for a portion of the costs related to research laboratories and other facilities, as well as administrative and support costs incurred for research and other sponsored activities. These reimbursements for facility and administrative costs amounted to $143.7 million in 2009, which is an increase of 5.5% over the prior year. Recovery of facility and administrative costs allocable to federally sponsored programs is recorded at rates negotiated with the University's cognizant agency, the Department of Health and Human Services. Yale's current rate agreement is effective from July 1, 2006 through June 30, 2009. Yale will continue with the current rates while a new rate agreement is negotiated.

The primary regulations governing federal grants and contracts are encompassed in Office of Management and Budget Circular A-21, *Cost Principles for Educational Institutions*, and Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*.

Grant and Contract Income

Ten-year trend analysis ($ in millions)

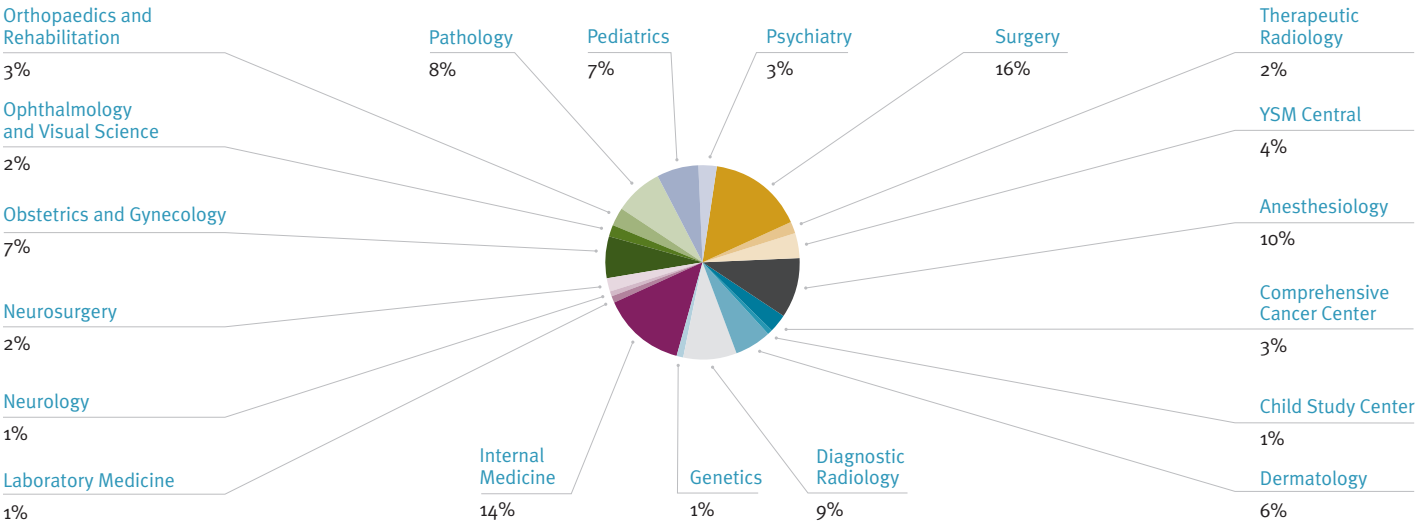


Medical Services Income

Medical services income totaled $416.7 million in fiscal 2009, an increase of 11.6% from 2008, and represented 16% of the University's operating revenue. The largest portion of this revenue stream is derived from patient care services provided by the School of Medicine's Yale Medical Group (YMG). Another growing component of medical services income is contracts with affiliated hospitals, including Yale-New Haven Hospital and the West Haven Veterans Administration Medical Center.

Composed of more than 800 practicing physicians and representing approximately 140 specialties and subspecialties, YMG is one of the largest academic multi-specialty group practices in the United States. In fiscal 2009, the practice made important advances in the area of minimally invasive surgery, both in the repair of aortic and brain aneurysms and with the introduction of a new technique for gall-bladder removal with minimal incisions. Yale is one of a handful of centers in the world implanting the new, miniaturized artificial heart device, the Jarvik 2000. In its second year of operation, the revitalized organ transplant program increased the number of liver and kidney transplant recipients by 14.9%. Also in 2009, YMG began offering the first artificial cornea implants in Connecticut and introduced interventional pulmonology, an emerging subspecialty using the most advanced procedures for diagnosis and therapy of lung diseases. With a new director, the Yale Cancer Center prepared for the opening of the 14-story Smilow Cancer Hospital at Yale-New Haven, bringing all cancer care at Yale under one roof with state-of-the-art facilities, and for the creation of a cancer biology research institute on West Campus. As one of the top recipients of funding from the National Institutes of Health, the School of Medicine generates a constant flow of new scientific knowledge, much of which is translated into new therapies for the prevention and treatment of disease.

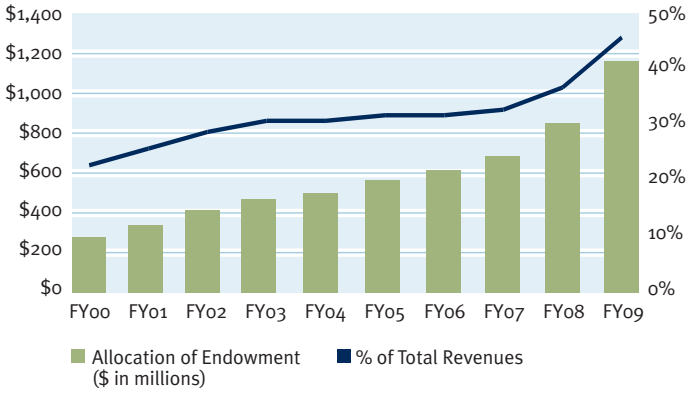
Yale University School of Medicine
FY09 Clinical Income by Department



Allocation of Endowment Spending

Each year a portion of accumulated Endowment investment returns is allocated to support operational activity. This important source of revenue represents 45% of total operating income this year and is the largest source of operating revenue for the University. The level of spending is computed in accordance with an Endowment spending policy that has the effect of smoothing year-to-year market swings. Endowment investment returns allocated to operating activities increased by 37% to $1,162.8 million. Additional information on the Endowment spending policy is provided in the Endowment section of this report and in the footnotes to the financial statements.

Allocation of Endowment Spending
as a percentage of total revenues. Ten-year trend analysis



Other Income and Investment Loss

Other income includes such items as royalty income, ticket sales, admission revenue, parking revenue, and application and enrollment fees. Other investment losses of $(20.7) million represents losses in the long-term investments in which a portion of available cash is invested. The losses are offset by interest, dividends, and gains on non-Endowment investments.

Contributions

Contributions for operating, physical, and financial activities totaled $248.7 million for 2009. This represents a 33% decrease from 2008's revenue of $370.1 million. Lower contributions were not unexpected since prior year activities include several large, one-time gifts.

Publications Income

Publications income is primarily generated through Yale University Press (Press), a separately endowed department of the University. The Press published approximately 400 titles in 2009 and has published approximately 8,000 titles in total. Many of these books are winners of prizes, including four Pulitzer Prizes. Its authors are academic and professional people from around the world. Revenue for the Press was $30.7 million in 2009 and $33.5 million in 2008.

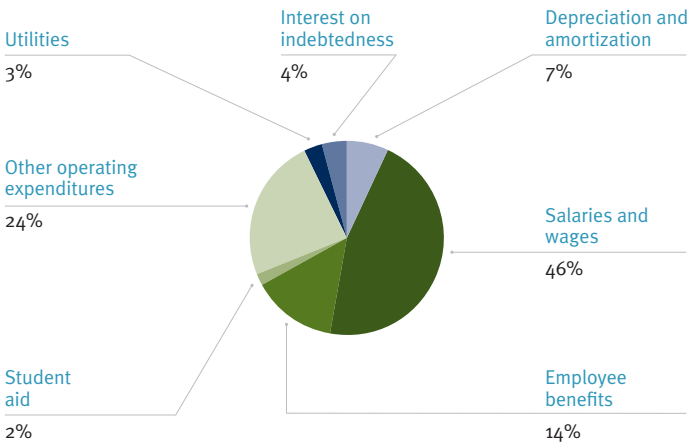
Operating Expenses

Operating expenses totaled $2.5 billion, representing a 7.7% increase for the year. The largest component of expenses—salaries and wages and employee benefits—rose 10.7%. This category of expense represents 60% of total University operating costs. This increase was in line with the University's overall plans to maintain moderate growth and a competitive position with peer institutions. Faculty salaries, which make up 43.8% of total compensation, rose 9.4% in 2009. Compensation packages must be competitive in order to recruit and retain faculty of the highest caliber.

The cost of providing employee benefits, including various pension, postretirement health, and insurance plans in addition to Social Security and other statutory benefits, increased by approximately 13.8% to $345.5 million.

Other operating expenditures include services, materials and supplies, and other expenses. These expenditures increased by approximately 9.8%. These costs include professional service fees and other service costs that are being invested to improve financial and administrative processes and information systems.

Operating Expenses by Natural Classification



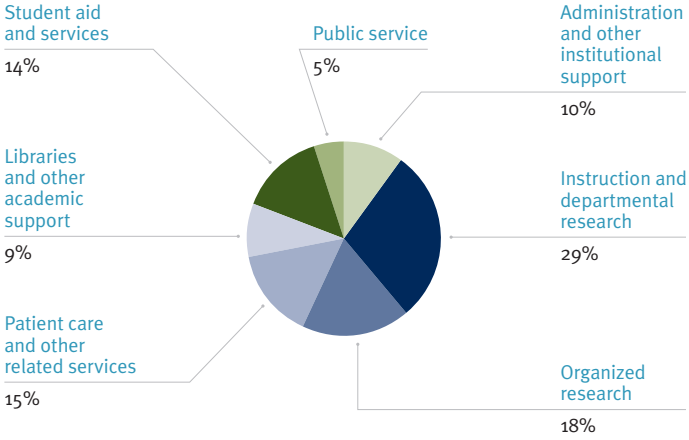
In accordance with generally accepted accounting principles, Yale reports its operating expenses by functional classification in the Statement of Activities. Expenses in each classification increased primarily as a result of the salary and wage increases mentioned above.

The University spends 52% of its operating resources on academic activities including libraries as well as student aid and services. Organized research represents 18% and patient care 15% of spending. Organized research and patient care activities are integral to the academic and learning experiences at the University.

Faculty and Staff Compensation

The University employs 3,144 faculty and an additional 944 postdoctoral associates. There are approximately 4,164 managerial and professional staff, and 4,686 unionized clerical, technical, service, and maintenance personnel. The employment figures are fulltime equivalent headcounts as of fall 2008.

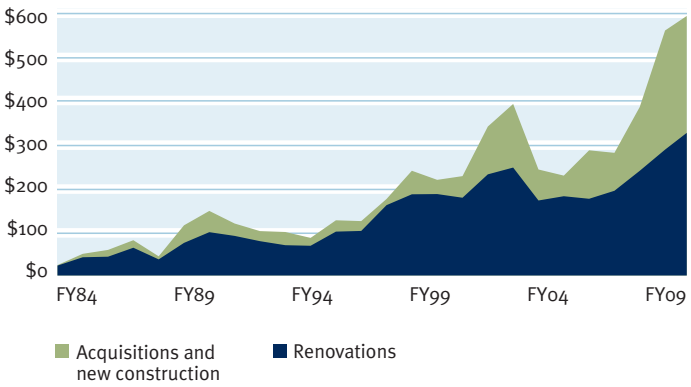
Operating Expenses by Functional Classification



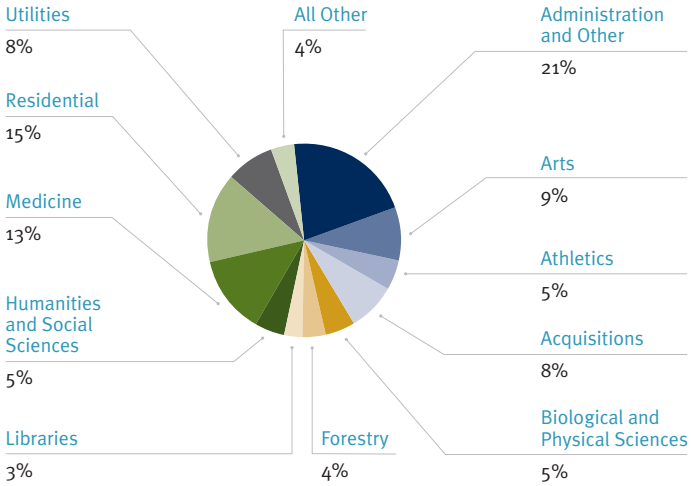
Physical Capital

Capital spending on facilities in 2009 totaled $599.6 million. This represents a 5% increase over the 2008 spending level and is another record of capital spending in the University's history. The increase in capital spending reflects the University's recommendation to complete projects currently under design and construction as a prudent course of action considering the national and global economic downturn.

Capital Spending by Year
(in 2009 dollars, in millions)



Capital Spending by Campus Area



The largest share of the University's capital spending in 2009, slightly more than one-fifth, was used to fund Administrative Building projects already in construction as well as several property acquisitions. New major projects include the new University Health Services Center Building and Garage and the Maurice R. Greenberg Conference Center.

The new building for the University Health Services will include updated health care practice facilities, and additional program spaces related to better operational efficiencies and anticipated growth in the Yale Health Plan membership. The building and parking garage are scheduled to open in August of 2010.

The Greenberg Conference Center was constructed to provide a permanent and professional venue for internationally focused programs. The facility's design incorporates flexibility in order to support other Yale events.

Consistent with the University's goal to comprehensively renovate its undergraduate residential facilities, 15% of capital spending was used for this purpose. With the completion of the renovation of Jonathan Edwards College in August 2008, ten of the twelve residential colleges have been renovated: Berkeley, Branford, Calhoun, Davenport, Timothy Dwight, Jonathan Edwards, Pierson, Trumbull, Saybrook and Silliman. Morse College is in the construction phase and will reopen in August 2010 and Ezra Stiles College will start construction in May 2010 and will reopen in August 2011.

Capital spending was also concentrated in the School of Medicine. The School of Medicine accounted for approximately 13% of the University's 2009 capital expenditures. The Smilow Cancer Hospital at Yale-New Haven accounted for almost 25% of the funds

expended in this area. Other significant projects include the completion of the Connecticut Mental Health Center Addition, four major laboratory renovations, two major office renovations, three major research support renovations, and multiple capital maintenance and clinical facility projects. Two major laboratory renovations with associated infrastructure projects are slated to be completed in fiscal 2010.

Nine percent of the University's capital spending was for the renovation and construction of Arts buildings. Similar to last year, the York 180-200 Renovation and Addition project (Rudolph Hall and the Loria Center) accounted for over 60% of the spending in this category. The Stoeckel Hall renovation and addition in the School of Music accounted for 20% in the Arts category.

Consistent with the University's strategy of modernizing all areas of the campus, significant capital projects were underway in other areas of the University in 2009. Several important capital projects were completed during 2009 with large fiscal year disbursements including $21.2 million for Kroon Hall. Other large expenditures in fiscal year 2009 include the Sterling Power Plant Cogeneration and Expansion, Rosenkranz Hall, Ingalls Rink renovation, library shelving facility modules, Yale Biology Building and Sterling Chemistry Lab / Kline Chemistry Lab.

The University's ambitious renovation and building plans were funded by a combination of gifts, debt, and an increase in funds from the Operating Budget. The University continues to rely heavily on the extraordinary generosity of its alumni/ae and friends. Gifts for facilities in 2009 totaled $59 million. The University has been the beneficiary of an outstanding response from donors. The residential college renovations, the Yale University Art Gallery's Kahn and Swartwout Buildings, the Forestry & Environmental Studies' new Kroon Hall, the Greenburg Conference Center, the Rudolph Building and Loria Center at 180-200 York Street, the School of Management Campus, the Kenney Family Field Center and Jensen Plaza, the Yale Bowl Class of 1954 Field renovation, Ingalls Rink renovation and indeed nearly all of the University's recent major capital projects have been funded at least partially through gifts.

The major source of funding for the capital program is debt provided through the Connecticut Health and Facilities Authority (CHEFA) which allows the University to borrow at tax-exempt rates. This funding source is critical to keeping the cost of funding at lower levels, which allows the University to maximize the use of its resources in the fulfillment of its mission of teaching and research. The University continues to draw on the $600 million debt issued by CHEFA last fiscal year to finance planned renovation and capital additions. The University continues to receive the highest bond ratings available: AAA from Standard and Poor's and Aaa from Moody's.

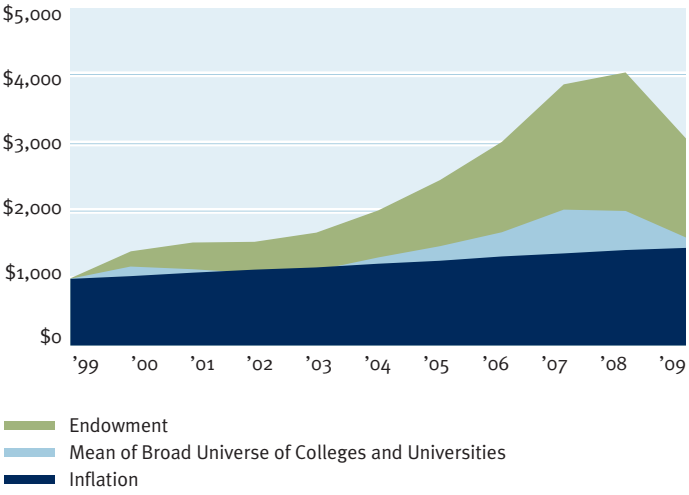
Endowment

The Endowment provides the largest source of support for the academic programs of the University. To balance current and future needs, Yale employs investment and spending policies designed to preserve Endowment asset values while providing a substantial flow of income to the Operating Budget. At June 30, 2009, net assets in the Endowment totaled approximately $16.3 billion, after the allocation of Endowment spending of $1.2 billion to the Operating Budget during the year.

Investment Performance

For the fiscal year ended June 30, 2009, the Endowment produced a negative 24.6% investment return. During the past decade, the Endowment earned an annualized 11.8% return, which added $5.1 billion of value relative to a composite passive benchmark and $9.6 billion relative to the mean return of a broad universe of colleges and universities.

Growth of $1,000 Invested in the Yale Endowment
1999 – 2009



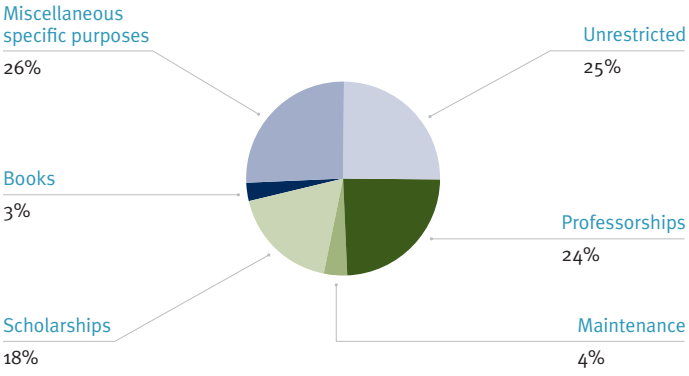
Endowment Spending

The Endowment spending policy, the means by which Endowment earnings are allocated to operations, balances the competing objectives of providing a stable flow of income to the Operating Budget and protecting the real value of the Endowment over time. The spending policy manages the trade-off between these two objectives by using a long-term target spending rate combined with a smoothing rule, which adjusts spending in any given year gradually in response to changes in Endowment market value.

The target spending rate approved by the Yale Corporation currently stands at 5.25%. The smoothing rule limits Endowment spending in a given year to the sum of 80% of the previous year's spending and 20% of the targeted long-term spending rate applied to the market value two years prior. The spending amount determined by the formula is adjusted for inflation and constrained so that the calculated rate is at least 4.5%, and not more than 6.0% of the Endowment's market value. The smoothing rule and the diversified nature of the Endowment mitigate the impact of short-term market volatility on the flow of funds to support Yale's operations.

The Endowment provided income of $1.2 billion to current operations in 2009, representing 45% of the University's operating revenues. Ten years ago, Endowment distributions contributed approximately $253 million, or 20% of the budget. Over the past decade, Endowment distributions have increased at an annualized rate of approximately 17%.

Endowment Fund Allocation, Fiscal Year 2009



Asset Allocation

Asset allocation proves critical to successful Endowment performance. Yale's asset allocation policy combines tested theory and informed market judgment to balance investment risks with the need for high returns.

Both the need to provide resources for current operations and the desire to preserve the purchasing power of assets dictate investing for high returns, which leads the Endowment to be weighted toward equity. In addition, the Endowment's vulnerability to inflation directs the University away from fixed income and toward equity instruments. Hence, over 90% of the Endowment is invested in some form of equity, through domestic and international securities, real assets, and private equity.

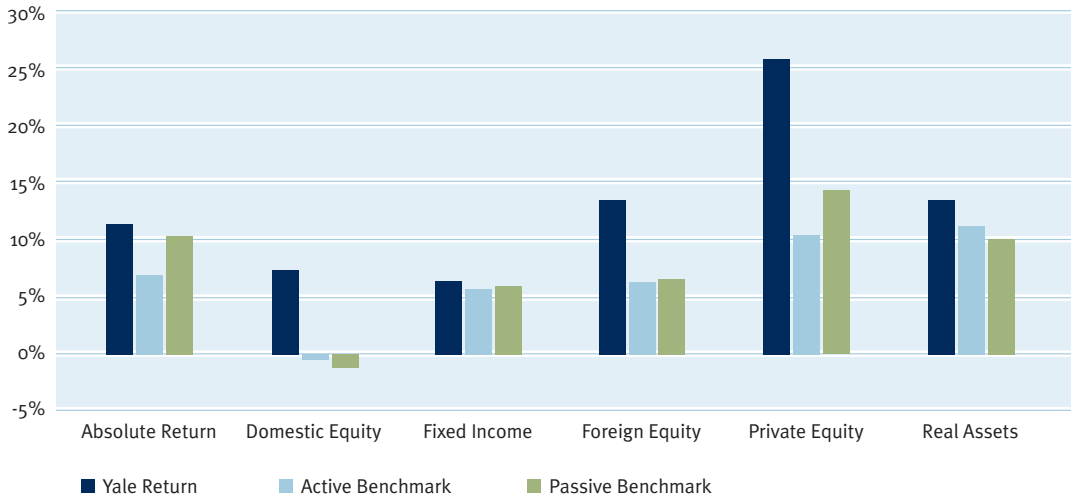
Over the past twenty years, Yale significantly reduced the Endowment's exposure to traditional domestic marketable securities, reallocating assets to nontraditional asset classes. In 1989, around three-quarters of the Endowment was committed to U.S. stocks, bonds, and cash. Today, domestic marketable securities account for approximately one-tenth of the portfolio, and foreign equity, private equity, absolute return strategies, and real assets represent nearly nine-tenths of the Endowment.

The heavy allocation to nontraditional asset classes stems from the diversifying power they provide to the portfolio as a whole. Alternative assets, by their nature, tend to be less efficiently priced than traditional marketable securities, providing an opportunity to exploit market inefficiencies through active management. Today's portfolio has significantly higher expected returns and lower volatility than the 1989 portfolio.

Asset Class	June 30, 2009	Current Target
Absolute Return	24.3%	15.0%
Domestic Equity	7.5%	7.5%
Fixed Income	4.0%	4.0%
Foreign Equity	9.8%	10.0%
Private Equity	24.3%	26.0%
Real Assets	32.0%	37.0%
Cash	-1.9%	0.5%
Total	100.0%	100.0%

Yale Endowment

Asset classes vs. benchmarks:
Annualized return net of fees, ten years ended June 30, 2009



Passive Benchmarks

Absolute Return: 1-year Constant Maturity Treasury + 6%

Domestic Equity: Wilshire 5000

Fixed Income: BarCap 1-5 Yr Treasury

Foreign Equity: 40% MSCI EAFE Index, 33% MSCI EM Index, 27% Opportunistic Benchmark (custom China/India blend)

Private Equity: University Inflation + 10%

Real Assets: University Inflation + 6%

Active Benchmarks

Absolute Return: CSFB/Tremont Composite

Domestic Equity: Frank Russell Median Manager, U.S. Equity

Fixed Income: Frank Russell Median Manager, Fixed Income

Foreign Equity: Frank Russell Median Manager Composite, Foreign Equity

Private Equity: Cambridge Associates Composite

Real Assets: NCREIF and Cambridge Associates Composite

Summary

The University's fundamental approach to portfolio management relies on the principles of equity orientation and diversification. Although the recent economic turmoil illustrates the vulnerability of this approach to short-term market dislocations, these principles continue to guide Yale's investment strategy, as equity orientation makes sense for investors with long horizons and diversification allows the construction of portfolios with superior risk and return characteristics. The University's equity-oriented, well-diversified portfolio positions the Endowment for long-term investment success.

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Report of Independent Auditors

To the President and Fellows of
Yale University:

In our opinion, the accompanying statement of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of Yale University (the "University") at June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2008 financial statements, which have been adjusted to reflect the adoption of FSP 117-1 as described in note 1b. In our report dated September 30, 2008, we expressed an unqualified opinion on such financial statements prior to the adjustment. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1b to the accompanying financial statements, the University adopted Financial Accounting Standards Board (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 Endowment Funds* (FSP 117-1).

As discussed in Note 1d to the accompanying financial statements, in 2009, the University adopted FASB Statement No. 157, *Fair Value Measurements*.

PricewaterhouseCoopers LLP

October 22, 2009

Yale University Statements of Financial Position

June 30, 2009 and 2008 ($ in thousands)

	2009	2008 as reclassed see note 1. q.
Assets:		
Cash and cash equivalents	$ 365,621	$ 187,761
Accounts receivable, net	143,901	150,636
Contributions receivable, net	475,870	481,617
Student loans receivable, net	55,658	52,585
Investments, at fair value	21,129,344	29,671,364
Other assets	101,779	121,212
Land, buildings and equipment, net of accumulated depreciation	3,665,643	3,199,648
Total assets	$ 25,937,816	$ 33,864,823
Liabilities:		
Accounts payable and accrued liabilities	$ 294,570	$ 281,902
Advances under grants and contracts and other deposits	80,272	80,690
Other liabilities	786,455	470,474
Liabilities under split-interest agreements	82,468	92,294
Bonds and notes payable	3,375,991	3,067,242
Liabilities associated with investments	3,887,289	5,557,739
Advances from Federal government for student loans	36,318	36,231
Total liabilities	8,543,363	9,586,572
Net assets:		
Unrestricted	2,981,676	4,417,326
Temporarily restricted	11,903,402	17,499,152
Permanently restricted	2,509,375	2,361,773
Total net assets	17,394,453	24,278,251
Total liabilities and net assets	$ 25,937,816	$ 33,864,823

Detail of net assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009	2008
Non-operating:					
Endowment and funds functioning as endowment	$2,361,743	$11,463,727	$2,475,018	$16,300,488	$22,846,029
Student Loans	5,076	-	34,357	39,433	38,141
Physical capital investment	817,971	237,926	-	1,055,897	1,058,533
Defined benefit plan deficit	(481,527)	-	-	(481,527)	(134,742)
Operating:					
Accumulated general budget deficit	(70,904)	-	-	(70,904)	(70,904)
Designated and restricted for specific purposes	349,317	201,749	-	551,066	541,194
	$2,981,676	$11,903,402	$2,509,375	$ 17,394,453	$ 24,278,251

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

Yale University Statement of Activities

for the year ended June 30, 2009 with summarized information for the year ended June 30, 2008 ($ in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009	2008
Operating					
Revenues and reclassifications:					
Student income, net	$ 229,375	$ -	$ -	$ 229,375	$ 245,242
Grant and contract income, primarily for research and training	589,062	-	-	589,062	561,444
Medical services income	416,650	-	-	416,650	373,328
Contributions	18,695	56,038	-	74,733	111,418
Allocation of endowment spending from financial capital	336,935	825,822	-	1,162,757	849,981
Other investment income (loss)	(24,887)	4,181	-	(20,706)	53,596
Publications income	30,944	-	-	30,944	33,786
Other income	117,851	-	-	117,851	118,705
Total revenues	1,714,625	886,041	-	2,600,666	2,347,500
Net assets released from restrictions	882,551	(882,551)	-	-	-
Total revenues and reclassifications	2,597,176	3,490	-	2,600,666	2,347,500
Expenses:					
Instruction and departmental research	720,324	-	-	720,324	663,297
Organized research	438,914	-	-	438,914	415,093
Patient care and other related services	386,458	-	-	386,458	354,850
Libraries and other academic support	235,575	-	-	235,575	216,837
Student aid and services	347,477	-	-	347,477	340,662
Public service	124,439	-	-	124,439	121,340
Administration and other institutional support	240,288	-	-	240,288	202,371
Total expenses	2,493,475	-	-	2,493,475	2,314,450
Increase in net assets from operating activities	103,701	3,490	-	107,191	33,050
Non-operating					
Physical capital:					
Contributions	-	7,886	-	7,886	26,308
Investments loss	(75,236)	(20,890)	-	(96,126)	(10,419)
Other (decreases) increases	(7,699)	12,419	-	4,720	25,368
Net assets released from restrictions	88,718	(88,718)	-	-	-
Increase (decrease) in net assets from physical capital activities	5,783	(89,303)	-	(83,520)	41,257
Financial capital:					
Contributions	-	24,384	141,714	166,098	232,368
Total endowment return, net of management fees	(989,086)	(4,529,603)	(14,522)	(5,533,211)	943,864
Allocation of endowment spending to operating	(195,488)	(970,669)	3,400	(1,162,757)	(849,981)
Change in funding status of defined benefit plans	(346,784)	-	-	(346,784)	(180,125)
Other (decreases) increases	(13,776)	(34,049)	17,010	(30,815)	(27,961)
(Decrease) increase in net assets from financial capital activities	(1,545,134)	(5,509,937)	147,602	(6,907,469)	118,165
Total (decrease) increase in net assets	(1,435,650)	(5,595,750)	147,602	(6,883,798)	192,472
Net assets, beginning of period	11,717,190	10,199,288	2,361,773	24,278,251	24,085,779
Change in accounting principle (note 1. q.)	(7,299,864)	7,299,864	-	-	-
Net assets, beginning of period, as reclassified	4,417,326	17,499,152	2,361,773	24,278,251	24,085,779
Net assets, end of period	$ 2,981,676	$ 11,903,402	$ 2,509,375	$ 17,394,453	$ 24,278,251

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

Yale University Statements of Cash Flows

for the years ended June 30, 2009 and 2008 ($ in thousands)

	2009	2008
Operating activities:		
Change in net assets	$ (6,883,798)	$ 192,472
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	182,250	164,794
Unrealized (gain) loss on other investments	99,213	(3,622)
Net Endowment investment (gain) loss	5,906,819	(406,372)
Contributions restricted for physical and financial capital	(173,984)	(258,676)
Other adjustments	(4,717)	(625)
Changes in assets and liabilities that provide (use) cash:		
Accounts receivable	6,735	6,809
Contributions receivable	14,478	(20,028)
Other operating assets	54,265	79,430
Accounts payable and accrued expenses	21,396	15,512
Advances under grants and contracts and other deposits	(418)	2,678
Other liabilities	315,981	150,482
Net cash (used in) operating activities	(461,780)	(77,146)
Investing activities:		
Student loans repaid	6,589	7,572
Student loans granted	(10,235)	(7,547)
Purchases related to capitalized software costs and other assets	(45,294)	(11,159)
Proceeds from sales and maturities of investments	11,824,278	12,199,827
Purchases of investments	(10,925,415)	(12,799,197)
Purchases of land, buildings and equipment	(647,645)	(597,093)
Net cash provided by (used in) investing activities	202,278	(1,207,597)
Financing activities:		
Contributions restricted for physical and financial capital	129,124	120,910
Contributions received for split-interest agreements	8,425	8,389
Payments made under split-interest agreements	(10,630)	(10,750)
Proceeds from long-term debt	310,000	1,113,614
Repayments of long-term debt	(789)	(167)
Interest earned and advances from Federal government for student loans	1,232	671
Net cash provided by financing activities	437,362	1,232,667
Net increase (decrease) in cash and cash equivalents	177,860	(52,076)
Cash and cash equivalents at beginning of year	187,761	239,837
Cash and cash equivalents at end of year	$ 365,621	$ 187,761

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

1. Significant Accounting Policies

a. General

Yale University ("the University") is a private, not-for-profit institution of higher education located in New Haven, Connecticut. The University has been granted tax exempt status under section 501(c)(3) of the Internal Revenue Code. The University provides educational services primarily for students and trainees at the undergraduate, graduate and postdoctoral levels, and performs research, training and other services under grants, contracts and other similar agreements with agencies of the Federal government and other sponsoring organizations. The University's academic organization includes Yale College, the Graduate School of Arts and Sciences, ten professional schools and a variety of research institutions and museums. The largest professional school is the Yale School of Medicine, which conducts medical services in support of its teaching and research missions.

b. Basis of Presentation

The financial statements of Yale University include the accounts of all academic and administrative departments of the University, and affiliated organizations that are controlled by the University.

Financial statements of private, not-for-profit organizations measure aggregate net assets and net asset activity based on the absence or existence of donor-imposed restrictions. Net assets are reported as unrestricted, temporarily restricted and permanently restricted and serve as the foundation of the accompanying financial statements. Brief definitions of the three net asset classes are presented below:

Unrestricted Net Assets - Net assets derived from tuition and other institutional resources that are not subject to explicit donor-imposed restrictions. Unrestricted net assets also include gains on board designated funds functioning as endowment.

Temporarily Restricted Net Assets - Net assets subject to explicit donor- imposed restrictions on the expenditure of contributions or income and gains on contributed assets and net assets from endowments are not yet appropriated for spending by the governing board. When temporary restrictions expire due to the passage of time or the incurrence of expenditures that fulfill the donor-imposed restrictions, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted net assets are established with restricted contributions from donors and restricted income generated from Endowments. In addition, temporarily restricted net assets include restricted contributions from donors classified as funds functioning as endowment. Restrictions include support of specific schools or departments of the University, for professorships, research, faculty support, scholarships and fellowships, library and art museums, building construction and other purposes.

Permanently Restricted Net Assets - Permanently restricted net assets include donor restricted endowments and student loan funds.

Consistent with Financial Accounting Standards Board 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 Endowment Funds* (FSP 117-1), the University records as permanently restricted net assets the original amount of gifts which donors have given to be maintained in perpetuity ("donor restricted endowment funds"). For financial reporting purposes, all subsequent accumulated gains on such donor restricted endowment funds that are not so classified as permanently restricted net assets are recorded as temporarily restricted net assets until appropriated for expenditure by the Corporation through the application of the endowment spending policy. The Corporation understands its policies on retaining and spending from endowment to be consistent with the requirements of Connecticut law.

The University's measure of operations as presented in the statement of activities includes income from tuition (net of certain scholarships and fellowships) and fees, grants and contracts, medical services, contributions for operating programs, the allocation of Endowment spending for operations and other revenues. Operating expenses are reported on the statement of activities by functional categories, after allocating costs for operation and maintenance of plant, interest on indebtedness and depreciation expense.

The University's non-operating activity within the statement of activities includes physical capital and financial capital. The physical capital section includes contributions and other activities related to land, buildings and equipment that are not part of the University's measure of operations. Similarly, the financial capital section includes contributions, investment returns and other activities related to Endowment and student loan net assets utilized for long-term investment purposes. Financial capital also encompasses expendable contributions and the related accumulated appreciation that have been designated to function as Endowment (i.e., funds functioning as Endowment) by the Yale Corporation.

Recognizing the critical importance of maintaining its physical capital over many generations, the University began in the mid-1990s to allocate funds directly from the operating budget to a capital maintenance account. Significant effort has gone into estimating an annual equilibrium level funding target for internal purposes that would be reserved from annual operating funding sources to maintain Yale's facilities in good condition on a consistent basis, thus avoiding deferred maintenance and the need to borrow to meet the ongoing costs of maintaining its facilities. While not an exact science, an estimate of the full capital replacement equilibrium level for 2009 is $199 million (unaudited). In 2009, the University fully funded the capital replacement costs from operating funds and capital gifts and used $263 million to fund renovations of its facilities. Total renovations for the year were $334 million.

c. Cash and Cash Equivalents

Cash and cash equivalents are recorded at cost which approximates fair value and include institutional money market funds and similar temporary investments with maturities of three months or less at the time of purchase. Cash and cash equivalents awaiting investment are reported as investments and totaled $536.4 million and $210.6 million at June 30, 2009 and 2008, respectively. Cash and cash equivalents do not include cash balances held as collateral.

Supplemental disclosures of cash flow information include the following, in thousands of dollars:

	2009	2008
Cash paid during the year for:		
Interest	$ 88,200	$ 119,800
Noncash investing activities:		
Land, buildings and equipment purchases payable to vendor	$ 57,095	$ 65,824

Included in contributions restricted for physical and financial capital of $173.9 million for 2009 and $258.7 million for 2008 are contributions in the form of investments of $27.7 million and $110.7 million, respectively.

d. Investments

The University's investments are recorded in the financial statements at fair value.

The University adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which establishes a framework for measuring fair value under generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements. SFAS 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy of inputs used to measure fair value and the primary methodologies used by the University to measure fair value include:

- *Level 1* – Quoted prices in active markets. Market price data is generally obtained from relevant exchange or dealer markets.
- *Level 2* – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable.
- *Level 3* – Unobservable inputs in which there is little or no market data, requiring the University to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques which include:

- *Market approach* – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- *Income approach* – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The fair value of publicly traded fixed income and equity securities is based upon quoted market prices and exchange rates, if applicable. The fair value of direct real estate investments is determined from periodic valuations prepared by independent appraisers.

Fair values for certain private equity, real asset (oil and gas, timber and real estate) and absolute return investments held through limited partnerships or commingled funds are estimated by the respective external investment managers, including general partners, if market values are not readily ascertainable. These valuations necessarily involve assumptions and methods that are reviewed by the University's Investments Office.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the University's financial statements.

The University records the cost of managing its Endowment portfolio as a decrease in financial capital within the applicable net asset class in the statement of activities. Management fees consist of the internal costs of the Investments Office, outside custodian fees and asset based fees for external investment managers and general partners.

The University invests its Endowment investment portfolio and allocates the related earnings for expenditure in accordance with the total return concept. A distribution of Endowment return that is independent of the cash yield and appreciation of investments earned during the year is provided for program support. The University has adopted an Endowment spending policy designed specifically to stabilize annual spending levels and to preserve the real value of the Endowment portfolio over time. The spending policy attempts to achieve these two objectives by using a long-term targeted spending rate combined with a smoothing rule, which adjusts spending gradually to changes in the Endowment market value. An administrative charge is assessed against the funds when distributed.

The University uses a long-term targeted spending rate of 5.25%, with an 80/20 allocation of prior year spending to market value. The actual rate of spending for 2009 and 2008, when measured against the previous year's June 30th Endowment market value, was 5.22% and 3.80%, respectively.

During 2008 and 2009 the University approved an additional distribution above the spending rule to make up for the shortfall between the targeted spending rate and the actual spending rate which occurred between 2002 and 2007. The amount of this distribution was $118 million in 2009 and $66 million in 2008.

The University determines the expected return on endowment investments with the objective of producing a return exceeding the sum of inflation and the target spending rate. Asset allocation is the key factor driving expected return. Yale's asset allocation policy combines tested theory and informed market judgment to balance investment risks with the need for high returns. Both the need to provide resources for current operations and the desire to preserve the purchasing power of assets leads the endowment to be weighted towards equity.

e. Derivatives

Derivative financial instruments in the investment portfolio include interest rate swaps, equity swaps, credit default swaps, commodity swap contracts and currency forward contracts and are recorded at fair value with the resulting gain or loss recognized in the statement of activities.

f. Land, Buildings and Equipment

Land, buildings and equipment are generally stated at cost. Buildings leased under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Annual depreciation is calculated on a straight-line basis over useful lives, or over the lease term for capital leases, ranging from 15 to 50 years for buildings and improvements and 4 to 12 years for furnishings and equipment.

g. Other Assets

Capitalized software and bond issuance costs are included in other assets in the statements of financial position. Capitalized software costs are amortized on a straight line basis over the estimated useful lives of the software, ranging from 5 to 10 years. Bond issue costs are amortized over the term of the related debt.

h. Collections

Collections at Yale include works of art, literary works, historical treasures and artifacts that are maintained in the University's museums and libraries. These collections are protected and preserved for public exhibition, education, research and the furtherance of public service. Collections are not capitalized; purchases of collection items are recorded as operating expenses in the University's financial statements in the period in which the items are acquired.

i. Split-Interest Agreements

The University's split-interest agreements with donors consist primarily of charitable gift annuities, pooled income funds and irrevocable charitable remainder trusts for which the University serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.

Contribution revenues for charitable gift annuities and charitable remainder trusts are recognized at the dates the agreements are established. In addition, the present values of the estimated future payments to be made to the beneficiaries under these agreements are recorded as liabilities. For pooled income funds, contribution revenue is recognized upon establishment of the agreement at the fair value of the estimated future receipts, discounted for the estimated time period until culmination of the agreement.

j. Beneficial Interest in Trust Assets

The University is the beneficiary of certain perpetual trusts and charitable remainder trusts held and administered by others. The estimated fair values of trust assets are recognized as assets and as gift revenue when reported to the University.

k. Tuition and Fees

Tuition and fees revenue, which is included in student income on the statement of activities, is generated from an enrolled student population of approximately 11,370. The undergraduate population of approximately 5,270 is a diverse group attracted from across the United States and from many foreign countries. Foreign students account for approximately 9 percent of the undergraduate population. Net tuition revenue from undergraduate enrollment represents approximately 58 percent of total net tuition revenue in 2009.

The University maintains a policy of offering qualified applicants admission to Yale College without regard to financial circumstance as well as meeting in full the demonstrated financial need of those admitted. Student need in all programs throughout the University is generally fulfilled through a combination of scholarships and fellowships, loans and employment during the academic year. Tuition and fees have been reduced by certain scholarships and fellowships in the amounts of $194.3 million and $160.2 million in 2009 and 2008, respectively.

l. Contributions

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Amounts expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those contributions are computed using an interest rate that reflects fair value applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. A facilities and administrative charge is assessed against current use gifts when received.

m. Grant and Contract Income

The University receives grant and contract income from governmental and private sources. In 2009 and 2008, grant and contract income received from the Federal government totaled $460.8 million and $450.9 million, respectively. The University recognizes revenue associated with the direct costs of sponsored programs as the related costs are incurred. Recovery of facilities and administrative costs of Federally sponsored programs is at rates negotiated with the University's cognizant agency, the Department of Health and Human Services. The University and the Federal government are currently operating under an agreement that establishes facilities and administrative cost reimbursement rates under Federal grants and contracts through June 30, 2009. Yale will continue with the current rates while a new rate agreement is negotiated.

n. Medical Services Income

The University has agreements with third-party payers, including health maintenance organizations, that provide payment for medical services at amounts different from standard rates established by the University. Medical services income is reported net of contractual allowances from third-party payers and others for services rendered, and further adjusted for estimates of uncollectible amounts.

o. Net Assets Released from Restrictions

Reclassification of net assets is based upon the satisfaction of the purpose for which the net assets were restricted or the completion of a time stipulation. Contributions and net investment returns earned, which are restricted, are reported as temporarily restricted support and reclassified to unrestricted when any donor-imposed restrictions are satisfied. Restricted net assets associated with physical capital assets are reclassified to unrestricted net assets when the capital asset is placed in service.

p. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant estimates made by management include the valuation of alternative investments, the estimated net realizable value of receivables, estimated asset retirement obligations, and the actuarially determined employee benefit and self-insurance liabilities. Actual results could differ from those estimates.

q. Implementation of Accounting Standards

During 2009, the University adopted the following accounting and reporting standards:

Statement of Financial Accounting Standard (SFAS) No. 157, *Fair Value Measurement* (SFAS 157). See Note 2 for the disclosure of the fair value of qualifying investments required by SFAS 157;

Financial Accounting Standards Board (FASB) Staff Position No. FAS 117-1 *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP 117-1). The University reclassified $7.3 billion for the portion of unrestricted net assets that had not been appropriated for spending as of June 30, 2008; and therefore these net assets are considered subject to time restriction under FSP 117-1. See Note 12 for additional information;

Statement of Financial Accounting Standards (SFAS) No. 165, *"Subsequent Events"* (SFAS 165). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. See note 14.

r. Summarized 2008 Financial Information

The accompanying 2009 financial statements include selected comparative summarized financial information for 2008 (as adjusted for FSP 117-1, as described in Note 1b). Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2008, from which the summarized financial information was derived.

2. Investments

As described in Note 1d, investments are recorded at fair value. The University endeavors to utilize the best available information in measuring fair value. The following table summarizes the fair values of the University's investments by major type and related liabilities, including valuation of financial instruments by the SFAS 157 pricing levels described in Note 1d as of June 30, 2009 ($ in thousands):

	Unadjusted Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	2009	2008
Investments, at fair value:					
Cash	$ 387,252	$ -	$ -	$ 387,252	$ 253,318
Bonds	808,897	123,628	-	932,525	2,246,516
Common stock	2,936,625	129,707	79,104	3,145,436	4,017,154
Equity investments	-	-	12,726,628	12,726,628	17,534,418
Other investments	-	103,411	296,906	400,317	818,328
Consolidated investment company assets	349,208	2,853,137	334,841	3,537,186	4,801,630
Total investments, at fair value	4,481,982	3,209,883	13,437,479	21,129,344	29,671,364
Liabilities associated with investments:					
Securities sold, not yet purchased	1,086,216	-	-	1,086,216	1,297,410
Reverse repurchase agreements	249,829	-	-	249,829	600,544
Other liabilities	-	191,978	114,112	306,090	556,573
Consolidated investment company liabilities	4,888	2,230,745	9,521	2,245,154	3,103,212
Total liabilities associated with investments	1,340,933	2,422,723	123,633	3,887,289	5,557,739
Commercial paper debt (See Note 9)	557,210	-	-	557,210	499,318
Net investments, at fair value	$ 2,583,839	$ 787,160	$ 13,313,846	$ 16,684,845	$ 23,614,307

Based on the legal structure of consolidated entities, their liabilities are not legal obligations of the University and will be settled utilizing the assets of the investment company. The fair value measurements of consolidated investment company assets and liabilities include:

	Unadjusted Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	2009
Consolidated investment company assets:				
Bonds	$ 175,707	$1,776,623	$210,384	$2,162,714
Common stock	171,475	641,626	82,866	895,967
Other investments	2,026	434,888	41,591	478,505
Total	$349,208	$2,853,137	$334,841	$3,537,186
Consolidated investment company liabilities:				
Securities sold, not yet purchased	$ 2,535	$ 544,528	$ -	$ 547,063
Reverse repurchase agreements	-	1,149,767	6,088	1,155,855
Other Liabilities	2,353	536,450	3,433	542,236
Total	$ 4,888	$2,230,745	$ 9,521	$2,245,154

The table below presents the change in fair value measurements for the University's Level 3 investments during the year ended June 30, 2009:

	Total
Beginning Balance	$ 18,650,371
Realized and unrealized gain / (loss)	(4,818,504)
Purchases and (sales), net	(437,027)
Transfers in and/or out of Level 3	(80,994)
Ending Balance	$13,313,846

Realized gains and losses are reported in total endowment return, net of management fees in the statement of activities. The unrealized portion of gains (losses) in Level 3 reported above that relate to assets held at June 30, 2009 were $5.4 billion.

The University is required to provide collateral for securities sold, not yet purchased and repurchase agreements. Fixed income securities of $3.4 billion were provided at June 30, 2009 to collateralize these positions initiated by the University and by its consolidated investment companies. University policy with respect to reverse repurchase agreements, including those initiated by consolidated investment companies, is to take possession of the underlying assets. Fixed income securities were obtained in the amount of $844.5 million at June 30, 2009 as collateral for these positions. The market values of the underlying assets are reviewed daily to ensure that the

amounts are adequately collateralized and, when warranted, additional collateral is obtained or provided. Nearly all underlying assets and collateral are permitted to be sold or repledged.

The University Endowment maintains a diversified investment portfolio with a strong orientation to equity investments and strategies designed to take advantage of market inefficiencies. The University's investment objectives are guided by its asset allocation policy and are achieved in partnership with external investment managers operating through a variety of investment vehicles, including separate accounts, limited partnerships and commingled funds. Net Endowment investments are presented below by asset class as of June 30, in thousands of dollars:

	2009	2008
Endowment investments:		
Absolute return	$ 3,926,056	$ 5,714,088
Domestic equities	1,211,076	2,295,238
Fixed-income	104,784	(316,169)
International equities	1,572,830	3,467,748
Private equities	3,925,411	4,595,752
Real assets	5,165,799	6,687,651
Other	197,541	241,974
Total Endowment investments	16,103,497	22,686,282
Non-Endowment investments	581,348	928,025
Net Investments, at fair value	$16,684,845	$23,614,307

The Endowment portfolio includes beneficial interests in outside trusts of $113.8 million and $142.9 million at June 30, 2009 and 2008, respectively. Non-Endowment investments include CHEFA proceeds available for approved construction and campus renovation projects of $56.6 million and $371.3 million at June 30, 2009 and 2008, respectively.

The following investments held under split-interest agreements are included in the Endowment portfolio in the schedule above, in thousands of dollars:

	2009	2008
Charitable gift annuities	$ 95,247	$128,639
Pooled income funds	16,966	21,666
Charitable remainder trusts	83,736	99,079
	$195,949	$249,384

The University may employ derivatives and other strategies to (1) hedge against market risks, (2) arbitrage mispricings of related securities and (3) replicate long or short positions more cost effectively. Accordingly, derivatives in the investment portfolio may include currency forward contracts, interest rate, currency and commodity swaps, call and put options, debt and equity futures contracts, equity swaps and other investment vehicles in certain circumstances. Yale does not invest in derivatives for speculation.

Yale derivative positions directly held and those held by consolidated investment companies include interest rate swap, equity swap, credit default swap, commodity swap contracts and currency forward contracts. The fair value of these derivatives was $259.1 million at June 30, 2009. A gain of $15.4 million related to these transactions is included within total Endowment return in the statement of activities. Derivatives held by limited partnerships and commingled investment trusts in which Yale invests pose no off-balance sheet risk to the University due to the limited liability structure of the investments.

Certain investment transactions, including derivative financial instruments, necessarily involve counterparty credit exposure. Such exposure is monitored regularly by the University's Investments Office in accordance with established credit policies and other relevant criteria. Collateral provided by Yale and its consolidated investment companies related to derivative transactions amounted to $299.2 million at June 30, 2009.

At June 30, 2009, approximately 76 percent of the University's investment portfolio was invested in limited partnerships or limited liability companies. Such investments are subject to the liquidity terms applicable to various investee funds which include various restrictions related to the amount and timing of redemptions.

Under the terms of certain limited partnership and limited liability company agreements for private equity and real estate investments, the University is obligated to remit additional funding periodically as capital calls are exercised. At June 30, 2009, the University had uncalled commitments of approximately $7.6 billion. This amount reflects reductions in uncalled commitments that were executed with certain limited partnerships and limited liability companies prior to June 30, 2009 though they took affect after June 30, 2009. Such commitments are generally called over a period of years and contain fixed expiration dates or other termination clauses.

The University has various sources of internal liquidity at its disposal, including cash, cash equivalents and marketable debt and equity securities. If called upon at June 30, 2009, management estimates that it could have liquidated approximately $3.6 billion (unaudited) to meet short-term needs.

A summary of the University's total investment return as reported in the statement of activities is presented below, in thousands of dollars:

	2009	2008
Investment income	$ 421,612	$ 537,492
Realized and unrealized gain / (loss), net of investment management fees	(5,954,823)	406,372
Return on Investments	(5,533,211)	943,864
Other investment (loss) / income	(20,706)	53,596
Total return on investments	$(5,553,917)	$997,460

Endowment investment returns totaling $1,162.8 million and $850.0 million were allocated to operating activities in 2009 and 2008, respectively, using the spending policy described in Note 1d.

3. Accounts Receivable

Accounts receivable from the following sources were outstanding at June 30, in thousands of dollars:

	2009	2008
Medical services	$ 46,930	$ 48,242
Grants and contracts	55,062	59,478
Investment income receivable	7,634	11,770
Affiliated organizations	24,645	27,975
Yale University Press receivables	4,635	6,291
Other	20,552	18,684
	159,458	172,440
Less: Allowance for doubtful accounts	(15,557)	(21,804)
	$143,901	$150,636

Medical services receivables are net of an allowance for contractual adjustments of $60.1 million and $40.7 million at June 30, 2009 and 2008, respectively. Collections for patient care services are primarily based on negotiated contracts from managed care companies (65%), Medicare (14%), and Medicaid (10%), in addition payments are received directly from patients (5%) and commercial insurance and others (6%).

The University and Yale-New Haven Hospital ("the Hospital") are parties to an affiliation agreement that establishes guidelines for the operation of activities between these two separate organizations. These guidelines set forth each organization's responsibility under the common goal of delivering comprehensive patient care services. Under the terms of the arrangement, the Hospital is responsible for providing a clinical setting and clinical support for the University to carry out its teaching and research missions. The University provides professional services from faculty of the Yale School of Medicine and a variety of other administrative and clinical services. The net receivable from the Hospital amounted to $20.3 million and $22.2 million at June 30, 2009 and 2008, respectively. Balances are settled in the ordinary course of business.

4. Contributions Receivable

Contributions receivable consist of the following unconditional promises to give as of June 30, in thousands of dollars:

	2009	2008
Purpose:		
Endowment	$ 351,295	$326,508
Capital purposes	96,783	134,612
Operating programs	116,049	135,773
Gross unconditional promises to give	564,127	596,893
Less: Discount	(39,044)	(49,697)
Allowance for uncollectible accounts	(49,213)	(65,579)
Net unconditional promises to give	$475,870	$ 481,617
Amounts due in:		
Less than one year	$ 187,633	$ 152,252
One to five years	326,112	410,264
More than five years	50,382	34,377
	$ 564,127	$596,893

Discount rates used to calculate the present value of contributions receivable ranged from .98 percent to 6.37 percent at June 30, 2009 and June 30, 2008.

5. Student Notes Receivable

Student notes and interest receivable at June 30, in thousands of dollars, include:

	2009	2008
Perkins Loan Program	$ 32,532	$33,548
Yale Student Loan Program	23,595	18,449
Other student loans	4,051	4,117
	60,178	56,114
Less: Allowance for doubtful accounts	(4,520)	(3,529)
	$55,658	$52,585

Student notes receivable include donor-restricted and Federally-sponsored student loans with mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition. Yale Student Loans are made with University funds to meet demonstrated needs in excess of all other sources of student loan borrowings. Interest accrues at fixed rates upon loan disbursement.

Amounts received from the Federal government to fund a portion of the Perkins student loans are ultimately refundable to the Federal government and have been reported as refundable advances in the statement of financial position. The fair value of student loan instruments could not be determined without incurring excessive costs.

6. Other Assets

Other assets at June 30, in thousands of dollars, include:

	2009	2008
Software costs, net of accumulated amortization	$ 59,090	$ 23,982
Inventories	17,299	20,109
Bond issue costs, net of accumulated amortization	8,879	8,267
Other notes receivable	3,578	3,882
Deferred expenses	12,933	13,237
Employee benefit assets	-	51,735
	$101,779	$121,212

Amortization expense included in operating expenses amounted to $10.5 million and $10.8 million in 2009 and 2008, respectively.

7. Land, Buildings and Equipment

Land, buildings and equipment at June 30, less accumulated depreciation, in thousands of dollars, are as follows:

	2009	2008
Land and real estate improvements	$ 103,963	$ 78,965
Buildings	3,947,030	3,495,017
Buildings under capital leases	61,665	61,665
Equipment	453,649	430,493
	4,566,307	4,066,140
Less: Accumulated depreciation and amortization	(1,550,477)	(1,428,475)
	3,015,830	2,637,665
Construction in progress	649,813	561,983
	$3,665,643	$3,199,648

Depreciation expense included in operating expenses amounted to $169.6 million and $151.9 million in 2009 and 2008, respectively. Amortization expense on capital lease assets amounted to $2.2 million in both 2009 and 2008.

8. Other Liabilities

Other liabilities consist of obligations of the University that will be paid over a longer period of time and consist of the following:

	2009	2008
Employee benefit obligations	$664,964	$ 337,185
Compensated absences	60,020	56,052
Financial aid grant obligations	22,742	20,469
Asset retirement obligations	33,000	28,500
Other	5,729	28,268
	$ 786,455	$470,474

Included in employee benefit obligations are defined benefit plan liabilities in excess of plan assets. These liabilities amounted to $636.5 million at June 30, 2009 and $305.7 million at June 30, 2008. (See Note 11)

9. Debt Obligations

Bonds, notes and capital lease obligations outstanding at June 30, in thousands of dollars, include:

	Effective Interest Rate 2009	Year of Maturity	Outstanding Balance 2009	Outstanding Balance 2008
Connecticut Health and Educational Facilities Authority (CHEFA) tax-exempt bonds				
Series S	1.19%	2027	$ 135,865	$ 135,865
Series T-1	4.70%	2029	125,000	125,000
Series T-2	1.03%	2029	125,000	125,000
Series U	1.01%	2033	250,000	250,000
Series V	0.83%	2036	200,000	200,000
Series W	5.13%	2027	88,134	88,058
Series X	3.52%	2037/2042	350,000	350,000
Series Y	3.38%	2035	309,671	310,041
Series Z	4.84%	2042	613,577	613,985
Total CHEFA bonds			2,197,247	2,197,949
Medium-term notes	7.38%	2096	124,552	124,539
Commercial paper	2.12%	2009	990,743	680,516
Capital leases-buildings	5.75%	2032/2048	59,854	60,453
Other notes payable	7.85%	2020	3,595	3,785
			$ 3,375,991	$ 3,067,242

CHEFA Series Z bonds consist of 1) $400 million Series Z-1 bonds at a fixed interest rate of 5%; 2) $100 million Series Z-2 bonds at a fixed interest rate of 5.05%; and 3) $100 million Series Z-3 bonds at a fixed interest rate of 5.05%. Series Z-1, Z-2 and Z-3 bonds mature on July 1, 2042. Series Z-1 bonds are subject to an optional redemption in July 2016. Series Z-2 and Z-3 bonds are subject to an optional redemption in July 2017. The original premium associated with this issuance is $14 million, which is being amortized over the life of the bond.

CHEFA Series Y bonds consist of 1) $200 million Series Y-1 bonds at a fixed interest rate of 5%; 2) $50 million Series Y-2 variable rate bonds, currently bearing interest at a daily rate; and 3) $50 million Series Y-3 variable rate bonds, currently bearing interest at a daily rate. Series Y-1, Y-2 and Y-3 bonds mature on July 1, 2035. Series Y-1 bonds are subject to an optional redemption in July 2015. Series Y-2 and Y-3 bonds may be converted to other variable rate modes or to a fixed rate at the discretion of the University. The original premium associated with this issuance is $11 million, which is being amortized over the life of the bond.

CHEFA Series X bonds consist of 1) $100 million Series X-1 bonds at a fixed interest rate of 5%, which mature on July 1, 2042, and are subject to an optional redemption on July 1, 2013; 2) $125 million Series X-2 variable rate bonds, currently bearing interest at a weekly rate; and 3) $125 million Series X-3 variable rate bonds, bearing interest at a daily rate, which were converted to a fixed interest rate of 4.85% on May 1, 2008. Series X-2 and X-3 bonds mature on July 1, 2037. Series X-2 bonds may be converted to other variable rate modes or to a fixed rate at the discretion of the University. Series X-3 bonds are subject to an optional redemption in July 2017.

CHEFA Series W bonds bear interest at a fixed interest rate of 5.125%. Series W bonds mature on July 1, 2027, and are subject to an optional redemption in July of 2009. The original discount associated with this issuance is $1.9 million, which is being amortized over the life of the bond.

CHEFA Series V bonds bear interest at a daily rate and mature on July 1, 2036. The bonds may be converted from a daily rate period to other variable rate modes or to a fixed rate mode at the discretion of the University.

CHEFA Series U bonds and one-half of Series T bear interest at a weekly rate. The bonds may be converted from the weekly rate period to other variable-rate modes or to a fixed-rate mode at the discretion of the University. On May 1, 2008, the University converted half of CHEFA Series T from a daily mode to a fixed interest rate of 4.7%. Series T-1 bonds are subject to an optional redemption in July 2017.

CHEFA Series S bonds bear interest at a money market municipal rate and are outstanding for varying interest rate periods of 270 days or less. The bonds may be converted from the money market mode to other variable rate modes or to a fixed rate mode at the discretion of the University.

Medium-term notes in the amount of $124.5 million are recorded net of a discount of $448 thousand at June 30, 2009. The notes mature in the year 2096, with a call provision in the year 2026. The bonds bear interest at a fixed rate of 7.38%.

Commercial paper consists of notes issued in the short-term taxable market, and is sold at a discount from par. The maturities of individual notes are issued in ranges from one day to no more than one year, and fall on average in a range of thirty to sixty days. In April 2007 the Yale Corporation approved the expansion of the Yale University Commercial Note program to a limit of $1 billion to finance approved programs as the need arises. During 2009 the University issued $310 million of additional Commercial Paper Notes to bring the balance outstanding at June 30, 2009 to $990.7 million.

Certain lease agreements entered into by the University qualify as capital leases with obligations of $59.9 million and $60.4 million at June 30, 2009 and 2008, respectively. The agreements call for the University to lease the buildings through 2032 and 2048.

Total interest expense incurred on indebtedness was $106.3 million and $97.1 million in 2009 and 2008, respectively. Interest capitalized to land, buildings and equipment totaled $11.9 million and $9.6 million in 2009 and 2008, respectively.

Scheduled maturities of the facilities debt obligations, in thousands of dollars, are as follows:

2010	$991,633
2011	997
2012	1,112
2013	1,234
2014	1,364
2015-2028	257,891
Thereafter	2,121,760

The series Y-2 and Y-3, X-2, V, U, S, and one-half of the T bonds are subject to tender by bondholders. To the extent all bonds subject to tender could not be remarketed, $1.1 billion of bonds scheduled for maturity between 2015 and 2035 would be due in 2010.

The University has revolving credit agreements available totaling $800 million to provide alternative liquidity to support Yale's variable rate demand notes.

Interest Rate Swaps

The University has entered into interest rate swap agreements to manage the interest cost and risk associated with its variable rate debt portfolios. Under the terms of these agreements, the University pays fixed rates, ranging from 2.7% to 6.25%, determined at inception, and receives the 3-month LIBOR on the respective notional principal amounts. The following schedule presents swap agreements in force related to this strategy at June 30, in thousands of dollars:

	2009	2008
Notional amount of contract	$700,000	$450,000
Fair value of swap contract	$ (19,223)	$ (33,357)
Net loss on swap contracts	$ 421	$ 39,498

Fair Value

The fair value of the University's fixed rate bonds, $1.39 billion at June 30, 2009, is estimated based on quoted market prices for the same or similar issues. The carrying value of commercial paper, variable rate bonds and notes payable approximates fair value because of the variable nature of the interest rates and the short-term maturity of these instruments.

Fair value for interest rate swap agreements and debt are determined using Level 2 fair value measurements.

10. Pension Plans – Defined Contribution

The University maintains the Yale University Retirement Annuity Plan as a contributory plan for faculty and certain staff employees. Participants may direct employee and employer contributions to the Teachers' Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF), as well as other investment options. Pension expense for this plan was $64.7 million and $59.9 million in 2009 and 2008, respectively.

11. Pension and Postretirement Plans – Defined Benefit

The University has a noncontributory, defined benefit pension plan for staff employees as well as a defined benefit faculty retirement incentive plan. The staff pension plan provides payments based on years of participation and the employee's highest annual rate of earnings during the last five years of employment. The faculty plan provides a lump sum payment, based on service and the last three years salary, for tenured faculty who retire at certain ages.

In addition, the University provides postretirement benefits including health benefits and life insurance based on years of service and a pay-out of unused sick time. While the University's subsidy of the cost of comprehensive health care benefits and life insurance differs among retiree groups, substantially all employees who meet

minimum age and service requirements and retire from the University are eligible for these benefits. Non faculty employees are paid 50% of unused sick time upon retirement from active status.

The following table sets forth the pension and postretirement plans' funded status that is reported in the statement of financial position at June 30, in thousands of dollars:

	Pension		Postretirement	
	2009	2008	2009	2008
Change in benefit obligation:				
Benefit obligation, beginning of year	$ 804,401	$ 671,947	$ 606,060	$ 482,352
Service cost, excluding assumed administration expenses	34,880	26,866	28,653	20,323
Interest cost	40,170	38,102	30,378	27,311
Benefit payments	(24,561)	(24,128)	(18,528)	(17,616)
Assumption changes	5,889	88,077	7,952	91,625
Actuarial loss	10,447	3,537	10,490	2,065
Benefit obligation, end of year	$ 871,226	$804,401	$ 665,005	$ 606,060
Change in plan assets:				
Fair value, beginning of year	$ 845,971	$803,404	$ 310,552	$ 289,629
Actual return on plan assets	(165,254)	57,939	(76,254)	12,407
University contributions	3,218	9,748	27,219	26,723
Benefits and expenses paid	(26,011)	(25,120)	(19,663)	(18,207)
Fair value, end of year	$ 657,924	$ 845,971	$ 241,854	$ 310,552
Funded Status	$(213,302)	$ 41,570	$ (423,151)	$(295,508)

The University has recognized the difference between accrued benefit costs of its defined benefit plans and the funded status at June 30, 2009 as an adjustment to unrestricted net assets presented as other decreases in the financial capital section of the statement of activities. The components of this adjustment include:

	Pension	Postretirement	Total
Unrecognized net actuarial loss	$ 249,317	$ 121,348	$ 370,665
Amortization of actuarial gain (loss)	(428)	(9,525)	(9,953)
Amortization of prior service cost	(8,779)	(1,432)	(10,211)
Transition obligation	-	(3,717)	(3,717)
	$ 240,110	$ 106,674	$ 346,784

Amounts recorded as an adjustment at June 30, 2009 that are expected to be amortized into operating activity during fiscal year 2010 include:

	Pension	Postretirement	Total
Net actuarial loss	$ 528	$ 10,141	$ 10,669
Prior service cost	8,570	1,432	10,002
Transition obligation	-	3,717	3,717
	$ 9,098	$ 15,290	$ 24,388

The University uses a June 30th measurement date for its defined benefit plans.

The benefit obligation disclosed above represents the actuarial present value of future payments to plan participants for services rendered prior to that date, based on the pension benefit formula. In calculating the value, the participants' compensation levels are projected to retirement.

The accumulated benefit obligation for the pension plan was $682.9 million at June 30, 2009 and $609.8 million at June 30, 2008. The accumulated benefit obligation differs from the benefit obligation above in that it includes no assumptions about future compensation levels. It represents the actuarial present value of future payments to plan participants using current and past compensation levels.

The primary changes in assumptions during the year were modifications to retirement, turnover and salary increase assumptions. Modifications to mortality tables also contributed to a small amount of the change. These changes resulted in an increase of $5.9 million to the pension benefit obligation and an $8.0 million increase to postretirement benefit obligations.

Plan Assets

The investment objective for the pension and retiree health plans seeks a positive long-term total return after inflation to meet the University's current and future plan obligations. Asset allocations for both plans combine tested theory and informed market judgment to balance investment risks with the need for high returns.

Plan asset allocations by category at June 30 are as follows:

	Pension		Retiree Health	
	2009	2008	2009	2008
Absolute return	20.1%	24.1%	14.6%	22.6%
Domestic equity	15.0%	14.5%	20.7%	19.9%
Fixed income	9.0%	14.0%	0.0%	0.0%
Foreign equity	18.3%	14.5%	15.8%	13.7%
Private equity	11.7%	10.7%	9.2%	8.3%
Real assets	21.3%	24.2%	30.3%	34.8%
Cash	4.6%	(2.0%)	9.4%	0.7%

The pension and retiree health long-term rate of return assumption is determined by adding expected inflation to expected long-term real returns of various asset classes, taking into account expected volatility and correlation between the returns of various asset classes.

Contributions

Annual contributions for the pension and retiree health plans are determined by the University considering calculations prepared by the plan's actuary as well as other factors. Expected contributions in fiscal 2010 to the pension plan are $1.2 million and $27.8 million for the retiree health plan.

Benefit Payments

The following estimated benefit payments, which reflect expected future service, are expected to be paid out of the plans, in thousands of dollars:

Fiscal year	Pension	Postretirement
2010	$28,800	$21,300
2011	30,700	23,400
2012	32,900	25,400
2013	35,700	27,700
2014	38,500	30,000
2015-2019	236,500	182,100

The University receives a Medicare part D subsidy from the federal government as reimbursement for certain retiree health benefits paid to plan participants. The subsidy is approximately 8% of retiree health benefits and was approximately $1.7 million for fiscal 2009.

Benefit Obligations

Assumptions used in determining the year end obligation of the pension and postretirement plans are:

	2009	2008
Weighted-average discount rate	5.00%	5.00%
Increase in future compensation levels	4.49%	4.55%
Projected health care cost trend rate	8.20%	8.70%
Ultimate trend rate	5.00%	5.00%
Year ultimate trend rate is achieved	2015	2015

The health care cost trend rate assumption has a significant effect on the amounts reported. For the fiscal year ended June 30, 2009, a one percent change in the health care cost trend rate would cause the postretirement benefit obligation at June 30, 2009 to change by approximately 14 percent and would also cause the sum of the service cost and interest cost components of postretirement expense to change by approximately 18.5 percent.

Net Periodic Benefit Cost

Net periodic benefit cost for the plans includes the following components, in thousands of dollars:

	Pension		Postretirement	
Net periodic benefit cost for the fiscal year ended	2009	2008	2009	2008
Service cost	$36,100	$ 27,816	$ 29,253	$ 20,923
Interest cost	40,170	38,102	30,378	27,311
Expected return on plan assets	(67,498)	(59,641)	(26,118)	(21,992)
Net amortization				
Transition obligation	-	-	3,717	3,717
Prior service cost	8,779	8,779	1,432	1,432
Net (gain) loss	428	(2,676)	9,525	5,247
Net periodic benefit cost	$ 17,979	$ 12,380	$ 48,187	$ 36,638

Assumptions used in determining the net periodic benefit cost of the pension and postretirement plans are:

	2009	2008
Weighted-average discount rate	5.00%	5.00%
Expected long-term rate of return	9.00%	9.00%
Compensation increase	4.49%	4.55%
Health care cost increase	8.20%	8.70%
Ultimate trend rate	5.00%	5.00%
Year ultimate trend rate is achieved	2015	2015

12. Endowment Funds

Yale's endowment consists of approximately 7,000 funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Yale Corporation to function as endowments. The University net asset composition by fund type as of June 30, 2009 includes:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$(64,806)	$11,172,573	$2,475,018	$ 13,582,785
Board-designated endowment	2,426,549	291,154	-	2 ,717,703
Total	$2,361,743	$11,463,727	$2,475,018	$16,300,488

Changes in endowment net assets for the fiscal year ended June 30, 2009 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of period	$ 3,539,218	$16,978,220	$2,328,591	$22,846,029
Investment return				
Investment income	70,404	351,336	-	421,740
Net depreciation	(1,059,490)	(4,880,939)	(14,522)	(5,954,951)
Total investment return	(989,086)	(4,529,603)	(14,522)	(5,533,211)
Contributions	-	24,384	141,674	166,058
Allocation of endowment spending to operations	(195,488)	(970,669)	3,400	(1,162,757)
Other changes	(1,321)	(45,385)	15,875	(30,831)
Transfers of operating funds to endowment	8,420	6,780	-	15,200
Endowment net assets, end of period	$ 2,361,743	$ 11,463,727	$2,475,018	$16,300,488

From time to time, the fair value of assets associated with permanently restricted endowment funds may fall below the level determined under Connecticut UPMIFA. During the year ended June 30, 2009, losses incurred in the investment portfolio resulted in a number of funds experiencing a drop in value below the permanently restricted value of those funds. The total amount of losses to individual funds in excess of permanently restricted amounts totaled $64.8 million at June 30, 2009. The losses are classified as unrestricted net assets.

13. Commitments and Contingencies

The University is involved in various legal actions arising in the normal course of activities and is also subject to periodic audits and inquiries by various regulatory agencies. Although the ultimate outcome is not determinable at this time, management, after taking into consideration advice of legal counsel, believes that the resolution of these pending matters should not have a material adverse effect, individually or in the aggregate, upon the University's financial position, activities or cash flows.

The University entered into an agreement during 2009 with the Department of Health and Human Services and other federal agencies to settle a claim against the University related to the financial management of certain grants supporting scientific research. The settlement did not have a material impact on the University's financial statements.

Minimum lease commitments at June 30, 2009 under agreements to lease space, in thousands of dollars, are as follows:

	Operating Lease Payments	Capital Lease Payments
2010	$ 8,991	$ 9,385
2011	7,515	9,412
2012	6,419	9,323
2013	4,531	9,250
2014	3,964	9,255
Thereafter	12,789	119,553
	44,209	166,178
Executory costs	-	(46,077)
Interest on capital leases	-	(60,247)
	$44,209	$ 59,854

The University has outstanding commitments on contracts to construct campus facilities in the amount of $351 million at June 30, 2009. Funding for these projects is expected to come from capital replacement reserves, gifts and future borrowing.

The University has entered into certain agreements to guarantee the debt and financial commitments of others. Under these agreements if the original debt holder defaults on their obligations the University may be required to satisfy all or part of the remaining obligation. The total amount of these guarantees is approximately $171 million at June 30, 2009.

14. Subsequent Events

On October 5, 2009 the University entered into an agreement to guarantee a $400 million loan of one of its newly formed investment companies. The loan bears interest at 4.59% and is due October 1, 2014.

Management has evaluated subsequent events for the period after June 30, 2009 through October 22, 2009, the date the financial statements were available to be issued.

The President and Fellows of Yale University

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Richard Charles Levin, B.A., B.LITT., PH.D.

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