KPMG

BUCKNELL UNIVERSITY

Consolidated Financial Statements

June 30, 2010
(with comparative information as of June 30, 2009)

(With Independent Auditors' Report Thereon)

BUCKNELL UNIVERSITY

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Independent Auditors' Report

The Board of Trustees
Bucknell University:

We have audited the accompanying consolidated statement of financial position of Bucknell University and subsidiary as of June 30, 2010, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of Bucknell University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the 2009 consolidated financial statements and, in our report dated October 23, 2009, we expressed an unqualified opinion on those consolidated financial statements.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bucknell University and subsidiary as of June 30, 2010, and the changes in their net assets and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

November 2, 2010

BUCKNELL UNIVERSITY

Consolidated Statement of Financial Position

June 30, 2010
(with comparative information as of June 30, 2009)

(In thousands)

Assets		**2010**	**2009**
Cash and cash equivalents	$	12,101	9,588
Inventories, prepaid expenses, and other assets		2,201	2,220
Accounts and other receivables, net (note 2)		5,254	4,394
Contributions receivable, net (note 2)		19,171	19,217
Loans and notes receivable, net (note 2)		8,384	9,013
Investments (note 3)		575,397	517,107
Funds held in trust by others (note 3)		10,445	9,531
Property and equipment, net (notes 4, 5, and 11)		222,994	223,747
Total assets	$	855,947	794,817
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	19,570	18,268
Student deposits and deferred revenues		8,179	8,583
Funds held for the accounts of others		2,037	1,861
Postretirement healthcare (note 9)		48,439	42,803
Annuities payable		14,567	14,760
Advances from federal government		4,330	4,277
Long-term debt (note 5)		40,649	41,632
Total liabilities		137,771	132,184
Net assets:			
Unrestricted		323,221	301,161
Temporarily restricted (note 6)		202,398	179,280
Permanently restricted (note 7)		192,557	182,192
Total net assets		718,176	662,633
Total liabilities and net assets	$	855,947	794,817

See accompanying notes to consolidated financial statements.

BUCKNELL UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2010
(with comparative information for the year ended June 30, 2009)

(In thousands)

	2010				2009
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Total**
Operating revenues:					
Tuition and fees	$ 142,965	—	—	142,965	139,538
Institutional scholarships	(43,455)	—	—	(43,455)	(41,569)
Net tuition and fees	99,510	—	—	99,510	97,969
Sales and services of auxiliary enterprises	29,046	—	—	29,046	32,054
Government grants and contracts	5,026	—	—	5,026	4,249
Private gifts, grants, and contributions	7,404	2,185	—	9,589	10,184
Net investment income (note 3)	10,469	19,093	—	29,562	29,364
Other	4,515	240	—	4,755	4,394
Net assets released from restrictions	19,699	(19,699)	—	—	—
Total operating revenues	175,669	1,819	—	177,488	178,214
Operating expenses (notes 8, 9, and 11):					
Education and general:					
Instruction	63,057	—	—	63,057	61,089
Research and public service	3,377	—	—	3,377	2,924
Academic support	21,556	—	—	21,556	21,134
Student services	30,556	—	—	30,556	30,084
Institutional support	27,458	—	—	27,458	27,778
Auxiliary enterprises	26,659	—	—	26,659	30,601
Total operating expenses	172,663	—	—	172,663	173,610
Change in net assets from operating revenues, net of expenses	3,006	1,819	—	4,825	4,604
Nonoperating activities:					
Investment gains (losses), net of endowment spending (note 3)	17,701	21,443	1,290	40,434	(128,368)
Capital gifts	154	4,184	9,075	13,413	14,699
Postretiree healthcare costs other than net periodic costs (note 9)	(3,129)	—	—	(3,129)	(514)
Net assets released from restrictions	4,328	(4,328)	—	—	—
Increase (decrease) in net assets from nonoperating activities	19,054	21,299	10,365	50,718	(114,183)
Change in net assets	22,060	23,118	10,365	55,543	(109,579)
Net assets, beginning of year	301,161	179,280	182,192	662,633	772,212
Net assets, end of year	$ 323,221	202,398	192,557	718,176	662,633

See accompanying notes to consolidated financial statements.

BUCKNELL UNIVERSITY

Consolidated Statement of Cash Flows

Year ended June 30, 2010
(with comparative totals for the year ended June 30, 2009)

(In thousands)

		2010	2009
Cash flows from operating activities:			
Change in net assets	$	55,543	(109,579)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Postretiree healthcare costs other than net periodic costs (note 9)		3,129	514
Depreciation		13,956	13,728
Contributions restricted for long-term investment		(13,259)	(13,138)
Net investment (appreciation) depreciation		(63,575)	111,811
Change in asset and liabilities:			
Accounts and other receivables		(860)	(940)
Inventories, prepaid expenses, and other assets		19	253
Loans and notes receivable		61	(127)
Accounts payable and accrued expenses		582	4,154
Postretirement healthcare		2,507	2,374
Net cash (used in) provided by operating activities		(1,897)	9,050
Cash flows from investing activities:			
Sales of investments		180,124	248,705
Purchases of investments		(174,346)	(242,733)
Loans and notes issued		(564)	(3,383)
Loans and notes collected		620	585
Purchase of property and equipment		(12,146)	(20,529)
Net cash used in investing activities		(6,312)	(17,355)
Cash flows from financing activities:			
Payment of bonds and notes payable		(15,799)	(2,218)
Proceeds from issuance of debt		14,816	—
Receipts under annuity liability arrangements		315	952
Payments to annuitants		(1,915)	(1,940)
Proceeds from private gifts and grants restricted for long-term investment		13,305	13,099
Net cash provided by financing activities		10,722	9,893
Net increase in cash and cash equivalents		2,513	1,588
Cash and cash equivalents – beginning of year		9,588	8,000
Cash and cash equivalents – end of year	$	12,101	9,588
Supplemental disclosure of cash flow information:			
Noncash financing and investing activities – property acquired	$	512	1,641
Cash paid for interest during the year		1,704	1,846

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

Bucknell University is a private, not-for-profit institution of higher education in Lewisburg, Pennsylvania. Bucknell University provides education services at the graduate and undergraduate levels. These consolidated financial statements include Bucknell University and Bison Ventures, Inc., a wholly owned subsidiary, formed in May 2009 (collectively, University). All significant intercompany balances have been eliminated in preparing these consolidated financial statements (financial statements).

The significant accounting policies followed by the University are described below to enhance the usefulness of the financial statements to the reader.

(a) Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Financial reporting standards require that net assets, revenues, gains, and losses be classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the investment income on related investments for general or specific purposes. Such assets primarily include the University’s donor-restricted endowment funds.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time.

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Revenues from sources other than contributions are reported as increases in unrestricted net assets. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and reported in accordance with donor-imposed restrictions, if any. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Investment income earned in excess of the University's spending policy and capital gifts restricted or designated for capital expenditures or long-term investment (i.e., endowment gifts) are considered nonoperating activities in the accompanying consolidated statement of activities.

(b) Fair Value

The University accounts for its investments and funds held in trust at fair value; however, as permitted by generally accepted accounting principles the University has not elected fair value accounting for any such assets (accounts, loans, notes, and contributions receivable) or liabilities (long-term debt, postretirement healthcare obligations, and annuities payable) that are not otherwise required to be measured at fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy for fair value measurements is based upon the transparency of inputs as further described in note 3.

With respect to investments that do not have a readily determinable fair value and for which it is industry practice for the investee to calculate and regularly report in its financial statements a net asset value per share (or its equivalent), the University, as a practical expedient, estimates fair value using the net asset value per share as reported by the investee. The University considers whether adjustment to the most recent net asset value per share is necessary if the net asset value per share obtained from the investee is not as of the University's financial statement date or if the investee's investment assets are not valued at fair value on a recurring basis.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit with financial institutions and other highly liquid investments with maturities of three months or less.

(d) Investments

Investments are recorded at estimated fair value as described in note 1(b) and note 3. Because certain investments are not readily marketable, their net asset value per share or equivalent has been used as a practical determinant for fair value and is subject to additional uncertainty. Therefore, values realized upon disposition may vary significantly from currently reported values.

The University's investments are exposed to various risks such as interest rate, market, and credit risks. Such risks, and the resulting investment fair values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, 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 consolidated statement of financial position.

(e) Funds Held in Trust by Others

Funds held in trust by others are for the benefit of the University based on the terms of the irrevocable trusts. These funds are neither in the possession, nor under the control, of the University. Such terms provide that the University a) is to receive annually the investment income earned by the funds that are held in trust or b) is to receive a remainder interest in the trust. The present values of the estimated future cash flows from the trusts are recognized as assets and contribution income at the dates the trusts are established. Investment income distributions from the trusts are recorded as investment income and the carrying value of the assets is adjusted for changes in the estimates of future receipts. Funds held in trust by others are carried at fair value as described in note 1(b) and note 3.

(f) Property and Equipment

Property and equipment are stated at cost or at estimated fair value if acquired by gift, less accumulated depreciation. Depreciation of the University's property and equipment is computed using a straight-line method over 15 to 50 years for buildings and improvements and 3 to 10 years for equipment, furniture, fixtures, and library books. As permitted by generally accepted accounting principles, the University does not capitalize works of art, historical artifacts, and collectibles, which are principally acquired by donation.

(g) Inventories

Inventories are stated at cost using the first-in, first-out method.

(h) Split-Interest Agreements and Annuities Payable

The University's split-interest agreements with donors consist primarily of charitable gift annuities, life income funds, and charitable trusts for which the University serves as trustee. Principally, all assets held in these trusts are included in investments. Contribution revenues are recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, changes in the estimated present value of future cash outflows, and other changes in the estimates of future benefits. The annuities payable represent the net present value of future cash outflows over the annuitant's life expectancy as required by the annuity agreements.

The University uses the applicable federal rate at the time of the gift as the basis for determining discount rates in recording annuity obligations at net present value for charitable gift annuities, life income funds, and charitable trusts for which the University serves as trustee. Discount rates for determining the net present value of annuities payable ranged from 2.8% to 7.0% as of June 30, 2010 and 2009.

(i) Advances from Federal Government for Student Loans

Funds provided by the U.S. government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are reported as a liability.

(j) Tax Status

Bucknell University, recognized by the Internal Revenue Service as a not-for-profit educational institution, qualifies under Section 501(c)(3) of the Internal Revenue Code and thus is exempt from federal income tax on activities related to its exempt purpose. Bison Ventures, Inc., a wholly owned for-profit, taxable subsidiary, operates a bookstore in Lewisburg, Pennsylvania.

Effective July 1, 2007, the University records income tax liabilities and assets using a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The University does not believe that there are any unrecognized tax benefits or costs that should be recorded in the financial statements.

(k) Prior Year Information

The financial statements include certain prior year comparative information summarized in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's audited financial statements for the year ended June 30, 2009, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the current year presentation.

(l) Subsequent Events

Management has evaluated subsequent events through November 2, 2010, the date the financial statements were available to be issued.

(In thousands of dollars)

(2) Receivables

(a) Accounts, Notes, and Loans Receivable

Accounts, notes, and loans receivable as of June 30 consist of the following:

		2010	2009
Accounts and other receivables:			
Students	$	1,049	907
Other		729	474
Less allowance for doubtful accounts		(307)	(261)
		1,471	1,120
Accrued interest income		88	197
Accrued grants/contracts revenue		3,695	3,077
	$	5,254	4,394
Loans and notes receivable:			
Student loans	$	5,950	6,039
Employee loans		1,049	1,053
Notes receivable		1,668	2,180
Less allowance for doubtful accounts		(283)	(259)
	$	8,384	9,013

(b) Contributions Receivable

The net present value of contributions receivable as of June 30 follows:

		2010	2009
Unconditional promises expected to be collected:			
One year or less	$	9,495	6,515
One year to five years		8,743	11,110
Over five years		2,908	2,946
		21,146	20,571
Less allowance for uncollectible contributions		(1,975)	(1,354)
Total contributions receivable	$	19,171	19,217

(In thousands of dollars)

The net present value of contributions receivable is recorded as follows:

		2010	2009
Temporarily restricted (donor use and time restrictions)	$	6,967	5,378
Permanently restricted (donor endowment funds)		12,204	13,839
Total contributions receivable	$	19,171	19,217

Contributions receivable are recorded at estimated fair value on the date the donor's unconditional promise to contribute is made using the present value of future cash flows. Contributions receivable are not measured at fair value subsequent to the initial measurement because the discount rate selected for each contribution receivable remains constant over time.

Discount rates used to determine net present values of contributions receivable as of June 30, 2010 and 2009 ranged from 2.8% to 6.5%. The discount to present value amounted to approximately $2,820 and $2,054 at June 30, 2010 and 2009, respectively.

(3) Investments and Funds Held in Trust by Others

A summary of the investments held by the University and funds held in trust by others at June 30 follows:

		2010	2009
U.S. government agency bonds and notes	$	12,904	23,997
Publicly traded mutual funds		80,967	56,321
Certificates of deposit		3,298	1,977
Commingled or custodial bond funds		16,819	32,025
Total fixed income investments		113,988	114,320
Publicly traded equity securities and mutual funds		171,046	160,565
Redeemable alternative funds		134,826	121,837
Private funds		154,877	119,843
Total alternative investment funds		289,703	241,680
Other investments		660	542
Total investments		575,397	517,107
Funds held in trust by others		10,445	9,531
Total	$	585,842	526,638

Alternative investment funds are principally ownership interests in investment entities structured as limited partnerships or corporations or units/shares of investment funds that are not traded in public markets or exchanges. Underlying securities owned by the limited partnerships/corporations or investment funds include certain publicly traded securities that have readily available market values and other investments that are not readily marketable. All alternative investment funds are held in the University's endowment fund.

At June 30, 2010 and 2009, the University has used an estimate of fair value of commingled or custodial bond funds of $16,819 and $32,025, respectively, and redeemable alternative funds of $134,826 as of June 30, 2010 and $121,837 as of June 30, 2009 based on the net asset value per share of the respective investment fund consistent with the measurement provisions as described in note 1(b). These investments are redeemable, generally at each calendar quarter or anniversary date, at net asset value under the terms of the underlying fund agreements or subscription documents. However, it is possible that these redemption rights may be restricted in the future. At June 30, 2010, $12,500 of these otherwise redeemable investment funds were restricted from redemption due to limitations placed by the investment fund managers such as stated lock-up periods for recent investments made (usually within the last year) or due to investment funds that segregate certain underlying securities as currently nonredeemable (i.e., side-pocket investments). At June 30, 2009, $27,374 of these investment funds had similar redemption restrictions.

Private funds generally are not redeemable at net asset value until the underlying partnership or limited liability corporation dissolves or the underlying investments of the fund are sold. Most of the underlying investments in private funds are ownership interests in closely held companies and are not readily marketable. Although a secondary market may exist from time to time for private funds, individual transactions are typically not observable. When such secondary market transactions do occur, they may occur at amounts that differ from the reported net asset value. It is, therefore, reasonably possible that if the University were to sell these investments in the secondary market, buyers may require a discount to the reported fair value and the discount could be significant.

Under the terms of the agreements with alternative investment funds, the University has remaining commitments to invest in these funds of approximately $92,500 at June 30, 2010. Remaining commitments at June 30, 2009 were approximately $113,500.

(a) Investment Fair Value Accounting and Reporting

As described in note 1(b), fair value is defined as the price the University would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value also requires disclosures using a three-level hierarchy based upon the transparency of inputs to the valuation of an asset or liability.

Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the University. Unobservable inputs reflect the University's view of assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. That information includes, but is not limited to, the recent audited financial statements of the respective alternative investment funds, financial information of underlying securities of the respective funds provided by the fund manager, and review of performance data of similar funds or investments.

Each investment (including funds held in trust by others) is assigned a level based upon the observability of the inputs, which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below:

Level 1: Quoted prices in active markets for identical financial instruments.

Level 2: Other significant observable inputs, including quoted prices for similar financial instruments, interest rates, credit spreads, etc. Generally, University investments in redeemable investment funds and commingled investment funds that are fully redeemable, given timely notice under the terms of the investment fund, at net asset value, or its equivalent, are included in Level 2.

Level 3: Significant unobservable inputs. This category includes financial instruments whose fair value requires significant management judgment or estimation. This category generally includes private funds and certain other nonmarketable investments. Generally, fair value for these investments is estimated based on the reported net asset value or its equivalent of the alternative investment fund.

In certain cases, the inputs to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which fair value level is based on the lowest level of input that is significant to the fair value measurement of the specific alternative investment fund or fund held in trust by others.

The classification of investments in the fair value levels described above is not necessarily an indication of the degree of risks, liquidity, and price volatility.

(In thousands of dollars)

The following table presents fair value information at June 30, 2010 of the University's investments and funds held in trust by others:

	Total	Level 1	Level 2	Level 3	Redemption or liquidation	Days notice	Outstanding commitments
U.S. government and related agencies	$ 12,904	—	12,904	—	Daily (1)		$ —
Publicly traded mutual funds:							
U.S. fixed income	70,171	70,171	—	—	Daily (1)		—
International fixed income	10,796	10,796	—	—	Daily (1)		—
Certificates of deposit	3,298	—	3,298	—	Monthly (2)	30	—
Commingled investment funds – bond funds	16,819	—	16,819	—	Weekly-monthly	5	—
Fixed income investments	113,988	80,967	33,021	—			—
Publicly traded equity securities	63,536	63,536	—	—	Daily (1)		—
Publicly traded mutual funds – U.S. equities	36,846	36,846	—	—	Daily (1)		—
Publicly traded mutual funds – international equities	70,664	70,664	—	—	Daily (1)		—
Publicly traded equity investments	171,046	171,046	—	—			—
Multistrategy	62,384	—	35,884	26,500	Quarterly-annually	45-90	—
Long/short equity strategy	37,575	—	32,363	5,212	Monthly-annually	30-90	—
Other strategies	34,867	—	15,307	19,560	Monthly-bi-annually	30-90	—
Redeemable alternative funds	134,826	—	83,554	51,272			—
Private real estate	9,105	—	—	9,105	Illiquid		19,250
Private energy	17,047	—	—	17,047	Illiquid		26,281
Private – other	128,725	—	—	128,725	Illiquid		47,027
Private funds	154,877	—	—	154,877			92,558
Alternative investment funds	289,703	—	83,554	206,149			92,558
Other investments	660	—	—	660	Illiquid		—
Total investments	$ 575,397	252,013	116,575	206,809			$ 92,558
Funds held in trust by others	$ 10,445	—	4,738	5,707	Illiquid (3)		$ —

(In thousands of dollars)

The following table presents fair value information at June 30, 2009 of the University's investments and funds held in trust by others:

	Total	Level 1	Level 2	Level 3	Redemption or liquidation	Days notice	Outstanding commitments
U.S. government and related agencies	$ 23,997	—	23,997	—	Daily (1)		$ —
Publicly traded mutual funds:							
U.S. fixed income	46,493	46,493	—	—	Daily (1)		—
International fixed income	9,828	9,828	—	—	Daily (1)		—
Certificates of deposit	1,977	—	1,977	—	Monthly (2)	30	—
Commingled investment funds	32,025	—	21,751	10,274	Weekly-monthly	5	—
Fixed income investments	114,320	56,321	47,725	10,274			—
Publicly traded equity securities	68,133	68,133	—	—	Daily (1)		—
Publicly traded mutual funds – U.S. equities	31,285	31,285	—	—	Daily (1)		—
Publicly traded mutual funds – international equities	61,147	61,147	—	—	Daily (1)		—
Publicly traded equity investments	160,565	160,565	—	—			—
Multistrategy	61,311	—	34,117	27,194	Quarterly-annually	45-90	—
Long/short equity strategy	30,354	—	26,394	3,960	Monthly-annually	30-90	—
Other strategies	30,172	—	13,318	16,854	Monthly-bi-annually	30-90	900
Redeemable alternative funds	121,837	—	73,829	48,008			900
Private real estate	7,621	—	—	7,621	Illiquid		21,469
Private energy	11,472	—	—	11,472	Illiquid		29,809
Private – other	100,750	—	—	100,750	Illiquid		61,289
Private funds	119,843	—	—	119,843			112,567
Alternative investment funds	241,680	—	73,829	167,851			113,467
Other investments	542	—	—	542	Illiquid		—
Total investments	$ 517,107	216,886	121,554	178,667			$ 113,467
Funds held in trust by others	$ 9,531	—	4,480	5,051	Illiquid (3)		$ —

Notes regarding redemption or liquidation on pages 13 and 14:

(1) Bucknell University may sell the investments in these categories on same day or next day terms. However, the settlement of trades and receipt of cash proceeds is governed by the national exchange on which the equity security, fixed income security, or mutual fund shares trade. These settlement terms typically range from 1 to 3 days.

(2) Certificates of deposit that may be liquidated prior to maturity with 30-day notice or less. A penalty for early redemption applies.

(3) Funds held in trust by others include $4,738 and $4,480 at June 30, 2010 and 2009, respectively, for which the University irrevocably receives investment income from the trusts and the trust assets are held in perpetuity; whereas, $5,707 and $5,051 at June 30, 2010 and 2009, respectively, represent the estimated net present value of expected University receipts from funds held in trust by others as provided by the termination provisions of the trust agreements.

Notes regarding the nature of alternative investment funds on pages 13 and 14:

Redeemable Alternative Funds

Multistrategy

Multistrategy funds pursue multiple strategies to diversify risks and reduce volatility. These funds have the ability to shift investments between net long and net short positions in equity, fixed income, commodities, currencies, and private investments. One of these funds at June 30, 2010 has restricted redemptions totaling $3,300 and the time the restriction may lapse cannot be estimated. Also, approximately $400 of certain illiquid side-pocket investments are included in this category. At June 30, 2009, $15,900 of these multistrategy funds were restricted from redemption and $300 was invested in illiquid side-pocket investments.

Long/short Equity

Long/short equity funds invest in both long and short positions primarily in U.S. common stocks. These funds have the ability to shift investments between value and growth strategies, small and large capitalization stocks, and net long and net short positions. At June 30, 2010 approximately $8,000 of these funds cannot be redeemed because the funds have restrictions that do not allow for redemptions in the first 12 months after acquisition.

The University divested its interest in one of these funds by giving timely notice during the year ended June 30, 2010 and received in July 2010 the June 30, 2010 net asset value of $16,465.

Other Strategies

Other strategies’ funds invest in fixed income arbitrage, master limited partnerships, and senior secured bank loans. At June 30, 2010 and 2009 approximately $400 and $900, respectively, of certain illiquid side-pocket investments are included in this category.

The University divested its interest in one of these funds by giving timely notice during the year ended June 30, 2010 and received in July 2010 the June 30, 2010 net asset value of $3,800.

Private Funds

Real Estate Funds

Private real estate funds invest primarily in U.S. and non-U.S. real estate. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the remaining life of the respective funds that expire over the next 4 – 11 years.

Energy Funds

Private energy funds invest primarily in U.S. and non-U.S. oil, gas, and renewable energy assets. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the remaining life of the respective funds that expire over the next 5 – 11 years.

Private – Other

These funds invest primarily in U.S. and non-U.S. private corporations in multiple industries and locations and in other private funds (e.g., fund of funds). Approximately $24,000 and $14,000 at June 30, 2010 and 2009, respectively, of this category includes private funds that have a primary objective of investing outside of the United States. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the remaining life of the respective funds that expire over the next 1 – 12 years.

(In thousands of dollars)

The following table presents a reconciliation of investments in which significant unobservable inputs (Level 3) were used to determine fair value:

		Balance at June 30, 2009	Purchases	Sales, redemptions, or distributions	Net appreciation (depreciation)	Transfer into (out of) Level 3	Balance at June 30, 2010
Investments:							
Fixed income	$	10,274	—	(2,984)	197	(7,487)	—
Redeemable alternative funds		48,008	—	(5,373)	8,637	—	51,272
Private funds		119,843	21,507	(13,007)	26,534	—	154,877
Other investments		542	162	(20)	(24)	—	660
Total	$	178,667	21,669	(21,384)	35,344	(7,487)	206,809
Funds held in trust by others	$	5,051	—	—	656	—	5,707

		Balance at June 30, 2008	Purchases	Sales, redemptions, or distributions	Net appreciation (depreciation)	Transfer into (out of) Level 3	Balance at June 30, 2009
Investments:							
Fixed income	$	—	—	(24,773)	(1,108)	36,155	10,274
Redeemable alternative funds		54,683	—	(282)	(6,393)	—	48,008
Private funds		127,045	24,367	(7,884)	(23,685)	—	119,843
Other investments		598	242	—	(298)	—	542
Total	$	182,326	24,609	(32,939)	(31,484)	36,155	178,667
Funds held in trust by others	$	6,596	—	—	(1,545)	—	5,051

(b) Additional Investment and Investment Income Information

Unless precluded by donor restriction, endowment funds are pooled and collectively managed on a unitized basis. Each individual endowment fund subscribes to or disposes of units in the pool, using the estimated fair value at the end of the quarter such subscription or disposition occurs.

(In thousands of dollars)

The following is a summary of endowment and other fund investments and funds held in trust by others:

	June 30, 2010			June 30, 2009		
	Endowment	Other	Total	Endowment	Other	Total
Fixed income investments	$ 39,018	74,970	113,988	46,910	67,410	114,320
Publicly traded equity securities and mutual funds	158,036	13,010	171,046	149,756	10,809	160,565
Alternative investment funds	289,703	—	289,703	241,680	—	241,680
Other investments	—	660	660	—	542	542
Total investments	486,757	88,640	575,397	438,346	78,761	517,107
Funds held in trust by others	4,738	5,707	10,445	4,480	5,051	9,531
Total	$ 491,495	94,347	585,842	442,826	83,812	526,638

	June 30, 2010	June 30, 2009
Other funds are held for the following:		
Investments held for operations and facilities	$ 65,878	56,897
Investments held for split-interest agreements	22,762	21,864
Funds held in trust by others – split-interest agreements	5,707	5,051
	$ 94,347	83,812

Net investment income (loss) for the years ended June 30 consisted of the following:

	2010	2009
Interest and dividends	$ 7,871	15,892
Net appreciation (depreciation)	63,575	(111,811)
Investment expenses	(1,450)	(3,085)
Total investment income (loss)	$ 69,996	(99,004)

Net appreciation (depreciation) includes unrealized and realized gains (losses) on specific investment securities owned by the University as well as the University's share of net investment return on mutual funds, private funds, redeemable alternative funds, and net appreciation of funds held in trust by others.

Investment expenses include those investment custody fees, internal and external investment advisory costs, and investment management fees incurred for services rendered for the sole benefit of the University. Investment expenses incurred directly by mutual funds and alternative investment funds that are contracted by the respective fund managers are included in the University's share of the respective fund's net investment return and are not reported separately as investment expenses by the University.

Investment income (loss) is presented in the consolidated statement of activities as follows:

		2010	2009
Operating investment income, including endowment income	$	29,562	29,364
Nonoperating investment income (loss), net of endowment income withdrawals		40,434	(128,368)
Total investment income (loss)	$	69,996	(99,004)

(c) Endowment Accounting and Reporting

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

(d) Interpretation of Relevant Law Regarding Donor Endowments and Spending Policy

The University has interpreted the Commonwealth of Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations, if any, to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University under its endowment spending policy.

Commonwealth of Pennsylvania law requires the University to allocate to income each year a portion of endowment net realized gains based on a minimum of 2% and a maximum of 7% of a three-year or more moving average of the market value of the endowed assets. Unless the terms of the gift instrument state otherwise, accumulated endowment net realized gains may, therefore, eventually be spent over time by the University. As a result, endowment net unrealized and realized gains are recorded in the financial statements as temporarily restricted net assets.

(In thousands of dollars)

The University's endowment spending policy allows for the spending of pooled endowment earnings determined at 4.5% of a 12-quarter moving average of the fair value of pooled assets. Should the determined spendable amount not provide for a 5.0% increment over the previous fiscal year spendable amount, the determined amount may be further adjusted to the 5.0% incremental level, but not exceeding 5.5% of the 12-quarter moving average of the fair value of pooled assets.

(e) Summary of Endowment Balances and Activity by Net Asset Classification

Endowment net assets consisted of the following at June 30, 2010:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(4,600)	168,416	173,593	337,409
Board-designated endowment funds		152,004	2,082	—	154,086
Total endowment net assets	$	147,404	170,498	173,593	491,495

Endowment net assets consisted of the following at June 30, 2009:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(8,695)	147,934	162,023	301,262
Board-designated endowment funds		138,595	2,969	—	141,564
Total endowment net assets	$	129,900	150,903	162,023	442,826

(f) Donor Endowment Funds with Fair Values Less than Contributed Value

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the original value of gifts donated. Deficiencies of this nature that are reported in unrestricted net assets were $4,600 and $8,695 as of June 30, 2010 and 2009, respectively. Subsequent gains that restore the fair value of the assets of the endowment fund to the original value will be classified as an increase in unrestricted net assets.

(In thousands of dollars)

Changes in endowment net assets for the year ended June 30, 2010 follow:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2009	$ 129,900	150,903	162,023	442,826
Contributions received	87	164	10,579	10,830
Proceeds from expired split-interest agreements	—	—	598	598
Total contributions and other additions	87	164	11,177	11,428
Investment return:				
Interest and dividends	1,999	3,230	—	5,229
Net appreciation	22,599	36,077	393	59,069
Total investment return	24,598	39,307	393	64,298
Withdrawal of endowment assets for operating activities under the University's spending policy	(8,482)	(19,099)	—	(27,581)
Withdrawal of board-designated endowment for operating activities	(101)	—	—	(101)
Total support to operating activities	(8,583)	(19,099)	—	(27,682)
Transfers to board-designated funds	—	625	—	625
Release from donor restrictions	1,402	(1,402)	—	—
Endowment net assets, June 30, 2010	$ 147,404	170,498	173,593	491,495

(In thousands of dollars)

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

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2008	$ 175,198	222,474	156,920	554,592
Contributions received	87	242	6,150	6,479
Proceeds from expired split-interest agreements	—	—	156	156
Total contributions and other additions	87	242	6,306	6,635
Investment return:				
Interest and dividends	4,980	7,646	—	12,626
Net depreciation	(41,578)	(63,828)	(1,203)	(106,609)
Total investment return	(36,598)	(56,182)	(1,203)	(93,983)
Withdrawal of endowment assets for operating activities under the University's spending policy	(8,244)	(17,531)	—	(25,775)
Withdrawal of board-designated endowment for operating activities	(2,143)	—	—	(2,143)
Total support to operating activities	(10,387)	(17,531)	—	(27,918)
Transfers to board-designated funds	—	3,500	—	3,500
Release from donor restrictions	1,600	(1,600)	—	—
Endowment net assets, June 30, 2009	$ 129,900	150,903	162,023	442,826

(g) Endowment Investment Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organizations must hold in perpetuity or for a donor-specified period, as well as board-designated funds. The long-term return objective, as approved by the Board of Trustees, is to produce an inflation-adjusted rate of return measured over rolling five-year periods that exceeds the endowment spending policy. The University maintains a diversified asset allocation that places emphasis on generating an acceptable level of return given a prudent level of risk.

Risk may take the form of investment concentration, volatility, illiquidity, or other dimensions, and is monitored to ensure the incremental risks are appropriate for the given level of incremental returns.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that is divided into four asset groups: Growth, Hybrid, Inflation-protection, and Low-volatility assets. Growth assets (principally publicly traded equity securities and mutual funds and certain private alternative investment funds) are intended to produce equity-like returns, while Hybrid assets (principally redeemable alternative investment funds) are meant to produce returns that are less correlated with Growth assets. Inflation-protection assets (principally private real estate and private energy funds and certain redeemable alternative funds) are expected to provide reasonable returns but are likely to perform better during periods of rising inflation. Lastly, Low-volatility assets (principally fixed income investments) should produce modest returns in most environments and provide stability for the endowment.

The ranges for these asset classes, as approved by the Board of Trustees, are as follows:

	Range
Growth assets	40% – 75%
Inflation protection assets	0% – 20%
Low-volatility assets	5% – 20%
Hybrid assets	10% – 50%

(In thousands of dollars)

(4) Property and Equipment

Property and equipment as of June 30 are summarized as follows:

		2010	2009
Land	$	5,293	5,293
Buildings and improvements		280,558	268,855
Equipment, furniture, and fixtures		105,616	101,860
Library books and materials		43,664	41,571
Construction in progress		3,108	7,499
		438,239	425,078
Less accumulated depreciation:			
Buildings and improvements		89,786	82,970
Equipment, furniture, and fixtures		92,673	87,753
Library books and materials		32,786	30,608
		215,245	201,331
Property and equipment, net	$	222,994	223,747

(5) Long-Term Debt

The following is a summary of bonds and notes payable as of June 30:

		2010	2009
University revenue bonds, Series 1996	$	—	6,535
University revenue bonds, Series 1998		—	8,535
University revenue bonds, Series 2002 A		18,115	18,425
University revenue bonds, Series 2002 B		5,440	5,805
University revenue bonds, Series 2010		12,445	—
		36,000	39,300
Bond premium – Series 2002 A		420	469
Bond premium – Series 2010		1,157	—
Total bonds payable		37,577	39,769
Notes payable		1,168	222
Capital lease obligation		1,904	1,641
Total long-term debt	$	40,649	41,632

The University entered into various agreements with the Union County Higher Educational Facilities Financing Authority (Authority) that provided issuance of $20,325 University Revenue Bonds, Series 2002A. The Series 2002A bonds carry interest rates ranging from 4.00% to 5.25% with annual principal payments made on April 1. These bonds mature in various amounts through April 1, 2022 of which $17,100 are callable by the Authority upon direction of the University on or after April 1, 2013.

(In thousands of dollars)

The University entered into various agreements with the Authority that provided issuance of $7,890 University Variable Rate Revenue Bonds, Series 2002B. The Series 2002B bonds require annual principal payments each April 1 (with final payment on April 1, 2022) and bear variable rate interest (0.26% at June 30, 2010) as determined by the remarketing agent. The Series 2002B bonds are callable at any time in whole or in part by the Authority upon direction of the University.

The Series 2002B bonds are remarketed weekly by the remarketing agent. The University provides self-liquidity for the weekly remarketing and as such must provide funds required to purchase tendered Series 2002B bonds should weekly remarketing proceeds be insufficient to pay the selling bondholders.

In April 2010, the University entered into various agreements with the Authority that provided issuance of $12,445 Revenue Bonds, Series 2010. The proceeds of the bonds were used to redeem the Series 1996 and Series 1998 bonds and pay for the costs of issuance. The Series 2010 bonds bear interest ranging from 2.00% to 5.00% with annual principal payments made on April 1. These bonds mature in various amounts through April 1, 2018. The Series 2010 bonds are not subject to call or early redemption.

The University entered into an agreement in June 2004 for the purchase of land and a building. The note, with a balance of $222 at June 30, 2010, shall be discharged upon final payment on July 1, 2024 or upon the razing of the structure, whichever first occurs, pending all other contractual obligations. The obligation bears annual interest at 5.5%.

In December 2009, the University entered into a loan agreement with the Borough of Lewisburg, Pennsylvania, for $1 million. The loan bears interest at 2.7%, requires annual debt service payments of $55, and matures in 2033.

Principal maturities of bonds and notes payable described above for the next five fiscal years follow:

2011	$	2,357
2012		2,416
2013		2,511
2014		2,627
2015		2,753

In May 2009, the University entered into various agreements with entities owned or controlled by one or more of the following parties to finance and construct a bookstore for the exclusive use of the University in Lewisburg, Pennsylvania: a community development entity (CDE), a community development corporation owned by a national bank (CDC), and a real estate corporation (REC). The agreements provide for the University and the CDC to fund various community development loans to the REC totaling $8,730 to finance the bookstore construction.

(Continued)

(In thousands of dollars)

Concurrent with these financing agreements, the University, primarily through its wholly owned taxable subsidiary, entered into agreements that provide for the University to lease the bookstore from the REC. The agreements provide that the REC may sell its ownership interest in the project to the University, net of the community development loans owed to the University described above, for approximately $800, including closing costs, in May 2016. If the REC does not exercise its sell option, the University can exercise an option to purchase the ownership interest at the then fair value, net of the loans described above. The University estimates that its purchase option at net present value approximates the REC's sell option. Because of the interdependent loan agreements, lease agreements, and sell/purchase options described above, the University has accounted for the transaction as a capital lease.

Future net cash outflows under the bookstore-related agreements described above range from $132 for the year ended June 30, 2011 to $936 for the year ended June 30, 2016. At June 30, 2010 and 2009, property and equipment (net of accumulated depreciation) under the capital lease were $6,286 and $6,804, respectively.

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

		2010	2009
Investment gains on donor endowments subject to time restrictions under Pennsylvania law	$	168,416	147,934
Pledges receivable subject to time and/or purpose restrictions		6,967	5,378
Unexpended donor-restricted funds available for:			
Scholarship and financial aid		8,045	7,530
Other university activities		18,970	18,438
Total temporarily restricted net assets	$	202,398	179,280

(7) Permanently Restricted Net Assets

Permanently restricted net assets are principally donor endowment funds. The investment income earned on these funds is used, as specified by the donors, to support university activities as listed below:

		2010	2009
Donor-contributed principal invested to support:			
Scholarship and financial aid	$	115,041	109,600
Instruction and academic programs		41,278	37,043
Library and related services		7,369	7,366
Other		28,869	28,183
Total permanently restricted net assets	$	192,557	182,192

(Continued)

(In thousands of dollars)

(8) Defined Contribution Retirement Plan

Pension benefits for staff, faculty, and administration are provided under the University's defined contribution retirement program administered by the Teachers' Insurance and Annuity Association for Colleges and Universities. The University's policy is to pay its share of the annual premium accrued in connection with this program; there are no unfunded benefits. University contributions were $6,573 and $6,524 for 2010 and 2009, respectively.

(9) Postretirement Healthcare Benefits

Certain current and former employees are covered by a postretirement healthcare plan. The University accrues the cost of postretirement benefits other than pensions over the employee's service period. Participants must have 15 years of continuous service after the later of: a) age 47 or b) date of hire to be eligible for postretirement healthcare benefits. Those benefits are limited per participant to a multiple of calendar year 2006 healthcare premiums.

The following table sets forth the plan's funded status and amounts recognized in the University's consolidated statement of financial position at June 30:

		2010	2009
Change in benefit obligation during year:			
Benefit obligation at beginning of year	$	42,803	39,915
Service cost		1,926	1,811
Interest cost		2,614	2,438
Benefit payments		(1,846)	(1,688)
Actuarial loss		2,942	327
Benefit obligation at end of year	$	48,439	42,803
Change in plan assets during year:			
Fair value of plan assets at beginning of year	$	—	—
Employer contributions		1,846	1,688
Benefit payments		(1,846)	(1,688)
Fair value of plan assets at end of year	$	—	—

		2010	2009
Net periodic benefit cost recognized for year:			
Service cost	$	1,926	1,811
Interest cost		2,614	2,438
Amortization of prior service costs		(187)	(187)
Net periodic benefit cost reported as operating expenses	$	4,353	4,062
Effect of a 1% increase in medical cost trend rate:			
Change in total of service cost and interest cost	$	653	604
Change in benefit obligation		4,874	4,604
Effect of a 1% decrease in medical cost trend rate:			
Change in total of service cost and interest cost	$	(467)	(481)
Change in benefit obligation		(3,839)	(3,835)
Weighted average assumptions at end of year:			
Discount rate		5.50%	6.25%
Initial healthcare cost trend rate		9.00	9.00
Ultimate healthcare cost trend rate		5.00	5.00
Years remaining to attain ultimate healthcare cost trend rate		5	5
Measurement date		June 30, 2010	June 30, 2009

Estimated actuarial loss and prior service credit that will be amortized over the fiscal year June 30, 2010 are $(35) and $187, respectively.

Expected cash outflow information for fiscal years ending after June 30, 2010:

Year ending June 30:		
2011	$	2,255
2012		2,338
2013		2,504
2014		2,670
2015		2,814
2016 – 2020		17,147

(In thousands of dollars)

Additionally, the following items were recognized during the years ended June 30, 2010 and 2009 and are presented in the consolidated statement of activities as nonoperating activities:

		2010	2009
Nonoperating activities include:			
Change in unrecognized prior service credits	$	(187)	(187)
Change in unrecognized actuarial loss		(2,942)	(327)
Total nonoperating activities related to retiree healthcare	$	(3,129)	(514)

Amounts recognized in unrestricted net assets in the consolidated statement of financial position include the following:

		June 30 2010	June 30 2009
Unrecognized prior service credits	$	1,498	1,685
Unrecognized actuarial loss		(5,370)	(2,428)
	$	(3,872)	(743)

In December 2003, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Act) became law. The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health benefits that provide a benefit that is at least actuarially equivalent to the Medicare benefit. The University, through arrangements with its healthcare insurance provider, pays insurance premiums that are billed net of the federal subsidy.

(10) Commitment and Contingencies

The University has a contingent liability as guarantor of a portion of certain faculty and administrative employees' mortgages and loans. The portion of these outstanding mortgages and loans that is being guaranteed by the University amounts to $1,407 and $1,296 at June 30, 2010 and 2009, respectively. No guaranteed mortgages were in default as of June 30, 2010 and 2009.

Amounts received and expended by the University under various federal and state programs are subject to audit by governmental entities. In the opinion of management, audit adjustments, if any, will not have a significant effect on the consolidated financial position of the University.

The University is obligated for certain construction and other commitments totaling approximately $5,678 at June 30, 2010.

(In thousands of dollars)

The University is party to various litigation and other claims in the ordinary course of business. It is the opinion of management, as advised by legal counsel, that these matters will not have a material effect on the financial statements of the University.

(11) Operating Expenses

Operating expenses by natural classification for the years ended June 30, 2010 and 2009 follow:

		2010	2009
Compensation and benefits (a)	$	108,878	105,576
Purchased services and supplies		39,495	43,531
Utilities and fuel		8,752	8,991
Depreciation		13,956	13,728
Interest		1,582	1,784
Total operating expenses	$	172,663	173,610

(a) Compensation and benefits for the year ended June 30, 2010 includes $2,438 of retirement incentive costs for those employees that accepted a retirement incentive offer by May 2010. The retirement incentive was offered during the year ended June 30, 2010 to those full-time employees age 62 or older with at least 15 years of service on or before June 30, 2010.

Fund-Raising and Alumni Relations

Fund-raising and alumni relations expenses totaled $10,823 and $11,374 for the years ended June 30, 2010 and 2009, respectively. These fund-raising and alumni relations expenses are reported as institutional support in the consolidated statement of activities and include salaries and wages, fringe benefits, supplies, purchased services, publications, travel, and allocable costs such as depreciation, information technology, and operation and maintenance of facilities expenses.

Related-Party Transaction

A member of the University's Board of Trustees is president and chief operating officer of a healthcare organization providing certain competitively bid healthcare insurance services to the University. Amounts paid for those insurance services totaled $3,519 and $2,740 for the years ended June 30, 2010 and 2009, respectively. From September 2006 to June 30, 2010, the University's president served on the board of directors of the healthcare organization referred to above.

(12) Fair Value of Financial Instruments

The carrying amounts of cash, accounts and other receivables, employee loans receivable, and accounts payable and accrued expenses approximate fair value because of the short maturity of these financial instruments. The fair values of investments and funds held in trust by others are more fully discussed in notes 1(b) and 3.

A reasonable estimate of the fair value of loans and notes receivable (with carrying values of $8,384 at June 30, 2010) could not be made because the notes are not salable. Long-term debt, with a carrying value of $40,649 at June 30, 2010, has a fair value of approximately $41,325.