

# American University of Beirut

Financial Statements as of and for the  
Years Ended September 30, 2010 and 2009, and  
Independent Auditors' Report

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
American University of Beirut:

We have audited the accompanying statements of financial position of American University of Beirut (the "University") as of September 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the University as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

August 12, 2011

**AMERICAN UNIVERSITY OF BEIRUT**

**STATEMENTS OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2010 AND 2009**

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 82,327,130	\$ 74,899,228
Accounts and grants receivable, net of allowance for doubtful accounts of \$13,308,000 and \$15,427,000, respectively	78,137,810	74,300,343
Inventories and prepaid expenses	11,431,785	14,389,656
Contributions receivable, net of allowances	33,825,261	39,626,695
Investments	489,722,320	454,901,309
Property and equipment - net	<u>284,359,782</u>	<u>272,766,695</u>
 TOTAL	 <u>\$ 979,804,088</u>	 <u>\$ 930,883,926</u>
 <b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 52,677,245	\$ 43,441,848
Deposits and deferred revenues	48,909,534	39,664,277
Interest rate swap valuation liability	4,125,536	-
Term loan and credit agreements payable	70,663,889	77,363,889
Accrued end-of-service benefits	<u>62,200,000</u>	<u>58,000,000</u>
 Total liabilities	 <u>238,576,204</u>	 <u>218,470,014</u>
 NET ASSETS:		
Unrestricted	457,864,417	492,099,163
Temporarily restricted	160,499,412	103,055,080
Permanently restricted	<u>122,864,055</u>	<u>117,259,669</u>
 Total net assets	 <u>741,227,884</u>	 <u>712,413,912</u>
 TOTAL	 <u>\$ 979,804,088</u>	 <u>\$ 930,883,926</u>

See accompanying notes to financial statements.

AMERICAN UNIVERSITY OF BEIRUT

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating:								
Revenues - contributions, grants and contracts	\$ 5,342,208	\$ 7,354,615	\$ -	\$ 12,696,823	\$ 5,806,166	\$ 19,629,194	\$ -	\$ 25,435,360
Fees from services:								
Educational services net of financial aid:								
2010, \$13,660,000; 2009, \$11,740,000	105,006,350	-	-	105,006,350	94,625,968	-	-	94,625,968
Health services	114,430,712	-	-	114,430,712	99,321,637	-	-	99,321,637
Auxiliary enterprises	4,881,403	-	-	4,881,403	4,109,601	-	-	4,109,601
Net investment return recognized in operations	18,420,670	9,101,984	-	27,522,654	10,466,184	8,454,923	-	18,921,107
	248,081,343	16,456,599	-	264,537,942	214,329,556	28,084,117	-	242,413,673
Net assets released from restrictions	24,189,952	(24,189,952)	-	-	23,268,559	(23,268,559)	-	-
Total operating revenues	272,271,295	(7,733,353)	-	264,537,942	237,598,115	4,815,558	-	242,413,673
EXPENSES:								
Educational services	116,491,931	-	-	116,491,931	109,047,029	-	-	109,047,029
Health services	101,144,950	-	-	101,144,950	97,490,390	-	-	97,490,390
Auxiliary enterprises	3,323,463	-	-	3,323,463	3,835,151	-	-	3,835,151
Management and general	29,746,591	-	-	29,746,591	27,683,326	-	-	27,683,326
Development and public relations	5,873,881	-	-	5,873,881	5,983,284	-	-	5,983,284
Total operating expenses	256,580,816	-	-	256,580,816	244,039,180	-	-	244,039,180
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER OPERATING EXPENSES	15,690,479	(7,733,353)	-	7,957,126	(6,441,065)	4,815,558	-	(1,625,507)
NONOPERATING ACTIVITIES:								
Endowment and property and equipment acquisition contributions	-	2,414,137	5,298,722	7,712,859	-	4,383,955	4,751,187	9,135,142
Net investment return in excess of (less than) amounts recognized in operations	14,462,014	3,811,497	305,664	18,579,175	8,456,648	(4,596,643)	117,306	3,977,311
Net assets released from restrictions	7,092,941	(7,092,941)	-	-	3,818,957	(3,685,800)	(133,157)	-
Loss in valuation of interest rate swaps	(4,125,536)	-	-	(4,125,536)	-	-	-	-
Loss on disposal of fixed assets	(1,309,652)	-	-	(1,309,652)	(577,333)	-	-	(577,333)
Net gain on sale of property	-	-	-	-	22,754,944	-	-	22,754,944
Total nonoperating activities - net	16,119,767	(867,307)	5,604,386	20,856,846	34,453,216	(3,898,488)	4,735,336	35,290,064
CHANGE IN NET ASSETS	31,810,246	(8,600,660)	5,604,386	28,813,972	28,012,151	917,070	4,735,336	33,664,557
NET ASSETS:								
Beginning of year	492,099,163	103,055,080	117,259,669	712,413,912	464,087,012	102,138,010	112,524,333	678,749,355
Reclassification to conform to change in law under The New York Prudent Management of Institutional Funds Act	(66,044,992)	66,044,992	-	-	-	-	-	-
End of year	\$ 457,864,417	\$ 160,499,412	\$ 122,864,055	\$ 741,227,884	\$ 492,099,163	\$ 103,055,080	\$ 117,259,669	\$ 712,413,912

See accompanying notes to financial statements

**AMERICAN UNIVERSITY OF BEIRUT**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Total change in net assets	\$ 28,813,972	\$ 33,664,557
Adjustments to reconcile total change in net assets to net cash provided by operating activities:		
Depreciation	11,602,515	9,413,178
Net gain on sale of property	-	(22,754,944)
(Recovery) provision for doubtful accounts and grants receivable	(2,119,067)	6,100,151
Loss on valuation of interest rate swaps	4,125,536	-
Loss on disposal of fixed assets	1,309,652	577,333
Contributions restricted for endowment and property and equipment acquisitions	(7,712,859)	(9,135,142)
Net appreciation in fair value of investments	(28,023,247)	(4,174,412)
Contributions of property and equipment	(138,828)	(862,607)
(Increase) decrease in accounts and grants receivable	(1,718,400)	12,007,922
Decrease (increase) in inventories and prepaid expenses	2,957,871	(2,751,273)
Decrease in contributions receivable excluding amounts for endowment and property and equipment acquisitions	1,410,895	3,345,144
Increase in accounts payable and accrued expenses	7,388,140	2,043,649
Increase in deposits and deferred revenues	9,245,257	772,200
Increase in accrued end of service benefits	4,200,000	5,600,000
Net cash provided by operating activities	<u>31,341,437</u>	<u>33,845,756</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	162,158,718	160,817,655
Purchase of investments	(169,262,146)	(202,335,870)
Proceeds from sale of property	-	21,300,000
Purchase of property and equipment	(22,519,169)	(19,733,827)
Net cash used by investing activities	<u>(29,622,597)</u>	<u>(39,952,042)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for:		
Investment in endowment	6,420,329	9,685,453
Investment in property and equipment	5,683,069	6,886,270
Investment income received restricted for long-term investment	305,664	117,306
Proceeds from term loan	-	40,000,000
Repayment of term loan	(6,700,000)	(5,386,111)
Net cash provided by financing activities	<u>5,709,062</u>	<u>51,302,918</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,427,902	45,196,632
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>74,899,228</u>	<u>29,702,596</u>
End of year	<u>\$ 82,327,130</u>	<u>\$ 74,899,228</u>
SUPPLEMENTAL DATA - Cash paid for interest	<u>\$ 2,442,531</u>	<u>\$ 2,426,092</u>
SUPPLEMENTAL DATA - Fair value of property received as partial consideration for University property sold	<u>\$ -</u>	<u>\$ 6,700,000</u>
SUPPLEMENTAL DATA - Accounts payable related to the purchase of property and equipment.	<u>\$ 1,847,257</u>	<u>\$ 7,736,168</u>

See accompanying notes to financial statements.

# AMERICAN UNIVERSITY OF BEIRUT

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

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### 1. Nature of Operations

American University of Beirut (the “University”) is an independent, not-for-profit, coeducational, nonsectarian institution of higher learning located in Beirut, Lebanon, where it also operates a 421-bed medical center. The University was granted its charter in 1863 by the State of New York and was founded in 1866. It is exempt from federal income taxes under the provisions of Section 501(c)(3) of the United States Internal Revenue Code.

The purpose of the University, as an institution of higher learning, is to share in the education of the youth of the Middle East, in service of its people, and in the advancement of knowledge.

The University presently serves approximately 6,390 undergraduate students and 1,438 graduate and professional students in the faculties of Arts and Sciences, Agriculture and Food Sciences, Engineering and Architecture, Medicine and Public Health, and in the schools of Business and Nursing.

At September 30, 2010, approximately 42% of the University’s assets are located in the Republic of Lebanon. Approximately 68% of those assets are property and equipment.

### 2. Summary of Significant Accounting Policies

**Basis of Presentation** – The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and the provisions of Financial Accounting Standards Board Accounting Standards Codification“(FASB ASC) 205-958, *Presentation of Financial Statements — Not-for-Profit Entities*. The University reports its net assets in one of the following three classes:

*Unrestricted net assets* – Net assets not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees. In addition, accumulated unexpended gains drawn against the spending policy are included in unrestricted net assets and may only be expended pursuant to the University’s spending policy.

*Temporarily restricted net assets* – Net assets subject to donor-imposed restrictions that will be met by actions of the University or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed restrictions that stipulate they be maintained permanently, but permit the use of part or all of the income derived from them.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by explicit donor-imposed restrictions or by law. When such restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets.

Contributions, including unconditional promises to give (pledges and grants), are reported as revenues in the appropriate net asset class in the period received at the estimated present value of future cash flows, net of an allowance for estimated uncollectible contributions receivable. Amortization of the present value discount is recorded as additional contribution revenue in the appropriate net asset class.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash, including property and equipment, are recorded at their estimated fair value as increases in unrestricted net assets unless the donor restricts their use.

Health services revenues are recorded at the University's established rates, with provisions for third-party contractual adjustments, charity care, and bad debts deducted to arrive at net patient service revenues. Estimated contractual adjustments, including prospective rate adjustments arising under third-party agreements, are accrued in the period services are rendered. Differences between estimated retroactive third-party settlements for prior periods and subsequent final settlements are recorded as current period adjustments to revenues. The estimated settlements at September 30, 2010 relate to the years ended September 30, 2010, 2009 and 2008. Final settlements have been made for all other prior years.

The University recognizes tuition and fee revenue in the period in which the educational instruction is performed. Accordingly, tuition and fees received in advance are deferred until the educational instruction is provided and related expenses incurred.

Grants and contracts are reported as revenues when expenses are incurred in accordance with the terms of the agreements. Contract amounts received in advance are recognized as deferred revenues.

Expenses are charged to the functions incurring or benefiting from their occurrence. Certain expenses are allocated between medical educational services and health services based on actual levels of effort of the faculty members providing services to each function. Other expenses are allocated among functions on the basis of direct salary cost, metered usage, or other appropriate measures of the expenses incurred.

**Operations** – Operations include all revenues earned and expenses incurred by the University except for net investment returns in excess of amounts allowed to support operations under the spending rate, contributions for property and equipment acquisitions or for permanently restricted purposes, net assets released from restrictions for capital expenditures, exchange gains and losses on translation of assets and liabilities denominated in Lebanese pounds, interest rate swap valuation adjustments, gains and losses on sales or disposal of fixed assets and other nonrecurring transactions.

**Cash Equivalents** – Cash equivalents include all investments with maturities of three months or less at time of purchase, except for such assets held by the University's investment managers as part of their long-term investment strategies.

**Investments** – Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Certain investments in limited partnership interests in absolute return funds, hedge funds, private equity funds, real estate fund, and natural resource funds are not publicly traded and are referred to as alternative investments. The alternative investments are carried at estimated fair values.

The Trustees have interpreted state law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a restricted net asset classification until appropriated by the Trustees and expended. State law allows the Trustees to appropriate as much of net appreciation of permanently restricted net assets as is prudent considering the University's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

The University invests in various securities, including U.S. government securities, corporate debt instruments, hedge funds, private equities, and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes could occur and materially affect the amounts reported in the financial statements.

**Endowment Investment and Spending Policies** – On September 17, 2010, The New York Prudent Management of Institutional Funds Act (NYPMIFA) was signed into law. The new law provides greater flexibility for organizations that may consider spending from endowment funds whose value had fallen below the original value of the corpus. NYPMIFA is effective September 30, 2010. The new law did not impact the spending from endowment funds in fiscal year 2010.

Due to the adoption of NYPMIFA, approximately \$66 million of accumulated unexpended gains related to general purpose endowment funds have been reclassified from unrestricted net assets to temporarily restricted net assets. In addition, certain assets held for programmatic purposes, which fall outside the definition of Institutional Funds under NYPMIFA have been removed from temporarily restricted column.

The University has adopted investment and spending policies for endowment assets to provide long-term capital appreciation to supply funds for the specified purposes for which the original endowed gifts were given (e.g., scholarships, endowed chairs, and operations). The time horizon for the endowment is perpetuity. The assets of the University are managed accordingly by external professional investment managers or invested in professional managed funds, including funds of funds or managers of managers. The appointment of such managers or funds is the responsibility of the Investment Committee, a standing committee of the Board of Trustees. Investment managers have full discretion over their investment programs, subject to appropriate constraints reflected in the University's Investment Policy Statement or in the applicable investment management contracts.

The long-term objective of the University is to stabilize annual spending levels to preserve the real value of the endowment portfolio over time. The expected return is the sum of the annual spending rate, the long-term inflation rate, and any growth factor which the Investment Committee may deem appropriate. The spending rate for the years ended September 30, 2010 and 2009 was 4.75%. The annual spending rate is based on a 20 quarter average of the market values. To the extent that current yield is inadequate to meet the spending rule a portion of cumulative accumulated unexpended gains is available for current use.

**Property and Equipment** – Land, buildings, and improvements are stated at values from an appraisal made in 1965 by the University, plus subsequent additions at cost less accumulated depreciation. Equipment and construction in progress are stated at cost. Library books are valued at \$1 per volume, except for 1,233 volumes of rare books valued at a total amount of \$41,820, based on appraisals made in 1967 and 1968.

Depreciation is determined on the straight-line method over the estimated useful lives of the assets. Depreciable lives for land improvements and buildings and building improvements range from 20 to 50 years, and estimated useful lives of equipment range from 3 to 20 years.

**Impairment of Long-Lived Assets** – Long-lived assets, which consist primarily of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the University compares the carrying amounts of the assets to the undiscounted expected future cash flows. If this comparison indicates that there may be an impairment, the amount of the impairment is calculated as the difference between the carrying value and fair value. During the fiscal years ended September 30, 2010 and 2009, no impairments have occurred.

**Inventories** –Inventories are stated at the lower of cost (stated at average cost) or market.

**Currency Exchange** –As indicated in Note 1, the University conducts its educational, health, and auxiliary activities from facilities located in the Republic of Lebanon. The local currency is the Lebanese pound, and many of the University’s transactions are denominated in that currency. Other transactions occur in U.S. dollars. Assets, liabilities, and related net assets are recorded in the currency in which they are denominated (i.e., Lebanese pounds or U.S. dollars). To provide for reporting of revenue and expense transactions in U.S. dollars at the time of their occurrence, the University establishes exchange rates between the pound and the dollar at the beginning of each month and translates assets and liabilities at the month-end rate. Exchange gains or losses are recognized as revenue or expense.

The monthly exchange rate established between the Lebanese pound and the U.S. dollar is L£1,508 = \$1. This rate has remained unchanged since 1999.

**Fair Value of Financial Information** – The fair value of the University’s investments is discussed in Note 4. The fair value of the University’s interest rate swap agreements is discussed in Note 11. The fair value of the University’s other financial instruments, other than term loan payable, approximates their carrying value because of the short maturity of these instruments.

**Accounting Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions 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. Actual results could be different from those estimates. In the case of the University, significant estimates include the valuation of accounts and pledges receivable, obsolete inventories, the valuation of interest rate swap agreements, investments and the Lebanese end-of-service liabilities.

**Income Taxes** – The University has been granted tax-exempt status as a not-for-profit organization under Section 501(c) (3) of the Internal Revenue Code and, accordingly, files Federal Tax Form 990 (Return of Organization Exempt from Income Tax) annually. No provision for income taxes is required in the accompanying financial statements.

**Recently Adopted Accounting Pronouncements** – Effective for the year ended September 30, 2009, the University adopted FASB ASC 958-205, *Not-for-profit Entities-Presentation of Financial Statements Reporting Endowments Funds*, and enhanced disclosures for all endowment funds (Note 5). These disclosures were further enhanced based on the passage of NYPMIFA on September 17, 2010 (Note 2).

Effective for the fiscal year ended September 30, 2009, the University adopted FASB ASC 820-10, *Fair Value Measurements*. FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and enhances disclosures about fair value measurements. Fair value is defined under FASB ASC 820-10 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date (see Note 4).

Effective for the year ended September 30, 2010, the University adopted ASC 740-10-05-6, *Accounting for Uncertainty in Income Taxes*. ASC 740-10-05-6 prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be

taken by an entity, before being measured and recognized in the financial statements. The adoption of this standard has no material impact on the University's financial position or results of operations.

In May 2009, the FASB issued ASC 958-805, *Business Combinations*, to give guidance to improve the relevance, representational faithfulness, and comparability of the information that a not-for-profit entity provides in its financial reports about a combination with one or more other not-for-profit entities, business or nonprofit activities. Effective date is for mergers and acquisitions beginning on or after December 15, 2009. The University did not enter into any merger or acquisition agreements for the period ended September 30, 2010, and as such, the adoption of this standard has no material impact on the University's financial position or results of operations.

In September 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-12, *Fair Value Measurements and Disclosures; Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)* ("ASU 2009-12"), which amended ASC subtopic 820-10, *Fair Value Measurements and Disclosures – Overall*. ASU No. 2009-12 is effective for the first reporting period ending after December 15, 2009. ASU No. 2009-12 expands the required disclosures for certain investments with a reported net asset value (NAV). ASU No. 2009-12 permits, as a practical expedient, an entity holding investments in certain entities that calculate net asset value per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that net asset value per share or its equivalent without adjustment. The ASU requires enhanced disclosures about the nature and risks of investments within its scope. Such disclosures include the nature of any restrictions on an investor's ability to redeem its investments at the measurement date, any unfunded commitments, and the investment strategies of the investee. The University has adopted ASU No. 2009-12 for the year ended September 30, 2010 (see Note 4). The effect of the adoption of the ASU had no impact on the statements of financial position, activities or cash flows.

#### **New Accounting Pronouncements**

In January 2010, the FASB issued ASU No. 2010-06 ("ASU 2010-06"), *Improving Disclosures about Fair Value Measurements*, which, among other things, amends ASC 820 to require entities to separately present purchases, sales, issuances and settlements in their reconciliation of Level 3 fair value measurements, and which clarifies existing disclosure requirements provided by ASC 820 regarding the level of disaggregation and the inputs and valuation techniques used to measure fair value for measurements that fall within either Level 2 or Level 3 of the fair value hierarchy. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements (which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years). The University is currently assessing the impact that the adoption of ASU 2010-06 will have on the University's financial statement disclosures.

### 3. Investments

The composition of investments as of September 30 is as follows:

	2010		2009	
	Cost	Fair value	Cost	Fair value
Cash	\$ 1,169	1,263	\$ 1,309	\$ 1,352
Money market funds	10,132,723	10,132,723	6,130,990	6,130,990
U.S. Government obligations	—	—	1,998,256	2,060,883
Mutual funds – domestic fixed income	63,753,487	67,330,188	100,249,529	102,424,921
Mutual funds – int'l fixed income	10,358,778	10,823,801	—	—
Alternative investments:				
Hedge funds	86,162,541	141,941,985	93,755,204	140,080,557
Real estate	12,474,406	12,265,570	12,061,067	11,137,303
Private equity	18,676,617	19,866,522	13,687,544	11,767,257
Venture capital	8,092,296	9,793,811	7,166,938	7,259,222
Mutual funds – equities	91,900,361	104,675,835	88,548,075	92,882,399
Mutual funds – emerging markets	24,134,400	29,130,590	9,694,863	10,648,164
Mutual funds – commodities	13,880,466	14,668,792	6,327,159	6,880,809
International equities	1,708,104	2,107,568	1,399,999	1,569,162
Corporate stocks	60,371,955	67,397,406	59,529,886	62,743,077
Accrued fees and amounts due(to) from broker	(413,813)	(413,734)	(685,116)	(684,787)
	<u>\$ 401,233,490</u>	<u>\$ 489,722,320</u>	<u>\$ 399,865,703</u>	<u>\$ 454,901,309</u>

Although the University does not directly employ investment-related derivatives, it does approve of strategic use of derivatives by external investment managers.

At September 30, 2010, the University had funding commitments outstanding of approximately \$17 million under the terms of certain investment agreements. The University maintains sufficient liquidity in its investment portfolio to cover such commitments.

Certain securities, with a fair value of \$125.0 million and \$151.4 million, are pledged as collateral for the term loan payable to bank at September 30, 2010 and 2009, respectively (Note 11).

A summary of the University's total investment return and its classification in the financial statements for years ended September 30, is as follows:

<u>2010</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Dividends and interest on investments, net of expenses of \$1,407,992	\$ 8,188,041	\$ 7,355,199	\$ 38,322	\$ 15,581,562
Net appreciation in fair value of investments	<u>22,303,081</u>	<u>5,543,653</u>	<u>176,513</u>	<u>28,023,247</u>
Net return on investments	30,491,122	12,898,852	214,835	43,604,809
Interest on cash and cash equivalents	<u>2,408,499</u>	<u>14,629</u>	<u>90,829</u>	<u>2,513,957</u>
Total return	32,899,621	12,913,481	305,664	46,118,766
Less allocated to annuity funds	<u>(16,937)</u>	<u>-</u>	<u>-</u>	<u>(16,937)</u>
	32,882,684	12,913,481	305,664	46,101,829
Net investment return recognized in operations	<u>18,420,670</u>	<u>9,101,984</u>	<u>-</u>	<u>27,522,654</u>
Net investment return in excess of amounts recognized in operations	<u>\$ 14,462,014</u>	<u>\$ 3,811,497</u>	<u>\$ 305,664</u>	<u>\$ 18,579,175</u>

<u>2009</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest on investments, net of expenses of \$1,303,917	\$ 8,836,219	\$ 7,278,992	\$ 36,800	\$ 16,152,011
Net appreciation (depreciation) in fair value of investments	<u>7,632,321</u>	<u>(3,454,755)</u>	<u>(3,154)</u>	<u>4,174,412</u>
Net return on investments	16,468,540	3,824,237	33,646	20,326,423
Interest on cash and cash equivalents	<u>2,461,297</u>	<u>34,043</u>	<u>83,660</u>	<u>2,579,000</u>
Total return	18,929,837	3,858,280	117,306	22,905,423
Less allocated to annuity funds	<u>(7,005)</u>	<u>-</u>	<u>-</u>	<u>(7,005)</u>
	18,922,832	3,858,280	117,306	22,898,418
Net investment return recognized in operations	<u>10,466,184</u>	<u>8,454,923</u>	<u>-</u>	<u>18,921,107</u>
Net investment return in excess of amounts recognized in operations	<u>\$ 8,456,648</u>	<u>\$ (4,596,643)</u>	<u>\$ 117,306</u>	<u>\$ 3,977,311</u>

#### 4. Fair Value Measurements

The University establishes the fair value as 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 is determined based on assumptions that market participants would use in pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques.

As a basis for considering assumptions, the University uses a three-tier fair value hierarchy, based upon whether the value of the asset or liability can be readily determined from publicly available data or not. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs mean the market data is readily available from independent sources to help quantify the valuations, while unobservable inputs mean that the market data is not readily available, and therefore, the value of the assets or liability in the portfolio must be based on other information including the reporting entity's own assumptions about how market agents would value the assets or liability.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. Market price data is generally obtained from exchange or dealer markets. Instruments categorized in Level 1 primarily consist of a broadly traded range of equities and debt securities.
- Level 2 – Inputs other than Level 1 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 or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers, and brokers.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This consists of the University's ownership in alternative investments (principally) which are based on valuation techniques that use significant inputs that are unobservable. The value of certain alternative investments represents the ownership interest in the NAV of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future values. In addition, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following tables present information about the University's assets and liabilities measured at fair value for years ended September 30, is as follows:

	2010			
	Level 1	Level 2	Level 3	Total
Cash	\$ 1,263	\$ -	\$ -	\$ 1,263
Money market funds	10,132,723	-	-	10,132,723
Mutual funds – fixed income	67,330,188	-	-	67,330,188
Mutual funds – int'l fixed income	-	10,823,801	-	10,823,801
Alternative investments:				
Hedge funds	-	49,005,556	92,936,429	141,941,985
Real estate	-	-	12,265,570	12,265,570
Private equity	-	-	19,866,522	19,866,522
Venture capital	-	-	9,793,811	9,793,811
Mutual funds – equities	85,874,618	18,801,217	-	104,675,835
Mutual funds – emerging markets	23,559,801	5,570,789	-	29,130,590
Mutual funds – commodities	14,668,792	-	-	14,668,792
International equities	2,107,568	-	-	2,107,568
Corporate stocks	67,397,406	-	-	67,397,406
Accrued fees and due (to) from broker	(413,734)	-	-	(413,734)
<b>Total</b>	<b>\$ 270,658,625</b>	<b>\$ 84,201,363</b>	<b>\$ 134,862,332</b>	<b>\$ 489,722,320</b>

	2009			
	Level 1	Level 2	Level 3	Total
Cash	\$ 1,352	\$ -	\$ -	\$ 1,352
Money market funds	6,130,990	-	-	6,130,990
U.S. Government obligations	2,060,883	-	-	2,060,883
Mutual funds – fixed income	102,424,921	-	-	102,424,921
Alternative investments:				
Hedge funds	-	84,667,914	55,412,643	140,080,557
Real estate	-	-	11,137,303	11,137,303
Private equity	-	-	11,767,257	11,767,257
Venture capital	-	-	7,259,222	7,259,222
Mutual funds – equities	75,729,012	17,153,387	-	92,882,399
Mutual funds – emerging markets	10,648,164	-	-	10,648,164
Mutual funds – commodities	6,880,809	-	-	6,880,809
International equities	1,569,162	-	-	1,569,162
Corporate stocks	62,743,077	-	-	62,743,077
Accrued fees and due (to) from broker	(684,787)	-	-	(684,787)
<b>Total</b>	<b>\$ 267,503,583</b>	<b>\$ 101,821,301</b>	<b>\$ 85,576,425</b>	<b>\$ 454,901,309</b>

The additional information about Level 3 assets and liabilities measured at fair value for the years ended September 30, is as follows

	<u>2010</u>	<u>2009</u>
Beginning balance October 1	\$ 85,576,425	\$ 79,253,105
Transferred in from Level 2 to Level 3	41,381,319	-
Net appreciation in fair value	16,286,210	1,942,268
Sales and purchases, net	<u>(8,381,622)</u>	<u>4,381,052</u>
Ending balance September 30	<u>\$ 134,862,332</u>	<u>\$ 85,576,425</u>

The net appreciation in the fair value of Level 3 investments detailed above includes \$5,434,349 and \$5,311,449 of net depreciation on certain Level 3 investments at September 30, 2010 and 2009, respectively.

In accordance with 820-10-55-64A, the University expanded its disclosures to include the category, fair value, unfunded commitments, redemption frequency and redemption notice period for Level 2 and Level 3 assets whose fair value is estimated using the net asset value per share, as of September 30, 2010.

The following table for September 30, 2010, sets forth a summary of the University's investments with a reported NAV.

Category	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Int'l/ emerging mkt equity long funds (a)	\$ 24,372,006	\$ -	Daily	1 - 7 days
Fixed income funds (b)	10,823,801	-	Monthly	10 days
Event driven hedge funds (c)	49,005,556	-	Quarterly	60 - 90 days
Multistrategy hedge funds (d)	92,936,429	-		
Real estate funds (e)	12,265,570	5,321,952		
Private equity fund funds (f)	19,866,522	9,238,640		
Venture capital (g)	9,793,811	2,825,475		
	<u>\$ 219,063,695</u>	<u>\$ 17,386,067</u>		

- (a) International Emerging Market/ Equity Long funds: This category includes a strong value discipline investor, investing predominately in developed international equity/ emerging markets. This category will trade on a long basis.
- (b) Fixed income funds: This category includes investments in global bond funds with the objective to provide a rate of return that compensates for the risk of inflation. Sovereign bonds issued by G-7 and G-20 countries (in their respective local currencies) are the preferred type of investment of these funds. The local currency exposure provides a hedge against a potential depreciation in the U.S. dollar.
- (c) Event-driven hedge funds: This category includes investments with the objective of earning absolute returns by making long and short investments in equity, debt, and derivative instruments which are based on near-term catalysts, including mergers, spin-offs, and restructurings.
- (d) Multistrategy hedge funds: This category includes investments with the objective of earning absolute returns by making long and short investments in equity, debt, and derivative instruments which attempt to exploit differences in relative value. These investments have lock-up provisions ranging from none to three years.
- (e) Real estate funds: This category includes investments with the objective to achieve long-term returns higher than public equity markets on a risk-adjusted basis by allowing fund managers to invest in varying forms of real estate and to generate revenue through rental yields and property appreciation. The ability to earn revenue through property appreciation can allow real estate to also serve as an inflation hedge. These investments can never be redeemed. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund.
- (f) Private equity funds: This category includes investments with the objective to achieve long-term returns higher than public equity markets on a risk-adjusted basis by allowing fund managers to invest long-term locked up capital directly into private companies. These investments capital directly into private companies. These investments can never be redeemed. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund.
- (g) Venture capital: This category includes investments with the objective to achieve long-term returns higher than public entity markets on a risk-adjusted basis by allowing fund managers to invest in early stage companies that require capital and guidance in order to continue their development. These investments can never be redeemed. Instead, the nature of the investments in this category is distributions are received through the liquidation of the underlying assets of the fund.

## 5. Endowment

The University's endowment consists of separate funds established over many years for a wide variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As defined by accounting principles generally accepted in the United States of America, 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.

The composition and changes in the University's endowment net assets as of September 30, is as follows:

	2010			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Changes in endowment net assets				
Beginning balance - October 1, 2009	\$ 230,642,779	\$ 103,055,080	\$ 117,259,669	\$ 450,957,528
Reclassifications under NYPMIFA (Note 2)	(66,044,992)	11,074,947	-	(54,970,045)
Investment returns:				
Investment income	3,158,890	9,101,984	134,560	12,395,434
Net appreciation	<u>15,464,183</u>	<u>3,811,497</u>	<u>171,104</u>	<u>19,446,784</u>
Total investment return	18,623,073	12,913,481	305,664	31,842,218
Gifts	-	9,768,751	5,298,722	15,067,473
Other changes:				
Release from restriction	<u>(29,485,599)</u>	<u>(31,282,892)</u>	<u>-</u>	<u>(60,768,491)</u>
Ending balance - September 30, 2010	<u>\$ 153,735,261</u>	<u>\$ 105,529,367</u>	<u>\$ 122,864,055</u>	<u>\$ 382,128,683</u>

	2009			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Changes in endowment net assets				
Beginning balance - October 1, 2008	\$ 231,973,637	\$ 102,138,010	\$ 112,524,333	\$ 446,635,980
Investment returns:				
Investment income	3,994,460	7,313,035	120,460	11,427,955
Net depreciation	<u>(5,325,318)</u>	<u>(3,454,755)</u>	<u>(3,154)</u>	<u>(8,783,227)</u>
Total investment return	(1,330,858)	3,858,280	117,306	2,644,728
Gifts	-	24,013,149	4,751,187	28,764,336
Other changes:				
Release from restriction	<u>-</u>	<u>(26,954,359)</u>	<u>(133,157)</u>	<u>(27,087,516)</u>
Ending balance - September 30, 2009	<u>\$ 230,642,779</u>	<u>\$ 103,055,080</u>	<u>\$ 117,259,669</u>	<u>\$ 450,957,528</u>

The fair value of donor-restricted endowment funds may depreciate below the level that the donor requires the University to maintain permanently. In such cases the losses have been charged to unrestricted investments functioning as endowment. The deficiency was \$1,011,079 and \$2,508,992 at September 30, 2010 and 2009, respectively.

Due to the adoption, effective September 17, 2010, by New York State of NYPMIFA, accumulated unexpended gains related to general-purpose endowment funds have been reclassified from unrestricted net assets to temporarily restricted net assets. In addition, certain assets held for programmatic purposes, which fall outside the definition of Institutional Funds under NYPMIFA have been removed from the temporarily restricted column.

## 6. Contributions Receivable

Contributions receivable as of September 30 consist of the following:

	<u>2010</u>	<u>2009</u>
Amounts expected to be collected in:		
Less than one year	\$ 22,836,641	\$ 35,257,225
One to five years	10,570,370	9,350,407
More than five years	5,218,761	1,655,279
	<u>38,625,772</u>	<u>46,262,911</u>
Less:		
Discount to present value at 1.41% to 6.60%	(2,892,405)	(486,617)
Allowance for doubtful collection	(1,908,106)	(6,149,599)
	<u>\$ 33,825,261</u>	<u>\$ 39,626,695</u>

## 7. Property and Equipment

Property and equipment as of September 30 consist of the following:

	<u>2010</u>	<u>2009</u>
Land and land improvements	\$ 73,559,430	\$ 73,296,158
Buildings and building improvements	207,611,479	196,682,133
Equipment	133,656,913	125,019,206
Library books	746,948	736,737
Construction in progress	12,891,822	11,919,885
	<u>428,466,592</u>	<u>407,654,119</u>
Total property and equipment	428,466,592	407,654,119
Less accumulated depreciation	144,106,810	134,887,424
Property and equipment - net	<u>\$ 284,359,782</u>	<u>\$ 272,766,695</u>

In connection with a number of projects now in the construction phase and others still in the design phase, the University has commitments aggregating \$12.4 million at September 30, 2010.

## 8. Employee Benefit Plans

The University has contributory and noncontributory employee benefit plans designed to provide pension benefits and, in accordance with Lebanese law, end-of-service indemnities.

Plan A is a defined contribution plan established to cover academic and management U. S. Citizens or Resident Aliens employed by the University. The plan requires an employee to contribute at least 5% of basic salary in order to receive AUB's contribution of 10% of basic salary to this plan. Total expense under this plan for 2010 and 2009 was \$1,245,544 and \$1,082,647, respectively. Assets for this plan are maintained by an independent custodian.

Plan B is a defined contribution plan established to cover all academic non-U. S. Citizen or non-Resident Alien employees of the University. The University records in each participating Employee Memorandum Account a future service benefit in an amount equal to 12.5% of basic salary if the employees contribute 5% to a plan managed and maintained by an independent provider. The liability reflected in the financial statements for this plan is \$49,800,000 and \$46,200,000 at September 30, 2010 and 2009, respectively. Total expense under this plan for 2010 and 2009 was \$5,868,157 and \$5,397,899 respectively. Assets for this plan, totaling \$49,800,000 and \$45,710,654 at September 30, 2010 and 2009, respectively, are reported as a component of the investments on the statements of financial position.

In addition to the Plan A and Plan B detailed above, the University is also required to contribute to the end-of-service indemnity plan mandated by Lebanese Social Security Law for Lebanese nationals (referred to hereafter as "Plan C"). Plan C is the end-of-service indemnity plan mandated by Lebanese Social Security Law. This plan covers all nonacademic Lebanese national employees of the University. The University is required to make contributions to this plan in an amount equal to 8.5% of the employee's compensation. The University's exposure for ongoing payment of benefits to retirees is subject to the provisions of Lebanese law. The liability recorded for such benefits in the financial statements is \$12,400,000 and \$11,800,000 at September 30, 2010 and 2009, respectively. Total expense under this plan for 2010 and 2009 was \$4,352,912 and \$4,040,978, respectively. Assets for this plan totaling \$12,400,000 and \$11,800,000 at September 30, 2010 and 2009, respectively, are reported as a component of board-designated investments on the statements of financial position.

## 9. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at September 30 are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Educational services:		
Instruction	\$ 25,773,351	\$ 24,660,394
Research	10,077,898	12,478,219
Academic support	4,601,962	3,695,709
Student aid	34,983,795	33,493,213
Health services	2,783,094	3,345,705
Property and equipment	10,803,663	20,426,428
College Hall Fund	3,215,984	3,040,715
Other	2,214,673	1,914,697
General institutional support subject to spending policy	66,044,992	—
Total temporarily restricted net assets	<u>\$ 160,499,412</u>	<u>\$ 103,055,080</u>

Permanently restricted net assets at September 30 are restricted for investment in perpetuity, with investment return available to support the following activities:

	<u>2010</u>	<u>2009</u>
Educational services:		
Instruction	\$ 76,834,783	\$ 71,622,043
Research	2,833,371	2,544,438
Academic support	1,218,145	1,217,645
Student aid	37,252,409	36,609,821
Health services	1,357,928	2,005,633
Other	3,367,419	3,260,089
Total permanently restricted net assets	<u>\$ 122,864,055</u>	<u>\$ 117,259,669</u>

#### **10. Medical Malpractice Insurance and Litigation**

The University has obtained medical malpractice liability coverage, under public liability insurance coverage from a commercial carrier, for claims made during the policy period with coverage limits dependent on the time of occurrence of the alleged event and subject to deductibles dependent on the jurisdiction in which the claim arises. The cost of providing the public liability insurance coverage, including that for medical malpractice, was \$386,000 and \$425,000 for the years ended September 30, 2010 and 2009, respectively.

The University is a defendant to various claims alleging medical malpractice or arising out of the operations of its educational programs at its Beirut campus. The outcome of these actions, seeking damages potentially in excess of the University's insurance coverage, cannot be determined at this time. University management believes that the University has good and meritorious defenses against these claims, and does not expect the ultimate resolution of these actions to have a material adverse effect on the University's financial position.

## 11. Term Loan and Credit Agreements Payable

At September 30, 2010, the University had four agreements with a commercial bank to provide financing for various capital projects. A summary of the agreement is presented in the following table.

<u>Description</u>	<u>\$25 Million Loan</u>	<u>\$5.5 Million Loan</u>	<u>\$50 Million Loan</u>	<u>\$6 Million Loan</u>
Agreement date	January 15, 2003	July 22, 2005	December 1, 2007	November 19, 2008
Balance payable at September 30, 2010	\$ 11,250,000	\$ 4,858,333	\$ 50,000,000	\$ 4,555,556
Balance payable at September 30, 2009	\$ 16,250,000	\$ 5,225,000	\$ 50,000,000	\$ 5,888,889
Interest rate at September 30, 2010	0.50938%	0.50938%	0.50938%	0.49000%
Swap interest rate September 30, 2010	4.21%	4.35%	2.83%	N/A
Interest expense - 2010	\$611,767	-	\$1,094,163	\$ 33,655
Interest expense - 2009	\$ 847,909	\$ 251,872	\$ 585,171	\$6,973
Interest capitalized - 2010	-	\$ 235,719	\$467,226	-
Interest capitalized - 2009	-	-	\$741,140	-
Monthly principal payments	\$ 416,667	\$ 30,556	-	\$ 111,111
Principal payments began / begin	January 2008	January 2009	December 2017	September 2009
Maturity	January 20, 2013	August 1, 2015	December 2022	February 2014

The aggregate principal payments related to the above loans are due as follows:

Years ending September 30	
2011	\$6,700,000
2012	6,700,000
2013	2,950,000
2014	922,229
2015	3,086,111
Thereafter	<u>50,305,549</u>
Total	<u><u>\$70,663,889</u></u>

The loans are secured by a pledge of certain securities of the University's investment portfolio (see Note 3). The University has complied as of September 30, 2010, with the required covenant to maintain a ratio of total liabilities to total net assets of less than 0.5 to 1.

The University has entered into three floating LIBOR to fixed rate swap agreements (the "Derivative Instrument") with a commercial bank as a hedge on its long-term loans to protect against the risk of interest rate changes.

The estimated fair value of the University's net benefit or obligation under these agreements is accounted for on the University's statement of financial position as an asset or liability. The estimated fair value of the swap agreements was \$4,125,536 at September 30, 2010. Such amounts were not material at September 30, 2009 and were not recorded. Gains and losses on valuation are reported in the statement of activities as nonoperating gains or losses.

The terms of the agreement for each derivative instrument are as follows:

The first swap relating to the \$5.5 million loan was entered into on December 22, 2008 with a maturity date of December 22, 2015. The notional amount of this derivative instrument will float from \$5,225,000 to \$3,116,666 based upon a pre-determined schedule. As of September 30, 2010, the notional amount of this contract was \$4,888,889. The University is the fixed rate payer at 4.35%.

The second swap relating to the \$25 million loan was entered to on January 2, 2009 with a maturity date of December 1, 2012. The notional amount of this derivative will float from \$15,833,334 to \$416,667 based upon a pre-determined schedule. As of September 30, 2010 the notional amount of this contract was \$11,250,000. The University is the fixed rate payer at 4.21%.

The third swap related to the \$50 million loan was entered on February 2, 2009 with a maturity date of December 13, 2017. As of September 30, 2010, the notional amount of the contract is \$50,000,000. The University is the fixed rate payer at 2.83%.

## **12. Subsequent Events**

Subsequent events have been evaluated through August 12, 2011, which is the date when the financial statements were available to be issued. On January 14, 2011, the University entered into a loan agreement with a local commercial bank that allows for the borrowing of an aggregate amount of LBP 42,963,750,000 (c/v USD \$28,500,000) exclusively for purposes of financing the preparatory stage of a state of the art medical complex, in accordance with the terms of The Central Bank of Lebanon Intermediary Circular No. 185 dated May 9, 2009, as amended by Intermediary Circular No. 213 dated January 11, 2010. To date, the University has not drawn any money against this contract. Interest rates are based on 40% of one year Lebanese treasury bills rate (fixed annually) plus a spread of 1.85%. Repayment of the loan will commence June 30, 2015 based on a seven-year amortization period of equal quarterly payments. The University did not provide any security against this agreement.