Brown University Annual Report 2008–09

Our world is bound together in ways we heretofore only partly understood. It is clear that lending Brown's reach, expertise, and power of discovery to address increasingly complex global problems is a critical dimension of the University's mission. – President Ruth J. Simmons

From the President

Last year at this time I reported on how Brown University was navigating the economic turmoil of 2008–2009. Through a series of measures including a planned organizational review and further budget cuts, we ended the June 30, 2009 academic year with a stable outlook for the subsequent academic year. While we are still experiencing the effects of an economy that is struggling to show steady signs of a strong recovery, we have nonetheless been able to continue with a good deal of our plans for strengthening our academic programs, continuing important capital projects, and supporting financial aid for our undergraduate and graduate students.

Painful as its fallout has been, the economic crisis has presented an opportunity to test and clarify our existing priorities as a university. Last winter and spring, the Corporation and administration took swift measures to protect the essential elements of our Plan and to meet the increased need for financial aid as students' families struggled with their own financial challenges. At the same time, we proceeded with important academic initiatives and improvements to student spaces, and continued to identify ways to strengthen our offerings. Launching an organizational review process, teams of faculty, staff, and students undertook a review of institutional structure and resources that are crucial to the support of our academic mission. Invited to rethink assumptions about our needs, they began to consider how best to deploy resources in a newly constrained fiscal environment. Throughout this process, they remained focused on the Plan and the priorities identified through the extensive planning process.

This fall I met with the outside team assigned by the New England Association of Schools and Colleges to review Brown's accreditation. The team cited the extraordinary and comprehensive efficacy of the Plan for Academic Enrichment in allowing Brown to define and implement its most important priorities. Calling the process a transformative one that will shape Brown's future, they expressed admiration for the thorough and inclusive way in which Brown engaged in this process.

The Plan continues to guide our efforts as we focus increasingly on the University's global role and presence. As our educational and research efforts produce stronger and stronger results, it is clear that lending Brown's reach, expertise, and power of discovery to address increasingly complex global problems is a critical dimension of the University's mission.

The profiles on the following pages provide a glimpse of how Brown faculty and students are engaged in international outreach, scholarship, research, and service. Yet, as recent events suggest, our world is bound together in ways we heretofore only partly understood. Tomorrow, our alumni and scholars will be immersed in a world in which rapidity and ease of communication as well as access to developing knowledge will make urgent the need for every student and scholar to be connected to expertise from many areas of the world. The importance of students becoming more consistently engaged with this new world grows more evident as each new class enters our university. Increasingly, Brown alumni will lead international research teams, multinational corporations, NGOs bringing solutions and solace to those deprived of basic rights around the world, and governments entangled in an array of international disputes.

I am pleased that Brown is well on the path to creating a campus environment that acknowledges this reality and, accordingly, welcomes its important place on the world stage.

Ruth J. Simmons

Ashutosh Varshney

What Makes Peace?

A political scientist looks at the mechanisms that prevent violence, in India and around the world.

Just as Ashutosh Varshney's book on the role of civic organizations in preventing ethnic violence appeared in the United States in the spring of 2002, its central hypothesis was put to the test on the streets of Gujarat in western India.

Varshney, who joined the Brown faculty as professor of political science in January 2009, had posited in *Ethnic Conflict and Civic Life: Hindus and Muslims in India* that tensions between groups are defused when people join the same organizations. The shared interests and benefits that bring people of various ethnic, religious, or racial groups together – in a union, club, business or professional association, service organization, or political party – are powerful inhibitors of communal violence, he maintained.

During several years of study and research, including development of an extensive database on Hindu-Muslim violence in India, Varshney found evidence that the presence of such groups "cauterizes" wounds in society, and that their absence increases an area's susceptibility to violence. On this basis, he predicted where in India violence would be most likely to erupt. Gujarat state was high on Varshney's list, and the three towns within it that he had singled out as most vulnerable proved to be sites of horrific violence when Hindu-Muslim clashes shocked the world in March 2002.

Ethnic Conflict and Civic Life won the American Political Science Association's Gregory Luebbert Award in 2002 for best book in the field of comparative politics.

Factors beyond the rational

Varshney began his career studying political economy and development, areas in which he still works, but his attention was diverted in 1990 when he found the tools of political economy inadequate to address the human factors at play in events such as the outbreak of a violent insurgency in Kashmir.

"I felt a kind of intellectual fatigue," Varshney explains. "I found that the assumptions of rationality and strategic behavior left much unexplained. Standard notions of rationality represented a radical underestimation of the beliefs and emotions that drive unrest – ethnic pride, nationalism, and revenge, for example.

"In the early 1990s, India was going through a terrible period of violence. I had spent much of my life in India; I now wanted to understand what caused group violence. At the same time, as the Cold War was ending, ethnic conflicts were rising worldwide. The struggle between left and right was giving way to struggles based on ethnic identity.

"All these factors brought me to look at what causes and, by extension, what prevents outbreaks of violence. I realized that susceptibility to violence could be very local. A town 50

Ashutosh Varshney: Why local organizations matter miles away from one in conflict could be perfectly peaceful. It became clear that bonds between members of organizations – more reliably than bonds between neighbors – could stifle sparks of potential conflict before they became fires. Neighborhood integration is good, but it doesn't resist tensions as well; it isn't as stable as organizational integration."

Varshney gives the example of film clubs, which are very popular in southern India, especially in poorer communities. They bring people together to watch and discuss movies featuring their favorite stars. The shared goal generates an organizational strength that can withstand communal pressures, such as provocative rumors circulated by those who want to incite violence.

"The organizations themselves do not keep the peace," says Varshney, "but they develop synergy with the local organs of the state, which helps these towns prevent violence in times of tension."

It would be wrong to suppose, Varshney maintains, that one can easily – and in a short time – create integrated organizations. "When political movements emerge, organizations can develop quickly; and sometimes government power and resources can accelerate their growth. But in their purest and most effective form, they depend on voluntarism and the zeal of their members. In that form, they take time to germinate and grow. They are not easily reproducible everywhere."

Expanding the vision

In 2003, Varshney and an international team of collaborators launched a multi-country research project to apply the methods and concepts of his India research to other nations with combustible ethnic divisions. With funding from the Ford Foundation, Open Society Institute, Carnegie Corporation of New York, and Guggenheim Foundation, the team has been exploring elements that contribute to peace in communities in Sri Lanka, Nigeria, Malaysia, and Indonesia.

Multiple mechanisms of peace exist in the world, Varshney maintains. Ethnic integration is a factor, but it is not always the cause of peace. In Malaysia, for example, the self-policing of the Chinese minority – in the 1970s, Chinese elders and organizations trained youngsters not to retaliate when hit – helps to subvert violence. "You could say it's an unjust or unequal peace, predicated on submission to Malay dominance," he says, "but it is peace.

"Another effective mechanism is quick administrative or police action. If police detain 300 people who are fomenting violence, for a day or two, they may forestall rioting and worse. This also depends on the state having the capacity and the will to take such action.

"Ameliorative public policies, such as affirmative action, that address the root causes of unrest can also be effective. They eliminate the source of the sparks, but then again they require political will and government capacity."

Varshney expects to conclude the comparative project and publish the results in a new book in 2011 or 2012.

Inhabiting Brown and the world

Shortly after coming to Brown from the University of Michigan, Varshney was asked to help plan a year of academic focus on India for 2009–10, the third in a series of campus-based focus years that has included Latin America and Africa. As chair of the Year of India committee, Varshney is overseeing a full program of events, from major public lectures and academic conferences to literary and cultural presentations.

"A global education today requires, among other things, exposure to the political, social, and economic realities of India," Varshney says. "I hope Year of India will lead to greater emphasis on the study of India at Brown, in research as well as in the curriculum."

Varshney is often sought for comment on news from South Asia by the print and broadcast media. He contributes to the op-ed pages of the

As part of Brown's Year of India, which Varshney chairs, Rajmohan Gandhi – grandson and biographer of Mahatma Gandhi – presented a lecture on the similarities between the elder Gandhi and Martin Luther King Jr.

Financial Times and Indian newspapers, appears often on Indian television, and has been interviewed on public radio and television in the United States. "I feel compelled to step out of the academic arena and speak out on matters of public concern," he says. "I believe we as academics have a responsibility to offer what insights we can when something of grave importance happens in the world."

Educated initially in India, Varshney earned his Ph.D. in political science at MIT, winning the Daniel Lerner Prize for Best Dissertation. "I am delighted," says Varshney, "to be at Brown. I studied and began my teaching career in New England. The intellectual life of the East Coast brings out the best in me. Being here allows me to summon up my inner resources.

"I realize that people develop a very personal relationship with certain areas. In coming to Brown, I returned to my American home. And that is an extraordinary pleasure."

Karen M. Fischer

What Lies Beneath Central America

A geologist's detailed study of subterranean structures sheds light on their consequences for the planet and its inhabitants.

Professor of Geological Sciences Karen Fischer and her students know better than to suppose that we stand on solid ground. Using broadband seismographs to record seismic waves emanating from earthquakes all over the globe, they are uncovering new information about how and why the Earth's tectonic plates move and change.

"We examine what data exist," Fischer explains, "and where there is none we go out and install our own seismic instruments and make original recordings. In North America and on other continents, we are examining properties that contribute to differences in mechanical strength between Earth's lithosphere (the planet's more rigid outer layer that makes up the tectonic plates) and the mantle below it.

"We are also studying how the lithosphere behaves when plates collide," she continues. "We recently received support from federal stimulus funds to make new recordings, using 85 seismometers, to understand the architecture of the contact zone where the lithosphere of proto-America converged with Gondwana (the lithospheric body containing what are now Africa and South America) roughly 300 million years ago."

That cataclysmic contact, she explains, created the Appalachian Mountain range. When the continents drifted apart again – a movement that formed the Atlantic Ocean – a piece of Gondwana was left behind along a fault line, or suture in geological terms, in what is now southern Georgia. "The suture shows up clearly in the crust down to about 40 kilometers' depth, but nothing is known about its properties in the mantle. Our goals are to create digital images of the suture and the surrounding rocks from the surface to depths of at least 100 kilometers and determine how the lithosphere deformed when these plates collided."

The secrets of Earth's moving plates

In Central America, Fischer and her students and colleagues are studying what happens in subduction zones – places where one tectonic plate slides under another – that allows mantle rocks to melt and produce volcanoes. Water released from the downward-moving plate lowers the melting temperature of the mantle rocks above the plate. A small percent of melting occurs, and the melted material then rises to the surface to form volcanoes. "In Central America," she says, "the Cocos Plate is subducting to the northeast under the Caribbean Plate, and the rising 'melt' forms a chain of volcanoes on the Pacific coasts of Nicaragua and Costa Rica."

Fischer and her team are using the data they collect to illuminate, and perhaps revise, assumptions about these processes. "There's a lot we don't know. What is the form of the volatiles in

Karen Fischer: What happens when tectonic plates collide?

Fischer (right) confers with first-year graduate student Julia MacDougall. "The more we understand patterns of faulting," Fisher says, "the more we understand earthquakes and their hazards."

the subducting plate? Where are they released, how much is released, and how do they migrate into the overlying mantle? How hot are the rocks? How much melt is produced? What are the melt pathways to the surface?"

The Central American coast, Fischer says, "is an important site for testing theories about melting because it presents a very wide range of geochemical data and other indicators of how and where melting occurs." There, Fischer and her team conducted an extensive seismological study to better understand the melting process.

In collaboration with colleagues from Columbia University, Boston University, and research institutes in Costa Rica and Nicaragua, Fischer set up 48 broadband seismometers across both countries. The experiment was interwoven with Brown connections. Geoff Abers '83 was the co-leader, and four Brown students and another Brown alum (Ellen Syracuse '03) were part of the field team.

Seismic imaging – creating 2D or 3D pictures from recordings of seismic wave data – made it possible for Fischer's research group to look directly at the subducting plate and the mantle melting above it, rather than relying on geochemical traces in volcanic rocks at the surface. The team collected data from 2003 to 2006. "We were able to create three-dimensional models of how fast seismic waves travel through the rocks of the subducting plate and overlying mantle and crust," Fischer says, "and how much the rocks absorb wave energy." The group found evidence for strong variations in wave velocity and attenuation along the arc.

It takes a (Brown alumni) village

"Catherine Rychert '07 Ph.D., now a researcher at the University of Bristol, U.K., discovered a key link between the amount of water that appears to be in the melting region and the amount of water in the erupted volcanic rocks," Fischer says. "She found that rocks in the mantle roughly 75 kilometers beneath Nicaragua have much higher attenuation than rocks at similar depths in Costa Rica. The magmas in Nicaraguan volcanoes also contain more water than those in Costa Rica. Using models that correctly follow how water will be carried from the melting region to the surface, Rychert matched the water contents.

"Her results get even more exciting when you put them together with the wave velocity models that Ellen Syracuse constructed for her Ph.D. from Boston University. The velocity models show more water being subducted with the slab and more melt rising from the melting region to the arc in Nicaragua. Water, rather than temperature, seems to be dominating the cycle that produces melting and volcanism.

"David Abt '10 Ph.D., now a researcher at ExxonMobil, also made a fundamental discovery by showing that the solid rock in the mantle above the slab is flowing to the northwest along the slab. This flow pattern affects melting processes in myriad ways.

"Scott French '07, who has just started his Ph.D. work at UC-Berkeley, utilized data from our Central America stations in combination with data from our research partners – INETER

[Instituto Nicaragüense de Estudios Territoriales] and Costa Rica's Universidad Nacional – to determine the location and orientation of the fault plate that ruptured during a large earthquake at Lake Nicaragua in 2005, plus the direction of slip on the fault. Scott's senior thesis contributes to an understanding of where and why earthquakes occur at shallow depths, making it possible to better estimate seismic risk.

Alexis Walker '06 (left) and Catherine Rychert '07 Ph.D., shown installing a seismic station on the flank of Miravalles volcano in Costa Rica, are among the students and alumni who have contributed to Fischer's research findings.

"The more we understand melting," Fischer says, "the more we understand volcanoes and their hazards. The more we understand patterns of faulting, the more we understand the distribution of earthquakes and their hazards." And that understanding has more than academic significance.

"One of the very profound experiences my students and I have had," Fischer says, "especially in fieldwork in Nicaragua, one of the poorest countries in the Western hemisphere, is to see first-hand how difficult life can be for the people who are at risk from the hazards we are studying. Our equipment was, in many cases, set up in people's back yards. As we got to know the families and saw how tenuous some of their situations were, it gave our work immediacy."

Fischer's skill as a teacher/mentor was recognized in 2004, when the University awarded her one of its inaugural Royce Family Professorships in Teaching Excellence.

Building cooperation and capacity

Fischer has been working with scientists from Latin America, the Caribbean, and the United States who share the conviction that research, applied both to analyzing hazards and to basic questions, will benefit from a more open sharing of ideas and resources. This group, working through the Incorporated Research Institutions in Seismology, is organizing a consortium to facilitate sharing of data between the many seismic networks that operate in Central America, Mexico, and the Caribbean, and the temporary networks run by other international scientists. A common database would aid in earthquake location and modeling across national boundaries and throughout the region. It would also contribute to regional models of subduction, plate deformation, and volcanic processes.

"We are also trying to create educational opportunities to build capacity in seismology in Mexico, Central America, and the Caribbean," Fischer notes. "We've been making plans to develop internships and exchanges for study and research involving students and researchers from the region and the U.S. USAID has indicated they will substantially fund a workshop to launch the program, and we are waiting to hear about funding from the NSF.

"We want to break down barriers to cooperation," says Fischer. "Through increased sharing of research resources – data, instruments, knowledgeable people – we hope to enable scientists in less developed nations to act on their ideas and priorities, and to flourish alongside their colleagues in more developed countries."

Encounters Across Time, Space, and Discipline

From European opera productions to an international MBA program, the Cogut Center for the Humanities is defining 21st-century scholarship.

When Michael Steinberg met master conductor and pianist Daniel Barenboim in 2003, he encountered a fellow believer in the power of music to reflect, illuminate, and shape human experience. The friendship they formed has generated collaborations whose beneficiaries range from students at Brown to young Middle Eastern musicians to opera audiences in Berlin and Milan.

Steinberg, who joined the Brown faculty in 2005, is Barnaby Conrad Keeney and Mary Critchfield Keeney Professor of History, professor of music, and director of the Cogut Center for the Humanities. In the last role, his aim is to support faculty and students in teaching and research across disciplines and in the development of partnerships with education and cultural institutions in the United States and abroad.

Promoting understanding through music

Early in his tenure, Steinberg was able to bring to Brown the fruits of one such partnership. In collaboration with Daniel Barenboim, Steinberg arranged for the West-Eastern Divan Orchestra to come to campus. The orchestra had its start in a series of music workshops conceived by the legendary pianist and conductor in partnership with the late cultural and literary critic Edward Saïd as a platform for interaction and harmony among young Arab and Israeli musicians. In 2006 orchestra members from Israel and throughout the Middle East spent four days at Brown, performing and engaging in conversations with students and faculty.

"Four Brown students have joined me at the orchestra's summer workshops," Steinberg says: "the first-horn player in the Brown Orchestra, two graduate students in history, and a medical student pursuing an elective concentration in medical humanities with a project on music as social medicine."

Steinberg is a director of the Barenboim-Saïd Foundation USA. "We are working with partner foundations in Europe to extend the orchestra's mission into a year-round academy in Berlin, based in a historic building neighboring the Staatsoper (opera house) in Berlin's cultural heart," he says. "The idea is an institute that places music at the core of a humanistic intervention. Brown and the Cogut Center for the Humanities have been invited to help build a multidimensional curriculum for the academy's integrated program in music and world awareness. We hope to engage Brown faculty as teachers and Brown students as teaching interns. All will interact and share cultural perspectives.

"This is an exciting development," Steinberg says. "It promises to be a model for international interdisciplinary education."

Michael Steinberg: Placing music at the core of "a humanistic intervention."

Fresh eyes on the humanities

For Steinberg, the orchestra and the proposed academy illustrate important shifts in contemporary thinking. "The humanities are being redefined," he explains. "Canons were once the material of disciplines. Then, the so-called culture wars posed the questions: Whose tradition deserves focus? Which canon do we sanctify with our attention? Now, no ownership or inheritance is assumed. We look instead at the value of works as invitations for encounters across time and space.

Internationally renowned conductor Daniel Barenboim, above, conducts an open rehearsal with the Brown Orchestra as part of a residency sponsored by the Cogut Center.

"In the West-Eastern Divan," Steinberg continues, "we hear Arabs, Israelis, and Europeans playing masterworks of the Western tradition. But nearly every performer is coming to these pieces for the first time. There has been a leveling of the playing field, and that presents a tremendous opportunity to think of education differently. No matter where one starts in terms of experience or background, one can find enormous value in the works wherever they may have originated." Steinberg is currently working on a book, *Musical Responsibility*, that develops this argument.

Steinberg recognizes that each piece is a product not only of music history but of a web of cultural, political, religious, literary, and social influences. This perspective informs Steinberg's research, writing, and teaching, and is developed in his influential *Listening to Reason: Culture, Subjectivity and Nineteenth-Century Music.* The book traces music's aesthetic importance and cultural authority from Mozart to Mahler, and it explores the specific ideological and political pressures to which Austro-German music of the period was permeable.

The *Ring* around Brown

The work of 19th-century composer Richard Wagner, which receives significant attention in the book and has often been the focus of Steinberg's scholarship, is at the core of a large-scale performance collaboration in which Steinberg is engaged with Barenboim and colleagues from the Teatro alla Scala, Milan; and the Staatsoper Unter den Linden, Berlin. Beginning in 2010, the two opera houses will begin premiering co-productions of the operas of *Der Ring Des Nibelungen*, one each year. In 2013, the bicentennial of Wagner's birth, complete cycles of all four operas will be presented in Milan and Berlin. Steinberg, a historian of both German culture and music, is conceptual advisor (or dramaturg) to the project. "Daniel Barenboim, who typically wants to address the larger academic and intellectual dimensions of his projects, asked me to provide the *Ring* production with cultural and historical perspectives," Steinberg explains.

"I'm excited about bringing Brown students into this process," Steinberg adds. "I'll offer a seminar this spring to introduce the project to students and get them involved. Brown students are so talented that they can make real contributions. This is an opportunity to bring students into direct contact with a remarkable production team. We plan to bring some of those involved to campus, including Guy Cassiers, the director of the cycle.

"We anticipate opportunities for our students off-campus as well. La Scala is very interested in involving Brown and our students in the production as well as in the planning of symposia and public discussions that will complement it."

The Cogut Center as catalyst

Since the launch of the Plan for Academic Enrichment in the early 2000s, Brown has emphasized groundbreaking multidisciplinary scholarship and teaching. It is a philosophy that brought Steinberg, and other prominent scholars like him, to College Hill – a fertile environment in which to pursue their ideas and inquiries, and to bring students into the mix.

"At Brown," Steinberg says, "we can fluently combine research and teaching with building institutional partnerships and programs. I was fortunate to come to the University as the Cogut Center was taking form and to have the opportunity to lead it. The center is a hub of partnerships, many of them international, involving fields across the humanities and beyond."

Steinberg ticks off a list of the center's international reach. "The Cogut Center partners with academic departments in bringing to campus international postdoctoral fellows as well as senior scholars from around the world. We are playing a lead role in developing a humanities curriculum for a new joint MBA program with Spain's Instituto Empresa [IE], one of the leading business schools in the world. The IE curriculum represents a revision in thinking about the MBA; it makes explicit the links between analytical skills and scientific and humanistic understanding. This is one piece in a much more extensive partnership and two-way exchange involving faculty from IE, the Watson Institute for International Studies, the graduate program in innovation management and entrepreneurship, and Brown's commerce, organizations, and entrepreneurship program.

"As part of Brown's initiative to develop new international connections," he continues, "the Cogut Center, the Pembroke Center for Teaching and Research on Women, and the East Asian Studies Department collaborated to create the Nanjing-Brown Joint Program in Gender Studies and the Humanities. Designed to facilitate dialogue and exchanges between scholars at Brown and Nanjing, the first Chinese university to admit women, the program is geared to expand to other institutions in both countries as it grows. In 2008 six Brown faculty and postdocs took part in a symposium on feminist theory and gender studies in Nanjing.

"When the Cogut Center hosts the annual meeting of the Consortium of Humanities Centers and Institutes in June 2010, a delegation from Nanjing will be present to discuss 'The New Global Humanities' with colleagues from around the world." One of the keynote speakers will be Rajendra Pachauri, founder of the Intergovernmental Panel on Climate Change and 2007 Nobel Peace Prize laureate. Pachauri's address will cap a year-long collaboration on climate change among the Cogut Center, the Committee on Science Studies, and the environmental studies program.

Steinberg says he has "the ideal job on campus" and has found a perfect fit for his wide-ranging interests at Brown. "The Brown classroom is a laboratory where, for example, students can both speak to and be heard by representatives of two of the leading opera houses in the world. Our students are equal to the conversation because each of them is self-directed, on a trajectory of his or her own creation. Our students don't have a nine-to-five mentality, don't feel they're finished with something when a course is over. Instead, they continue building on what they've learned and follow wherever it leads.

"Brown students understand that disciplines have histories but no natural boundaries. They are involved, as I am, in the work of translation across received boundaries."

Physicians Susan Cu-Uvin, left, and E. Jane Carter in the Miriam Hospital's immunology clinic: Cultivating visible and enduring international partnerships

E. Jane Carter and Susan Cu-Uvin

To Heal, to Teach, to Learn

Brown physician-scientists confront HIV/AIDS and tuberculosis with mutually beneficial partnerships in the developing world.

While the developed world enjoys enormous advantages in terms of healthcare resources and access, global health threats ranging from flu to HIV respect no national or economic boundaries. Moreover, chronic illnesses associated with resource-rich nations, such as heart disease and diabetes, are increasingly affecting people in resource-poor countries as traditional diets and ways of life are transformed by development.

Health issues are inevitably global in the 21st century, whether they are being addressed in a TB clinic at Providence's Miriam Hospital or in an HIV clinic in Cambodia. It is fitting, then, that global health is among the fastest-growing areas in Brown's curriculum, accelerated in recent years by the advocacy of Dean of Medicine and Biological Sciences Edward J. Wing and his predecessor, Eli Y. Adashi. Interest and investment in global health drives an array of new and established efforts. Faculty and students from a dozen Brown departments engage in health-related research, clinical care, training, and exchange partnerships with colleagues in 33 nations, nearly all in the developing world.

Equal partners in advancing health and medicine

Associate Professor of Medicine E. Jane Carter leads one of Brown's most visible and enduring international partnerships, the Brown-Kenya Medical Exchange Program. Carter, who spends three months of each year in Kenya overseeing the exchange and running HIV and TB research and treatment programs, recently celebrated the program's anniversary in Eldoret, Kenya, with colleagues at Moi University School of Health Sciences. It was an occasion to reflect on Brown's contributions to a multi-institutional partnership whose leaders have been nominated for a Nobel Prize, and also a time to anticipate possibilities for the program's second decade.

Every year since 1998, Brown faculty and residents have traveled to Eldoret in one- to two-month rotations, working and teaching on the wards at Moi Teaching Referral Hospital, while Moi trainees and faculty have traveled to Brown for a similar experience. More than 90 medical students have completed a clinical elective there, in a setting light-years away from Brown's partner hospitals in Rhode Island.

The exchange was conceived by a group of U.S. medical schools in response to Moi University's needs, with emphasis on building local capacity by training Kenyan medical professionals. Brown has now assisted Moi not only in training Kenyan students and faculty at Brown, but also in building residency programs at Moi so that Kenyan physicians can eventually remain in their country to train. Although the exchange initially

In a Kenyan field, local staff from a Brown-affiliated HIV/AIDS program harvest fresh produce for HIV patients and their families.

focused on medical students and professionals, in recent years training opportunities have expanded to other fields, including public health, social sciences, environmental science – in fact, to any field related broadly to health.

"Everyone recognizes the exchange's benefits to the Kenyans," Carter says, "but no one from Brown returns from Moi without saying how their views have changed, not only about medicine, but about politics, health equity, and teaching." Faculty maintain that they see more in a month at Moi than they would see in decades of practice in Providence.

"One out of every 10 patients died every day. The need was overwhelming. The experience changed my perception of medicine." So wrote Edward J. Wing, then chair of the Department of Medicine, in 2007 of his rotation at Moi.

"There is learning on both sides," says Carter. "In our Ivy League setting and in our hospitals, we have everything at our disposal; we can order sophisticated tests, send a patient to the ICU, order high-tech treatments. But we can learn from our Kenyan colleagues that it doesn't take huge resources to help a patient.

"The basic tenet is to work together with respect and with equity, despite the imbalance of resources on the two sides. Every aspect of what we do builds strength at both institutions."

Soon after the training partnership began, Moi Teaching Referral Hospital was overwhelmed by the HIV/AIDS crisis. In collaboration with the Kenyan government and Moi colleagues, Carter and other internal medicine faculty from the hospital's U.S. partners developed the Academic Model for the Prevention and Treatment of HIV/AIDS (AMPATH) to build Kenya's capacity to respond to the illness. With major support from the President's Emergency Plan for AIDS Relief, AMPATH became East Africa's largest HIV care program and generated a successful treatment model.

Its mission necessarily expanded beyond treating patients and monitoring their antiretroviral therapy to meeting some of their basic needs. Carter tells the story of a woman who was not gaining weight as expected in the course of treatment. Carter and her colleagues discovered she had a large family with whom she shared the food she was given by the clinic; they responded by adding a new component to the program to supplement family nutrition during the treatment period.

"In AMPATH, we have an established, effective system for delivering care to HIV/AIDS patients. But we have yet to move HIV from an acute disease to a chronic condition, as it is in the United States. We want that to be the case in Kenya one day."

Carter also directs clinics in Kenya and at the Miriam Hospital focused on tuberculosis research and treatment, particularly TB and HIV co-infection. "Every day, 5,000 people die of TB around the world," she says. "The disease kills more people than any other infectious agent. Globally, TB is the leading cause of death not only in persons living with HIV/AIDS, but also in women in their childbearing years – a reflection of its enormous impact in the world."

Carter recognized that identifying TB cases early was key to making progress against the disease in Kenya, and she created a program to find them. "In TB, as in most diseases," she explains, "the patient must recognize he's ill and seek care. But contagious TB is usually characterized first by a cough, and the one dollar registration fee at the referral hospital – equivalent to one day's pay – is too great a barrier for patients when the symptom seems as minor as a cough. As a result, patients stay in their communities and infect others. At the core of our Active Case Finding program are cough monitors, lay persons who teach community members about the disease and collect sputum in the field. We then test the specimens for free in our clinic. Once a diagnosis is made, TB care is paid for by the Kenyan government."

To date, Carter's team has screened more than 65,000 people in Western Kenya and found about 12 percent to be contagious. Her model is now being adopted by Kenya's National TB Program. The screenings have uncovered 15 cases of drug-resistant and multi-drug-resistant TB in western Kenya, where they were thought to be very rare. She and her team have created the country's first community-based program to treat resistant cases.

Carter's TB projects office – encompassing clinic and lab – now employs more than 100 staff members, including colleagues from Brown. When asked about her plans for the future, Carter says, in a tone of quiet determination, "I would like to eliminate TB from Kenya."

Carter, seated at center, and colleagues at the Tuberculosis Center at Moi University Faculty of Health Sciences in Eldoret, Kenya: Her screening model is being adopted by Kenya's national TB program.

Holding open Brown's door to the world

Susan Cu-Uvin, professor of obstetrics and gynecology and medicine, shares Carter's conviction that communication and balance are essential to successful institutional partnerships. She brings this view, gained over many years of international collaboration, to her role as director of Brown's new Global Health Initiative (GHI).

Cu-Uvin, who is director of the Women and AIDS Core in Brown's Center for AIDS Research, left the directorship of the Immunology Center at the Miriam Hospital – a facility serving 1,200 HIV-infected women and men – to take on leadership of the GHI.

"[The GHI] is a new entity at Brown, still a work in progress," she says. "Its roots go back two years, when we were asked to form a working group to assess Brown's growing involvement in health research, partnerships, and programs with an international focus. We found a surprisingly large number of enterprises under way – in basic, clinical, and translational research; in health

In her Providence immunology clinic, Cu-Uvin and colleague Curt Beckwith, assistant professor of medicine, confer with a Brown medical student.

policy research; in professional education and community education efforts, among others. But without coordination and formal lines of communication between them, these activities were not always accessible to one another or visible to the rest of the University community."

Dean Wing responded to the group's findings by investing resources to create an entity that would raise the programs' profiles and better focus the energies of Brown's faculty and students on addressing health problems and inequities in the developing world and in local communities.

"GHI is not going to micromanage programs," says Cu-Uvin. "Our mission is to coordinate them to intensify their impact – to provide information and resources so those who want to work on global health can get together with those who are already doing so. We want to support and enhance existing international partnerships and stimulate new ones.

"There was no coordinating agency at Brown before. Now, faculty and students can come to GHI for a portfolio of all that's going on, and students can not only find direction in their international health studies and help with seeking funds, but also may apply for funding through grants administered by the GHI."

Cu-Uvin sees Brown's partnerships with institutions in less developed nations from both sides. "I was born and raised in the Philippines and grew up in a resource-poor country, so I'm very sensitive to the fact that Brown does not dictate terms to its partners and that our institutional culture is open to difference on every level. I'm proud that our faculty act with the intention of making a partnership with equal rewards, recognizing the real costs to the partner and making sure those are balanced by the benefits."

In Cambodia and then the Philippines, Cu-Uvin and her colleagues have helped to set up infrastructure and resources to test pregnant women for HIV and to provide training for those who treat them. She has helped to initiate screening programs in other developing nations, including at a clinic in Vellore, India, where 7,000 pregnant women have been tested. At Moi Teaching Referral Hospital, she helped set up a cervical cancer screening program that aims to test 10,000 women; what started there as a grant-funded project has become a newly established clinical service with diagnostic and treatment capabilities.

Dean of Medicine and Biological Sciences Edward Wing speaks at the 2009 launch of Brown's Global Health Initiative, which Susan Cu-Uvin directs. The initiative serves as an umbrella for the University's international health programs.

An active mentor for international medical students and residents with interest in HIV, Cu-Uvin also co-directs Brown's Scholarly Concentration in Global Health, which immerses students in international health issues and provides close mentoring from experienced faculty throughout their medical school careers.

In September 2008, Cu-Uvin and Professor of Community Health and Anthropology Stephen McGarvey, who directs Brown's International Health Institute, received a grant from the Fogarty International Center for Advanced Study in the Health Sciences of the National Institutes of Health to train students for work in global health. The three-year grant, the latest from a leading supporter of Brown's global health efforts, supports the development of multidisciplinary courses and seminars, and opportunities such as global health internships and mentored research, for medical students and residents.

"We are responding to the realities of a world where 99 percent of maternal deaths occur in resource-poor nations," Cu-Uvin says; "where a woman is 38 times more likely to die of pregnancy-related causes if she lives in a developing nation. Today, 89 percent of the world's population is concentrated in countries that together bear 93 percent of the planet's disease burden but account for only 11 percent of worldwide health spending."

For both Cu-Uvin and Carter, these realities are powerful motivators. "We never do anything," Cu-Uvin says, "that doesn't have a bearing on people's health, on their lives. We can't separate education from research and service."

Events and international advances of note

The year 2008–2009 saw Brown faculty and students engaged in Focus on Africa, a series of thematically linked events, as well as a wide variety of international explorations and scholarship.

August 2008

31
Four Brown geologists conduct research in Iceland at sites where the topography, minerals, and surface chemistry are similar to those on Mars. In one barren area (see photo), graduate student **Ulyana Horodyskyj**, Professor **Jack Mustard**, and Assistant Professor **Michael Wyatt** took core soil samples to learn about water's effect on Martian minerals.

September

2
The NIH announces a three-year, $410,000 grant to Susan Cu-Uvin, professor of obstetrics-gynecology and medicine, and Steve McGarvey, director of the **Brown International Health Institute**.

9
A Brown-led research team's findings, reported in *Science Express*, could predict how **tropical Africa** will respond to global warming.

12

The Burmese fiction writer and physician **Ma Thida**, the 2008-09 International Writers Project fellow at Brown University, arrives for a year-long residency.

9
Liberian President **Ellen Johnson Sirleaf** speaks on campus and receives an honorary Doctor of Laws degree.

19–20
The African Music Festival celebrates **Martin Kwaku Kwaakye Obeng**'s 20 years of teaching at Brown with two days of workshops, performances, and lectures on music of Africa and the diaspora.

26
Leonel Fernández, president of the Dominican Republic, delivers a Stephen A. Ogden Jr. '60 Memorial Lecture on International Affairs. He is joined for further discussion by **Ricardo Lagos Escobar**, former president of Chile and currently a University professor-at-large based at the Watson Institute for International Studies.

22

Anthropologist **Stephen Houston**, a scholar of Mayan iconography who works extensively in Guatemala, receives a "genius grant" from the John D. and Catherine T. MacArthur Foundation.

October

20

French-Algerian choreographer **Heddy Maalem** visits Brown for a Creative Arts Council Residency. He also leads a public forum, discussing his inspiration for *Le Sacre du Printemps,* the last in a trilogy of dances inspired by Maalem's time in Lagos, Nigeria.

24

With 21 recipients, Brown ranks seventh in the nation and third in the Ivies in the number of **Fulbright fellowships** awarded for overseas study in 2008–09. Its percentage of winners to applicants is second only to Yale's.

November

4

As part of Brown's year-long Focus on Africa, **Ngũgĩ wa Thiong'o**, a Kenyan who is considered one of Africa's most accomplished and prominent novelists, visits Brown for a public conversation on "Politics and the Novel" and a reading from *Wizard of the Crow,* his most recent novel.

7–14

Award-winning South African filmmaker, writer, and director **Khalo Matabane** visits Brown to work with students and faculty and to screen his film, *When We Were Black.*

13

Provost David Kertzer and Emilio Botin, chairman of Banco Santander, take part in a signing ceremony at Brown's John Hay Library to establish the Brown International Advanced Research Institutes **(BIARI)**.

Iran is "only months away" from being able to produce a nuclear weapon, says **Mark Fitzpatrick**, an expert on nuclear arms and policy, to a packed house. His talk is part of the Watson Institute's series *Nuclear Dilemmas in the 21st Century.*

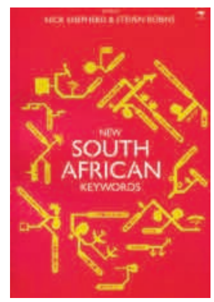
December

5

Anthropology professor **Daniel Jordan Smith** wins the Margaret Mead Award for his book on corruption in Nigeria.

9

Fourteen undergraduates are chosen to receive grants for overseas summer research through Brown's new **International Scholars Program**.



12

The John Nicholas Brown Center for Public Humanities and Cultural Heritage hosts a book signing and reception for *New South African Keywords: A Concise Guide to Public and Political Discourse in Post-Apartheid Society,* co-edited by **Nick Shepherd**, visiting associate professor of archaeology and Africana studies.

January 2009

8

Alfred Gusenbauer, former chancellor of Austria, will serve as a visiting professor at the Watson Institute through December 2009.

22

The University announced that it is partnering in a **U.S.-India biomaterials venture**, the Indo-U.S. Center for Biomaterials for Health Care, funded by the Indo-U.S. Technology Fund. Thomas Webster, associate professor of engineering and orthopedics, will serve as co-director of the virtual center.

26

Richard Holbrooke, class of 1962 and a professor at large based at the Watson Institute, is named special envoy to Afghanistan and Pakistan by President Barack Obama.

Kelly Dreher '08's award-winning international relations senior thesis on differences in hazardous-waste policy in the U.S. and the E.U. wins her a byline in the winter issue of *Review of European Community & International Environmental Law.*

February

6

Romano Prodi, former prime minister of Italy, is appointed to a five-year term as professor-at-large, based at the Watson Institute.

March

2

Dartmouth College announces that Brown alumnus **Jim Yong Kim** '82, a physician known for his work in the global campaign against AIDS, will be its 17th president.

12

Michael Steinberg, director of Brown's Cogut Center for the Humanities, helps two of the world's most prestigious opera houses, La Scala and the Berlin State Opera, stage a joint production of Richard Wagner's epic *Ring Cycle.*

19

Symposium on African Philosophy: The Politics of freedom in Africa and the World brings important scholars in the field of African philosophy to Brown. Professor of Africana Studies **Tony Bogues** delivers the Harmon Family Lecture.

April

1

Sami Zubaida, professor *emeritus* of politics and sociology at Birkbeck College, London, gives the Peter Green Lecture on the Modern Middle East, "Religion, Community, and Class in Iraqi Politics and Society."

14

Dartmouth president-elect Jim Yong Kim delivers the Dr. and Mrs. Frederick W. Barnes Jr. Lecture in Public Health at Brown.

20–23

The **International Writers Conference**, hosted by the International Writers Project at Brown, presents *There Will Still Be Light: A Freedom to Write Literary Festival,* celebrating freedom of expression and the works of Burmese author Ma Thida. Participants include writers Amitav Ghosh, Paul Auster, Siri Hustvedt, Karen Connelly, and Nay Win Myint.

21

Watson Institute professors-at-large Romano Prodi, former prime minister of Italy, and **Ricardo Lagos**, former Chilean president, discuss the view from abroad of new U.S. President Barack Obama.

An article by Brown anthropologist **Marida Hollos** in *Social Science & Medicine* investigates the cultural context and consequences of infertility within two high-fertility populations in Nigeria.

24

History, Memory, and Violence: *A Focus on Africa Symposium* is held at the Watson Institute, featuring filmmaker Flora Gomes of Guinea-Bissau; Wally Serote, CEO of Freedom Park, South Africa; and Ugandan playwright Charles Mulekwa.

May

6

Brown and Spain's **Instituto Empresa**, one of Europe's leading business schools, announce a joint initiative in teaching and research.

15

Michael D. Kennedy is appointed director of the Watson Institute for International Studies, effective July 1. He was previously director of the University of Michigan's Weiser Center for Europe and Eurasia and its Weiser Center for Emerging Democracies.

24

Among the eight recipients of honorary degrees at Brown's 241st Commencement are **Mary Elmendorf**, an anthropologist known for her studies of Mayan women in Mexico and for working to help women in emerging countries; and **Fareed Zakaria**, an editor and journalist known globally for his perspectives on international affairs.

June

5

Brown hosts the inaugural Brown International Advanced Research Institutes (BIARI), a major new faculty development initiative for **promising young scholars** from the Global South and emerging economies.

BIARI

Building a community of international peers

Young scholars from around the world engage Geri Augusto (right), adjunct assistant professor in public policy, in an intense hallway discussion during the 2009 BIARI session.

In June 2009 the University inaugurated the Brown International Advanced Research Institutes (BIARI), a major faculty-development initiative that convenes high-level academic institutes on Brown's campus each summer. Designed and run by Brown faculty, BIARI institutes provide promising young scholars from the Global South an opportunity to focus on high-priority fields in international research in which Brown has exceptional strength.

"The BIARI community is an unparalleled example of the global academic conversation made manifest," says Vice President for International Affairs Matthew Gutmann. "It is also an example of what it means to globalize Brown: bringing together emerging intellectual leaders to learn and teach.

"We are creating a rich network of young scholar-collaborators around the world," Gutmann adds. Junior faculty from Brown participate in the institutes, giving them an opportunity to engage with future research colleagues.

The first BIARI summer institute brought to campus 148 scholars from 52 countries, including Brazil, Uzbekistan, Rwanda, Trinidad, China, Mozambique, Malaysia, South Africa, and Nicaragua, for four two-week sessions. The Institutes in June 2009 were Development and Inequality in the Global South; Law, Social Thought and Global Governance; Technology, Entrepreneurship, and Management; and Towards a Global Humanities.

BIARI was made possible by a comprehensive agreement with Banco Santander, one of the world's top 10 banks and the largest bank in Spain. Santander chairman (and Brown parent) Emilio Botin, who helped craft the academic partnership, said proudly, "I have never [before] signed an agreement of this importance."

2009 Financial Report and Operating Performance

FY09 Financial Overview

The fiscal year that ended June 30, 2009, was enormously challenging for Brown, as it was for all colleges and universities. The impact of the global financial crisis and the economic recession is evident in our financial results: Our endowment is smaller, our net assets are lower, and we are reporting a net operating loss for the year. Brown took a number of steps during FY09 to ensure that resources will continue to be focused on teaching, research, and the core student experience even as we planned to reduce operating expenses to fit our more constrained resources. We continue to be encouraged, however, by the strength of our donor support and by the signs of some economic recovery in the last half of calendar 2009.

Endowment Performance

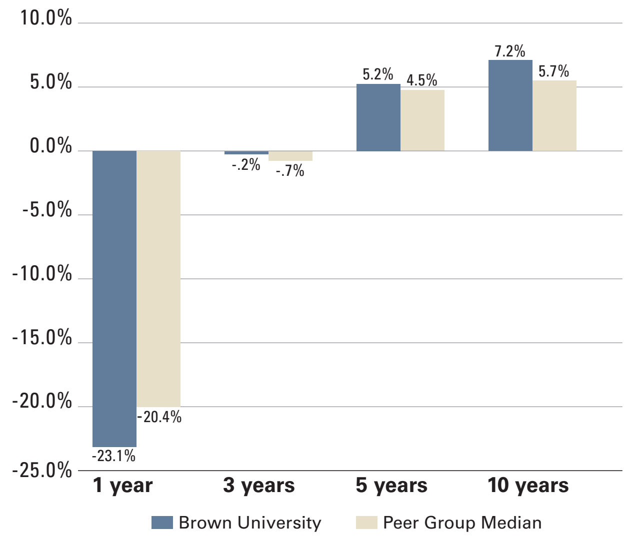
Between July 1, 2008, and June 30, 2009 – fiscal year 2009 – Brown's investment return for its endowment declined 23.1 percent. Nearly every asset class, except fixed income, did poorly. Unfortunately, with significant declines across the board, no long-term asset allocation could have protected the endowment this year.

During the fiscal year, the endowment paid out $133 million for operations, and the University received $44 million in gifts to endowment. As a result, the market value of the endowment was down 26.6 percent from $2.778 billion at the start of the fiscal year to $2.038 billion at the end, a decline of $740 million.

The results for just fiscal year 2009, however, tell only part of the story. Over the full two years of the bear market, global equity markets fell 37.0 percent and the Standard & Poor's 500 was down 35.9 percent, but the Brown endowment fell just half that – 18.3 percent.

Our one-year return lagged the median performance of the 50 largest higher education endowments. During the fourth quarter of calendar 2008, Brown decided a more conservative asset allocation was prudent. The economic crisis and the freezing of credit markets highlighted the importance of liquidity. Based on an earlier in-depth assessment of how the University manages its balance-sheet risks and liquidity needs, we took a number of steps to address risk proactively and elected to reduce significantly the endowment's illiquid exposure and increase the allocation to cash and fixed-income investments. These steps ensured that funding was available to meet the demands of the University operating budget and that the University could meet all its funding obligations to private equity investments.

Brown vs. Peer Institutions Average Annual
Periods ending June 30, 2009 Compound Returns



Longer-term results, however, remain strong, which is especially important given the role of the endowment in supporting the University in perpetuity. Over the last 10 years, Brown has outperformed the median return of the 50 largest higher education endowments, with Brown achieving an annual average return of 7.2 percent while the median return for our peers was 5.7 percent annually. As shown in the graph, over the past three, five, and 10 years, Brown has performed consistently better than the median return of that peer group.

Over a slightly longer time horizon – the past 15 years – with the help of strong investment returns, generous alumni donations, and prudent spending policies, the endowment has increased from $604 million to $2.04 billion. During that period, Brown earned an average annual return of 9.4 percent, and gifts to endowment totaled $691 million.

A $12 million renovation of Rhode Island Hall resulted in a sparkling new home for the Joukowsky Institute of Archaeology and the Ancient World.

Brown uses both qualitative and quantitative approaches in the process of determining its asset allocation, incorporating informed judgment as well as rigorous modeling and testing. During fiscal year 2009, the University adjusted its asset allocation to ensure an appropriate level of liquidity, reducing equity exposure and increasing the allocation to cash and fixed income. Brown's portfolio continues to be well diversified, and the University's long-term investment policy is reviewed and revised as necessary every few years. At June 30, 2009, the long-term investment pool had 81 percent invested in equities and equity-like credit, 14 percent in fixed income, and 5 percent in cash.

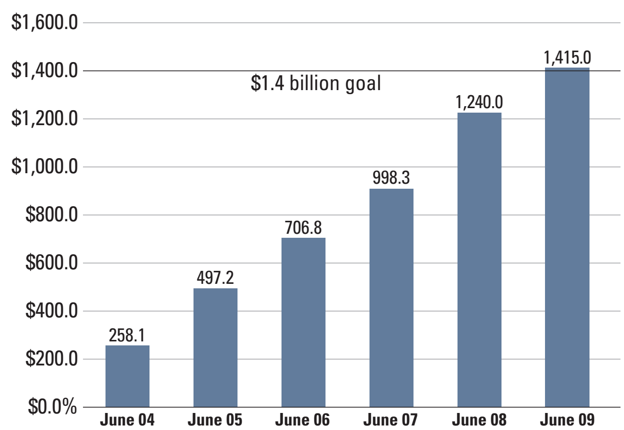
	Actual Asset Allocation as of June 30, 2009
Public Equity	15.0%
Equity Like Credit	5.1%
Hedged Strategies	31.9%
Private Equity	17.3%
Real Assets	11.5%
Total Equity	**80.8%**
Fixed Income	**14.1%**
Cash	**5.1%**
Total Portfolio	100%

The University's endowment spending policy balances the need for current income with the equally important goal of preserving the endowment's value in order to provide funding for future generations. University policy limits annual spending ordinarily to between 4.5 percent and 5.5 percent of the average market value over the three prior calendar years. For fiscal year 2009, the University took an unprecedented step in setting the spending rate at 5.89 percent of the three-year average, above the top of the policy range. After several years of double-digit returns and significant new gifts to endowment, Brown decided to increase its endowment payout to undertake ambitious new efforts, including significant enhancements to its financial aid policies. The endowment provided nearly $23 million in additional revenue to the budget approved for FY09. Even with this higher spending rate in 2009, Brown's endowment spending has averaged 4.3 percent of current market value during the last decade. For the next few years, however, as a result of the sharp decline in endowment value, we are planning to lower Brown's endowment spending.

Fundraising Results

In October 2005, Brown publicly launched "Boldly Brown: Campaign for Academic Enrichment," with a goal of raising $1.4 billion by December 31, 2010, including $600 million for endowment, $540 million for immediate programmatic support, and $200 million for facilities. By May of 2009, 19 months before the end of the campaign, Brown reached its overall campaign goal of $1.4 billion. These results are a testament to the deep loyalty to Brown among its alumni, parents, and friends, and their generosity of spirit that transcends even these difficult times. More than 63,675 alumni, parents, friends, corporations, and foundations had contributed or pledged $1.415 billion to Boldly Brown by the end of fiscal year 2009.

Cumulative Gifts and Pledges to the Boldly Brown Campaign Dollars Raised (in millions)



During fiscal year 2009, cash contributions alone for current use, capital projects, and the endowment totaled $193.4 million. More than 31,200 members of the Brown community contributed nearly $35 million to the 2008–2009 Brown Annual Fund. Since President Simmons's arrival in the summer of 2001, the University has experienced exceptional increases in annual giving: The Brown Annual Fund has more than doubled, and the number of donors has increased by almost 75 percent.

Significant gifts and pledges made during fiscal year 2009 included a pledge of $30 million for undergraduate financial aid from the Steven A. and Alexandra M. Cohen Foundation, bringing the total for undergraduate financial aid funds raised by the Campaign for Academic Enrichment to $286 million. Other noteworthy gifts and pledges were to support new endowed professorships, undergraduate student scholarships, the Stephen Robert '62 Campus Center, the Mind Brain Behavior Building, the Creative Arts Center, a new aquatics center, and the renovation of the reading room in the John Hay Library.

Although the campaign has attained its overall goal, intensive fund-raising efforts to raise an additional $275 million will continue through December 2010 in order to complete funding for several campaign priorities, including:

- $114 million in undergraduate scholarship endowment;
- $50 million to $75 million in endowment for the Brown faculty;
- $65 million to complete key capital projects, including the Mind Brain Behavior Building, the Medical Education Building, the Stephen Robert '62 Campus Center, and the fitness/aquatics center; and
- more than $50 million for the critically important Brown Annual Fund.

Planning for FY10 and Beyond

Early in fiscal year 2009, in response to the declining economic outlook, Brown addressed the immediate problems created by the recession and positioned the University for further adjustments, if necessary. Our goals throughout the economic crisis were to protect the most essential elements of Brown's academic excellence and its positive momentum, to meet the increased need for financial aid, to take advantage of strategic opportunities to pursue the highest priorities of the Plan for Academic Enrichment, and to maintain a supportive and stable work environment. Specifically, Brown instituted a hiring pause for all administrative and staff positions, established an organizational review committee to identify opportunities for savings and efficiencies, reviewed all facilities and IT projects to determine which projects could be deferred, and developed plans to reduce projected expenditures. Importantly, unlike some of our peers, Brown continued to hire new faculty who would strengthen our teaching and research missions.

In planning for fiscal year 2010 and beyond, we anticipate lower than planned revenue from many of the University's revenue sources, and, in particular, the $740 million decline in the endowment's market value will have a significant impact on Brown's operations for the next several years. The payout from the endowment – revenue that we use to pay salaries and benefits, fund financial aid and student services, maintain and upgrade our facilities, and carry on other essential activities and programs – is expected to decrease significantly through fiscal year 2011.

The University has implemented more than $35 million in deficit reductions for fiscal year 2010. Because of the substantial portion of the University budget devoted to compensation expense, we had to take the difficult step of eliminating a total of 67 administrative and support positions from the projected 2009–2010 budget. Thirty-six of these were positions that were already vacant. Sadly, however, 31 positions with incumbents also had to be eliminated.

During the 2009–2010 academic year, the University community will be engaged in determining what additional budget reductions will be needed for FY11 and how those reductions might be achieved. Even as Brown pursues reductions and efficiencies in our operations, we are developing plans that allow the University to make targeted investments in critical academic priorities. This is a difficult but essential focus to maintain.

Capital Investments and Capital Plans

To achieve the objectives of the Plan for Academic Enrichment, particularly with regard to expanding the size of the faculty and establishing new multidisciplinary centers, the University continues to invest in facilities and campus infrastructure. In fiscal year 2009, the University invested more than $92 million in its facilities, including renovations to the Science Library to create a new Science Resource Center; improvements to labs and offices to accommodate new faculty; a host of projects to improve residence halls, social spaces, and athletic facilities; and upgrades to the campus infrastructure.

In August 2009, Brown completed a $12-million renovation of Rhode Island Hall, the new home of the Joukowsky Institute of Archaeology and the Ancient World. The 170-year-old building was completely renovated to include classroom, laboratory, studio, and communal spaces, and designed to provide a welcoming and stimulating environment for scholarship and community. The building's energy efficiency and high-performance design also meet the standards for silver LEED certification by the U.S. Green Building Council.

The Perry and Marty Granoff Center for the Creative Arts

Construction of the Perry and Marty Granoff Center for the Creative Arts, a unique architectural environment designed for collaboration and excellence in all of the arts, began in June 2009, and the building is slated to open in the spring of 2011. Brown alumni and parents have raised funds for the full project amount, including an endowment for the building's ongoing operating and maintenance.

The 35,000-square-foot facility, which will cost about $40 million, will feature a 200-seat recital hall and 35mm screening facility, production spaces and studios, "smart" classrooms, an art gallery, and an outdoor amphitheater wired for sound and video, allowing outdoor performances, film screenings and installations.

The Rhode Island Hall project is just one of Brown's recent efforts to preserve the University's significant historical buildings through renovation and restoration. In recent years, the University has completed renovation projects to repurpose existing buildings to meet academic space and facility needs, including Mencoff Hall (a historic building that now houses the Population Studies and Training Center), Pembroke Hall (new home to the Cogut Center for the Humanities and the Pembroke Center for Teaching and Research on Women), Smith-Buonanno Hall (a former gymnasium renovated for classroom space and academic use), and J. Walter Wilson Hall (a former life sciences laboratory building now dedicated to student services).

Over the next several years, Brown will undertake several critical renovation and construction projects, including:

- The renovation of Faunce House to create the Stephen Robert '62 Campus Center;
- The renovation of the Metcalf complex of buildings to become the new Mind, Brain, Behavior Building to support Cognitive and Linguistic Sciences, the Psychology Department, and the Brian Sciences Program;
- The renovation of an old jewelry factory now used as office space to become a new Medical Education Building for the Warren Alpert Medical School of Brown University; and
- A new fitness and aquatics center to provide for the fitness and wellness of the campus community and to replace the 40-year old Smith Swim Center.

FY09 Financial Statements

The pages that follow present Brown University's audited financial statements. These statements reflect the University's financial condition at the close of fiscal year 2009 in accordance with generally accepted accounting principles. This narrative presents a brief summary of the information in the financial statements.

As shown on the Statement of Financial Position, at June 30, 2009, the University reported total assets of $3.399 billion, liabilities of $674 million, and net assets – total assets minus liabilities – of $2.725 billion. Net assets declined by $766 million, or 22 percent, from 2008, primarily due to the loss in investment value of the University's endowment.

The University's assets primarily consist of investments; land, buildings, and equipment, net of depreciation; contributions receivable; other receivables; and cash or cash

About the University's Financial Statements

Consistent with the financial accounting standards for not-for-profit organizations, Brown University presents three required financial statements. The *statement of financial position* (page 35) shows the University's total resources and financial obligations at the end of the fiscal year, with comparable balances from the prior year. The *statement of activities* (pages 36–37) presents a summary of operating revenue and expenditures for the year and the results of non-operating activity. This statement has been expanded to include a full comparison to prior year revenues and expenses. Brown's *statement of cash flows* (page 38) analyzes the changes in balance sheet lines that affect the University's cash position.

The financial statements include prior year totals and are consolidated to include wholly owned subsidiaries. Brown's independent auditors, KPMG, have issued an unqualified opinion on the fiscal year 2009 statements and related footnotes included in this report.

equivalents. Total assets decreased by $969 million to $3.4 billion in fiscal year 2009, largely due to the performance of our investments. The investment portfolio – the endowment plus short-term investments net of investment-related liabilities – decreased from $2.9 billion on June 30, 2008, to $2.2 billion on June 30, 2009, net of distributions for operating purposes and the receipt of new gifts to endowment. The value of Brown's land, buildings, and equipment increased during the year from $734 million to $778 million due to new construction. Because of an increase in payments on outstanding pledges, contributions receivable decreased by $17.6 million from $225.6 million to $208 million.

Liabilities at the end of the year totaled $673.8 million, with bonds, loans, and notes payable the biggest component. Our total debt as of June 30, 2009, was $492.4 million, a decrease of $4 million from the prior year. The average cost of our debt for the fiscal year was 4.3 percent. Soon after the end of FY09, Brown issued $100 million of 10-year taxable debt to insure that the University has sufficient cash reserves for the next five to 10 years. Moody's and Standard and Poors reaffirmed our ratings of Aa1 and AA+, respectively, and gave Brown a "stable" outlook for the future.

As shown on the Statement of Activities, the change in net assets from operating activities, which includes interest and depreciation expenses, was a negative $12.7 million. The University derives its operating revenue from five main sources: student tuition and fees (net of scholarships and fellowships), grants and contracts, contributions, endowment income, and sales and services of auxiliary enterprises (such as dining and housing). Total unrestricted revenues, which typically account for almost all of Brown's operating revenue, increased 3.9 percent to 622.8 million; and total operating revenue, including temporarily and permanently restricted dollars, increased a comparable amount from FY08.

Student tuition and fees (not including room and board) continue to represent the largest portion of income, totaling $201.8 million, virtually unchanged from the prior year. Scholarships for undergraduate and graduate students, which are shown as an offset to tuition and fees, totaled $100.2 million, an increase of nearly 20 percent from the 2008 level of $83.5 million. Starting in fiscal year 2009, Brown took steps to ensure that its financial aid programs remain competitive and that the best students from lower- and middle-income families can attend Brown without the burden of assuming college debt. As a result, students from families with incomes of less than $100,000 no longer have loans as part of their financial aid packages, and most parents who earn less than $60,000 are not expected to make a financial contribution to fund their child's Brown education. The new financial aid policy also sharply reduces loan expectations for all students who receive aid, regardless of family income.

Brown received a total of $133.8 million in direct and indirect support from external sponsors of research grants and training programs, essentially the same level as in fiscal year 2008. The total included $30.7 million in reimbursements from sponsors for facilities and administrative costs (also called indirect cost recovery). Endowment income distributed for operating support increased 27 percent to $133 million. The amount distributed in fiscal year 2009 represented 4.8 percent of the endowment's market value at the start of the fiscal year.

Operating expenditures totaled $636.5 million in fiscal year 2009, up about 5 percent from the previous year.

Salaries, wages, and benefits, which account for more than 60 percent of total expenses, increased overall by 4.5 percent, primarily for instruction and University-funded research. With rising energy prices, Brown experienced more than a 17 percent increase in the cost of utilities from $18.3 million to $21.5 million. During FY09, however, Brown was able to lock in energy prices at very favorable rates. As a result, the University expects its utilities expense in FY10 to drop by 7 percent. Interest expense totaled $18.6 million, a decrease of almost 5 percent due to extremely low interest rates on Brown's commercial paper programs. Interest expense was less than 3 percent of Brown's total expenses. Finally, plant and equipment depreciation totaled $51.2 million.

Despite the seemingly relentless financial challenges experienced during fiscal year 2009, the Brown community remains engaged and committed to the Plan for Academic Enrichment. We are extremely grateful for the dedication, enthusiasm, and diligent efforts of the faculty, staff, students, and alumni over the past year that leave Brown well positioned to support the University's core mission of teaching, research, and service.

Elizabeth C. Huidekoper

ELIZABETH C. HUIDEKOPER
Executive Vice President for Finance and Administration

Selected Statistics

	2009	2008	2007	2006	2005
Enrollment*					
Undergraduates	5,846	5,789	5,778	5,903	5,752
Graduate School	1,719	1,700	1,705	1,689	1,598
Medical School	408	373	354	344	330
Total Enrollment	7,973	7,862	7,837	7,936	7,680
Undergraduate Admissions					
Number of applicants	24,988	20,633	19,097	18,316	16,910
Admit rate	11%	14%	14%	14%	15%
Yield (% accepted who matriculate)	54%	55%	56%	58%	58%
First-year students receiving Univ. scholarship	41%	43%	40%	39%	41%
Graduate Admissions					
Number of applicants	7,202	7,237	6,934	6,282	5,737
Admit rate	17%	17%	17%	17%	18%
Yield (% accepted who matriculate)	47%	41%	44%	43%	42%
Tuition and Fees					
Undergraduate and Graduate tuition	36,928	35,584	33,888	32,264	30,672
Total tuition, fees, room, board	47,740	45,948	43,754	41,770	39,808
Medical School tuition	39,824	38,000	36,192	34,472	33,144
Number of Faculty**	689	680	662	631	628
Square Footage of Campus Facilities	6,882,112	6,928,696	6,928,696	6,417,998	6,295,886
Financial Data and Ratios (in thousands)					
Total assets	$3,398,653	$4,367,935	$4,044,004	$3,360,670	$2,935,010
Total liabilities	(673,837)	(877,262)	(668,971)	(530,112)	(472,586)
Net assets	$2,724,816	$3,490,673	$3,375,033	$2,830,558	$2,462,442
Endowment market value	$2,039,140	$2,778,022	$2,669,325	$2,198,936	$1,912,769
Pledges receivable, net	$208,007	$225,582	$250,358	$226,103	$173,266
External debt	$492,400	$496,292	$450,049	$365,553	$249,636
Facilities, net of depreciation	$777,539	$733,643	$673,084	$582,813	$492,384
Total resources to debt	4.8x	6.3x	6.7x	6.9x	8.7x
Expendable resources to debt	2.8x	3.5x	3.8x	3.5x	4.6x
Debt service to operations	3.5%	3.9%	3.3%	2.4%	2.3%

*Degree candidates only.

** Includes all tenured/tenure track faculty. It does not include 171 research faculty, 544 doctors at affiliated hospitals and 1,185 doctors in private practice.

Independent Auditors' Report

The President and Corporation
Brown University:

We have audited the accompanying statements of financial position of Brown University (the University) as of June 30, 2009 and 2008, 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, the financial statements referred to above present fairly, in all material respects, the financial position of Brown University as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As described in note 1 to the financial statements, the University adopted the provisions of Financial Accounting Standards Board Staff Position FAS 117-1: *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds,* and Statement of Financial Accounting Standards No. 157, *Fair Value Measurements,* as amended, in 2009.

KPMG LLP

Providence, Rhode Island
October 26, 2009

Statement of Financial Position

Years ended June 30, 2009 and 2008
(Dollars in thousands)

	2009	2008
Assets		
Cash and cash equivalents	**$129,452**	$59,485
Accounts receivable and other assets	**47,575**	47,853
Contributions receivable, net	**208,007**	225,582
Notes receivable, net	**32,894**	32,921
Funds held in trust by others	**13,193**	65,783
Investments	**2,189,993**	3,202,668
Land, buildings and equipment, net	**777,539**	733,643
Total assets	**$3,398,653**	$4,367,935
Liabilities		
Accounts payable and accrued liabilities	**$78,027**	$69,952
Deferred revenues and student deposits	**25,666**	21,752
Liabilities associated with investments	**10,081**	213,401
Refundable advances	**39,258**	40,221
Split-interest obligations	**15,987**	22,936
Asset retirement obligations	**12,418**	12,708
Bonds, loans and notes payable	**492,400**	496,292
Total liabilities	**673,837**	877,262
Net assets		
Unrestricted	**$694,198**	$1,853,085
Temporarily Restricted	**1,046,982**	272,350
Permanently restricted	**983,636**	1,365,238
Total net assets	**$2,724,816**	$3,490,673
Total liabilities and net assets	**$3,398,653**	$4,367,935

See accompanying notes to financial statements.

Statement of Activities

Year ended June 30, 2009
(Dollars in thousands)

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:				
Tuition and fees	$302,018			**$302,018**
Less University scholarships	(100,181)			**(100,181)**
Net tuition and fees	201,837			**201,837**
Grant and contracts – direct	103,149			**103,149**
Grant and contracts – indirect	30,698			**30,698**
Contributions	48,038	$1,867		**49,905**
Endowment income appropriated	122,992	10,038		**133,030**
Sales and services of auxiliary enterprises	80,682			**80,682**
Other income	23,620	966		**24,586**
Net assets released from restrictions	11,746	(11,746)		**–**
Total operating revenues	622,762	1,125		**623,887**
Operating expenses:				
Salaries and wages	301,192			**301,192**
Employee benefits	83,639			**83,639**
Purchased services	48,447			**48,447**
Supplies and general	77,787			**77,787**
Utilities	21,495			**21,495**
Other	34,110			**34,110**
Total operating expenses before interest and depreciation	566,670			**566,670**
Interest	18,635			**18,635**
Depreciation and amortization	51,242			**51,242**
Total operating expenses	636,547			**636,547**
Change in net assets from operating activities	(13,785)	1,125		**(12,660)**
Nonoperating activities:				
Contributions to long-term assets	41,633	10,030	54,793	**106,456**
Net investment return	(688,093)	(11,123)	(12,436)	**(711,652)**
Endowment income appropriated	(122,992)	(10,038)	–	**(133,030)**
Other changes, net	(12,733)	(14,542)	12,304	**(14,971)**
Change in net assets from nonoperating activities	(782,185)	(25,673)	54,661	**(753,197)**
Adjustments required under Rhode Island's enacted version of UPMIFA and FSP 117-1	(362,917)	799,180	(436,263)	**–**
Change in net assets	(1,158,887)	774,632	(381,602)	**(765,857)**
Net assets, beginning of year	1,853,085	272,350	1,365,238	**3,490,673**
Net assets, end of year	$694,198	$1,046,982	$983,636	**$2,724,816**

See accompanying notes to financial statements.

Statement of Activities

Year ended June 30, 2008
(Dollars in thousands)

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:				
Tuition and fees	$284,224			**$284,224**
Less university scholarships	(83,546)			**(83,546)**
Net tuition and fees	200,678			**200,678**
Grant and contracts – direct	102,142			**102,142**
Grant and contracts – indirect	31,089			**31,089**
Contributions	54,512	$3,753		**58,265**
Endowment income appropriated	96,647	8,027		**104,674**
Sales and services of auxiliary enterprises	80,746			**80,746**
Other income	22,985	956		**23,941**
Net assets released from restrictions	10,343	(10,343)		**–**
Total operating revenues	599,142	2,393		**601,535**
Operating expenses:				
Salaries and wages	291,136			**291,136**
Employee benefits	77,147			**77,147**
Purchased services	45,169			**45,169**
Supplies and general	77,210			**77,210**
Utilities	18,301			**18,301**
Other	32,630			**32,630**
Total operating expenses before interest and depreciation	541,593			**541,593**
Interest	19,599			**19,599**
Depreciation and amortization	45,080			**45,080**
Total operating expenses	606,272			**606,272**
Change in net assets from operating activities	(7,130)	2,393		**(4,737)**
Nonoperating activities:				
Contributions to long-term assets	47,539	15,438	22,000	**84,977**
Net investment return	132,198	9,511	17,663	**159,372**
Endowment income appropriated	(96,647)	(8,027)		**(104,674)**
Other changes, net	(4,757)	(11,186)	(3,355)	**(19,298)**
Change in net assets from nonoperating activities	78,333	5,736	36,308	**120,377**
Change in net assets	71,203	8,129	36,308	**115,640**
Net assets, beginning of year	1,781,882	264,221	1,328,930	**3,375,033**
Net assets, end of year	$1,853,085	$272,350	$1,365,238	**$3,490,673**

See accompanying notes to financial statements.

Statement of Cash Flows

Years ended June 30, 2009 and 2008
(Dollars in thousands)

	2009	2008
Cash flows from operating activities:		
Change in net assets	**$(765,857)**	$115,640
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**51,242**	45,080
Net realized and unrealized losses (gains) on investments	**710,255**	(145,799)
Change in estimate of split-interest obligations	**(4,920)**	3,803
Contributions restricted for plant and endowment	**(101,543)**	(75,393)
Decrease in operating assets, net	**17,853**	27,938
Increase in operating liabilities, net	**17,762**	14,058
Net cash used in operating activities	**(75,208)**	(14,673)
Cash flows from investing activities:		
Purchase of land, buildings and equipment	**(102,164)**	(99,195)
Purchases of investments from sales and other sources	**(3,294,102)**	(5,804,193)
Sales of investments	**3,393,202**	5,829,846
Notes issued	**(31,021)**	(32,804)
Notes repaid	**31,048**	32,285
Change in funds held in trust by others	**52,590**	(8,640)
Net cash provided by (used in) investing activities	**49,553**	(82,701)
Cash flows from financing activities:		
Contributions restricted for plant and endowment	**101,543**	75,393
Payments under split-interest obligations	**(2,029)**	(3,088)
Payments on long-term debt	**(3,892)**	(3,757)
Net proceeds from issuance of debt	**–**	50,000
Cash collateral posted under swap agreements	**(13,600)**	–
Cash collateral returned under swap agreements	**13,600**	–
Net cash provided by financing activities	**95,622**	118,548
Change in cash and cash equivalents	**69,967**	21,174
Cash and cash equivalents, beginning of year	**59,485**	38,311
Cash and cash equivalents, end of year	**$129,452**	$59,485
Supplemental disclosure:		
Cash paid for interest	**18,294**	17,573
Change in accounts payable from land, buildings and equipment	**(7,026)**	6,444

See accompanying notes to financial statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

A. Organization

Brown University is a private, nonprofit, nonsectarian, co-educational institution of higher education with approximately 5,800 undergraduate students and 2,200 graduate and medical students. Established in 1764, Brown University offers educational programs for undergraduates in liberal arts and engineering, professional training for students pursuing a career in medicine, and graduate education and training in the arts and sciences, engineering and medicine.

Brown University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes pursuant to the Code.

B. Basis of Presentation

The accompanying financial statements include the accounts of the John Nicholas Brown Center for the Study of American Civilization and Farview Incorporated, a real estate holding company, both of which are separate entities that are consolidated in the financial statements. Brown University and these consolidated entities are collectively referred to herein as the University. All significant inter-entity transactions and balances have been eliminated in consolidation.

The financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles and have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

C. Classification of Net Assets

In 2009, the University adopted the provisions of Financial Accounting Standards Board (FASB) Staff Position FAS 117-1: *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and also requires disclosures about endowment funds, including donor-restricted endowment funds and board-designated endowment funds.

The University is incorporated in and subject to the laws of Rhode Island, which effective as of June 30, 2009 adopted UPMIFA. Under UPMIFA, the assets of a donor-restricted endowment fund may be appropriated for expenditure by the Corporation of the University in accordance with the standard of prudence prescribed by UPMIFA. As a result of this new law and the adoption of FSP 117-1, the University has classified its June 30, 2009 net assets as follows:

- *Permanently restricted net assets* contain donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the University and primarily consist of the historic dollar value of contributions to establish or add to donor-restricted endowment funds.
- *Temporarily restricted net assets* contain donor-imposed stipulations as to the timing of their availability or use for a particular purpose. These net assets are released from restrictions when the specified time elapses or actions have been taken to meet the restrictions. Net assets of donor-restricted endowment funds in excess of their historic dollar value are classified as temporarily restricted net assets until appropriated by the Corporation and spent in accordance with the standard of prudence imposed by UPMIFA.
- *Unrestricted net assets* contain no donor-imposed restrictions and are available for the general operations of the University. Such net assets may be designated by the Corporation for specific purposes, including to function as endowment funds.

Prior to 2009, the University was subject to the Rhode Island Uniform Management of Institutional Funds Act (UMIFA), as amended. Rhode Island's enacted version of UMIFA required the University to maintain the purchasing power of the historic dollar value of its donor-restricted endowment funds and, as a result, the University annually added a portion of the funds' return to permanently restricted net assets to account for inflation. This requirement was eliminated by the enactment of UPMIFA and, accordingly, in 2009 the University reclassified the $436,263 cumulative amount of such additions from permanently restricted net assets to temporarily restricted net assets. In addition, the adoption of FSP 117-1 in 2009 resulted in the reclassification within donor-restricted endowment funds of $362,917 from unrestricted net assets to temporarily restricted net assets to reflect the unappropriated and unspent balance above historic dollar value. See note 4 for more information about the University's endowment.

D. Fair Value Measurements

Investments, funds held in trust by others and interest rate swaps are reported at fair value in the University's financial statements.

Effective July 1, 2008, the University adopted the provisions of Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. SFAS 157 establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and
- Level 3 – unobservable inputs are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Because the University uses net asset values reported by fund managers as a practical expedient to estimate the fair values of its investments held through limited partnerships and other funds, classification of these investments within the fair value hierarchy is based on the University's ability to timely redeem its interest rather than on inputs used. See (H) below and note 3 for further discussion.

E. Statements of Activities

The statements of activities separately report changes in net assets from operating and nonoperating activities. Operating activities consist principally of revenues and expenses related to ongoing educational and research programs, including endowment income appropriated by the Corporation to support those programs. Nonoperating activities consist of net investment return, an offset for endowment income appropriated in operating activities, noncapitalized plant expenditures, changes in swap fair values and the funded status of the pension plan, contributions and net assets released from restrictions for plant, and other activities not in direct support of annual operations.

Revenues are derived from various sources, as follows:

- Tuition and fees are recorded at established rates, net of financial aid and scholarships provided directly to students, in the period in which the sessions are primarily provided. Sales and services of auxiliary enterprises are recognized at the time the services are provided.
- Contributions, including unconditional promises to give reported as contributions receivable, are recognized at fair value in the period received and are classified based upon the existence or absence of donor-imposed restrictions. Expirations of donor-imposed restrictions are reported as net assets released from restrictions. Contributions and investment return subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted revenue. Bequest intentions and conditional promises are not recorded in the University's financial statements.
- Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The University recognizes revenue associated with direct and indirect costs as direct costs are incurred. The recovery of indirect costs is pursuant to an agreement which provides for a predetermined fixed indirect cost rate.
- Dividends, interest and realized and unrealized gains (losses) on investments are reported as increases (decreases) in (1) permanently restricted net assets if the terms of the contributions (or, prior to fiscal 2009, relevant state law) require them to be added to principal; (2) temporarily restricted net assets if the terms of the related contributions impose restrictions on their availability or use; or (3) unrestricted net assets in all other cases. As UPMIFA became effective on June 30, 2009, beginning in fiscal 2010 investment return attributable to donor-restricted endowment funds will be reported as temporarily restricted to the extent not appropriated and spent.

Expenses are reported as decreases in unrestricted net assets.

F. Cash Equivalents

For purposes of the statements of cash flows, cash equivalents, except for those held by investment managers, consist of money market funds and investments with original maturities of three months or less and are carried at cost, which approximates fair value.

G. Accounts and Notes Receivable and Other Assets

Accounts receivable and other assets include amounts due from students, reimbursements due from sponsors of externally funded research, accrued income on investments, inventory and prepaid expenses and are carried at net realizable value, which approximates fair value. Notes receivable consist primarily of loans to students that may have significant restrictions and long maturities, and it is not practicable to estimate their fair value.

H. Investments

Investments are reported at estimated fair value. If an investment is held directly by the University and an active market with quoted prices exists, the University reports the fair value as the market price of an identical security. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year. The University also holds shares or units in traditional institutional funds as well as in alternative investment funds involving hedge strategies, private equity and real asset strategies. Hedge strategies involve funds whose managers have the authority to invest in multiple asset classes at their discretion, including the ability to invest long and short in the markets. Funds with hedge strategies generally hold securities or other financial instruments for which a ready market exists and are priced accordingly. Private equity and real asset funds generally hold assets which require the estimation of fair values in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, the estimated fair values may differ significantly from the value that would have been used had a ready market for the investment existed and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

The University has applied the accounting guidance in Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2009-12), which permits the use of net asset value (NAV) or its equivalent reported by each underlying alternative investment fund as a practical expedient to estimate the fair value of the investment. These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements or operations of the underlying funds. However, it is possible that these redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements, as applicable. Changes in market conditions, the economic environment, or the funds' liquidity provisions may significantly impact the NAV of the funds and, consequently, the fair value of the University's interests in the funds. Although certain investments may be sold in a secondary market, the secondary market is not active and individual transactions are not necessarily observable. It is therefore possible that if the University were to sell a fund in the secondary market, the sale could occur at an amount materially different than the reported value.

Investments also include assets related to donor annuities, pooled income funds, and charitable remainder trusts. Certain of these funds are held in trust by the University for one or more beneficiaries who are generally paid lifetime income, after which the principal is made available to the University in accordance with donor restrictions, if any. The assets are recorded at fair value and liabilities, which are reported as split interest obligations, are recorded to recognize the present value of estimated future payments to beneficiaries.

I. Land, Buildings and Equipment

Land, buildings and equipment are stated at cost of acquisition or construction (including capitalized interest) or, if received as a gift, at estimated fair value at the time of receipt, and are presented net of accumulated depreciation. All other expenditures for maintenance, repairs, and library books are charged to operating net assets as incurred.

Depreciation is calculated using the straight-line method with estimated useful lives of 30 years for buildings, 20 years for building improvements, and 10 years for building equipment. Moveable equipment is depreciated over a range of 3 to 15 years, depending upon asset class.

J. Refundable Advances

The University holds certain amounts advanced by the U.S. government under the Federal Perkins Loan Program and the Health Professions Student Loan Program (the Programs). Such amounts may be re-loaned by the University after collection; however, in the event that the University no longer participates in the Programs, the amounts are generally refunded to the U.S. government. Refundable advances also include amounts received from funding agencies in advance of project activities related to sponsored programs.

K. Collections

The University's collections include works of art, historical treasures, and artifacts that are maintained in the University's libraries and museums. These collections are protected and preserved for education and research purposes. The collections are not recognized as assets in the financial statements of the University.

L. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

M. Reclassifications

Certain 2008 financial information has been reclassified to conform to the 2009 presentation.

2. Contributions Receivable

The University's contributions receivable are recognized net of discounts at rates commensurate with the risks involved and after allowance for uncollectibles are reported at net realizable value, which approximates fair value. Contributions receivable were as follows at June 30:

	2009	2008
Contributions expected to be received in:		
One year or less	$ 48,928	$ 50,421
Between one and five years	182,465	197,608
More than five years	10,133	20,778
Gross contributions receivable	241,526	268,807
Unamortized discount (at rates ranging from 2.1% to 6.3%) and allowance for uncollectibles	(33,519)	(43,225)
Contributions receivable, net	**$208,007**	**$225,582**

3. Investments

The following table summarizes the University's investments and funds held in trust by others in the SFAS 157 fair value hierarchy as of June 30, 2009, with comparative totals as of June 30, 2008:

	2009				2008
	Level 1	**Level 2**	**Level 3**	**Total**	**Total**
Investments					
Cash	$174,228	—	—	174,228	177,375
Fixed income	303,300	81,026	42,463	426,789	296,487
Public equity	9,273	138,774	115,996	264,043	1,058,361
Hedged strategies	—	113,990	621,240	735,230	902,042
Private equity	—	—	381,766	381,766	419,516
Real assets	885	1,391	205,661	207,937	348,887
Total	**487,686**	**335,181**	**1,367,126**	**2,189,993**	**3,202,668**
Funds held in trust by others	$ 2,650	—	$10,543	$13,193	$65,783

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

The following table presents the University's activity for the fiscal year ended June 30, 2009 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in SFAS 157:

	Fixed income	**Public equity**	**Hedge strategies**	**Private equity**	**Real assets**	**Funds held in trust**	**Total**
Fair value at July 1, 2008	$53,735	184,908	897,380	424,278	344,139	13,249	1,917,689
Purchases	10,071	10,000	62,400	70,882	52,382	—	205,735
Distributions	(30,122)	(30,305)	(152,378)	(11,214)	(69,524)	—	(293,543)
Net realized and unrealized gains (losses)	8,779	(48,607)	(159,791)	(102,180)	(121,336)	(2,706)	(425,841)
Transfers to Level 2	—	—	(26,371)	—	—	—	(26,371)
Fair value at June 30, 2009	**$42,463**	**115,996**	**621,240**	**381,766**	**205,661**	**10,543**	**1,377,669**

Total investment return consisted of the following for the years ended June 30:

	2009	2008
Interest and dividends	$ 26,162	$ 40,162
Net realized and unrealized (losses) gains, net of investment fees	(726,752)	128,013
Total	**$ (700,590)**	**$168,175**

Total investment management fees for the years ended June 30, 2009 and 2008 were $16,497 and $17,786, respectively, and are netted with net realized and unrealized (losses) gains.

Following is a reconciliation of total investment return to amounts reported in the statements of activities for the years ended June 30:

	2009	2008
Endowment income appropriated – operating	$133,030	$104,674
Investment income included in other income – operating	11,062	8,803
Net investment return (below) above endowment income appropriated– nonoperating	(844,682)	54,698
Total return	**$(700,590)**	**$168,175**

A. Liquidity

Investments as of June 30, 2009 are summarized below based on when they may be redeemed or sold:

	Fair values
Investment redemption period or sale:	
Daily	$584,468
Monthly	43,405
Quarterly	165,085
Semi-annually	42,970
Annually	79,710
Two-to-five years	369,825
Temporarily illiquid	158,529
Locked-up until liquidation	746,001
Total	**$2,189,993**

Temporarily illiquid includes lock-ups with indefinite expiration dates, restricted shares, and gates that vary based on the occurrence of events that are uncertain. Locked-up until liquidation includes side pockets, funds in liquidation which have suspended normal liquidity terms, and private equity and real assets where the University has no liquidity terms until the investments are sold by the fund manager.

B. Commitments

Private equity and real asset investments are generally made through limited partnerships. Under the terms of these agreements, the University is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the manager. These partnerships have a limited existence, generally ten years, and such agreements may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The University cannot anticipate such changes because they are based on unforeseen events, but should they occur they may result in less liquidity or return from the investment than originally anticipated. As a result, the timing and amount of future capital or liquidity calls expected to be exercised in any particular future year is uncertain. The aggregate amount of unfunded commitments associated with private equity and real asset investments as of June 30, 2009 was $492,551.

C. Collateralized Borrowing

The University participates in a repurchase agreement under which the University periodically borrows funds collateralized with certain of its securities for other investment purposes. There were no repurchase agreements in effect at June 30, 2009. The balance of such repurchase agreements was $185,316 as of June 30, 2008, and was included in liabilities associated with investments on the 2008 statement of financial position.

D. Funds Held in Trust by Others

Funds held in trust by others represent funds that are held and administered by outside trustees, including perpetual trusts established by donors of $10,542 and $13,249 at June 30, 2009 and 2008, respectively. The University receives all or a specified portion of the return on the underlying assets of such trusts, which is primarily restricted for scholarships. The University will never receive the assets held in trust. Other trusteed funds of $2,651 and $52,534 at June 30, 2009 and 2008, respectively, include bond proceeds to be utilized for construction projects in accordance with bond covenants as well as amounts held in reserve.

4. Endowment

The University's endowment consists of approximately 2,500 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Corporation to function as endowments. Net assets associated with endowment funds, including funds designated by the Corporation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$(49,306)	785,047	974,861	1,710,602
Corporation-designated endowment funds	356,956	78,484	—	435,440
Total endowment net assets	**$307,650**	**863,531**	**974,861**	**2,146,042**

Endowment net assets consist of the following at June 30, 2008:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$856,638	7,115	1,356,705	2,220,458
Corporation-designated endowment funds	537,009	85,614	—	622,623
Total endowment net assets	**$1,393,647**	**92,729**	**1,356,705**	**2,843,081**

Changes in endowment net assets for the year ended June 30, 2009 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2008	$1,393,647	92,729	1,356,705	2,843,081
Interest and dividends	22,960	—	—	22,960
Net realized and unrealized	(647,315)	(10,370)	(12,107)	(669,792)
Endowment income appropriated	(122,992)	(10,038)	—	(133,030)
Contributions	2,716	287	54,791	57,794
Transfers in	28,741	—	—	28,741
Reclassifications and other changes	(7,190)	(8,257)	11,735	(3,712)
Reclassification from adoption of UPMIFA	—	436,263	(436,263)	—
Reclassification under FSP 117-1	(362,917)	362,917	—	—
Endowment net assets, June 30, 2009	**$307,650**	**863,531**	**974,861**	**2,146,042**

Changes in endowment net assets for the year ended June 30, 2008 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2007	$1,354,006	88,829	1,320,897	2,763,732
Interest and dividends	34,409	—	—	34,409
Net realized and unrealized gains	107,019	9,913	17,614	134,546
Endowment income appropriated	(96,647)	(8,027)	—	(104,674)
Contributions	6,658	9	21,998	28,665
Reclassifications and other changes	(11,798)	2.005	(3,804)	(13,597)
Endowment net assets, June 30, 2008	**$1,393,647**	**92,729**	**1,356,705**	**2,843,081**

A. Interpretation of Relevant Law

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

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University

B. Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's historic dollar value. Deficiencies of this nature, which are reported in unrestricted net assets, aggregated $49,306 as of June 30, 2009. These deficiencies resulted principally from investment losses and continued appropriation for certain programs that was deemed prudent by the Corporation. Subsequent gains that restore the fair value of the assets of these endowment funds to the required level will be classified as increases in unrestricted net assets. There were no such deficiencies as of June 30, 2008.

C. 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, including both donor-restricted and designated funds. Under this policy, as approved by the Corporation, the endowment assets are invested in a manner that is intended to produce results that exceed the total return of a benchmark composed of 25% of the Barclays Capital Government/Credit Bond Index and 75% of the MSCI All Country World Index while assuming a moderate level of investment risk. The University expects its endowment funds, over a full market cycle, to provide an average annual real rate of return of approximately 5.5% annually. Actual returns in any given year or period of years may vary from this amount.

D. Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places emphasis on investments in public equity, hedge funds, private equity, real assets and fixed income to achieve its long-term return objectives within prudent risk constraints.

E. Spending Policy and How the Investment Objectives Relate to Spending Policy

The University invests its endowment funds and allocates the related earnings for expenditure in accordance with the total return concept. The endowment usage is determined in accordance with the policy adopted by the Corporation. This policy fixes the spending range of endowment total return between 4.5% and 5.5% of the average fair value of applicable endowment for the three calendar years preceding the budget year, with the objective being to hold the spending rate to no more than 5% average over time. Applicable endowments include Corporation-designated and donor-designated endowment funds.

5. Land, Buildings and Equipment

Land, buildings and equipment include the following at June 30:

	2009	2008
Land	$ 53,448	$ 47,214
Buildings and improvements	1,081,829	990,627
Equipment	87,635	79,342
Construction in progress	71,440	84,860
	1,294,352	**1,202,043**
Accumulated depreciation	(516,813)	(468,400)
Land, buildings and equipment, net	**$777,539**	**$733,643**

Outstanding commitments on uncompleted construction contracts total $26,697 at June 30, 2009.

6. Bonds, Loans and Notes Payable

The University has entered into various agreements for the purpose of financing the acquisition, renovation, and improvement of its facilities. The bonds, loans and notes payable outstanding for these purposes are as follows:

Name of issue	Interest rate(s)	Type of rate	Final maturity	Balance at June 30 2009	2008
Taxable Standard Commercial Paper Notes, Series A, revolving through 2036	0.20% – 0.67%	Fixed	Revolving	$ 46,800	$ 46,800
Rhode Island Health and Educational Building Corporation (RIHEBC) Facilities Revenue Bonds:					
Series 1998	4.75%	Fixed	2014	9,075	10,345
Series 2001A	3.90% – 5.25%	Fixed	2023	28,165	28,715
Series 2001B	0.18%*	Variable	2032	55,340	55,340
Series 2003A	2.70% – 4.85%	Fixed	2037	44,600	45,410
Series 2003B	0.17%*	Variable	2043	44,530	44,880
Series 2004	2.75% – 4.75%	Fixed	2025	20,140	20,980
Series A 2005	0.30%*	Variable	2035	85,500	85,500
Series 2007	4.25% – 5.00%	Fixed	2037	90,010	90,010
Tax-Exempt Commercial Paper, revolving through 2036	0.33% – 0.40%	Fixed	Revolving	50,000	50,000
Brown University Taxable Bonds, Series 2005	5.09%	Fixed	2015	17,000	17,000
Loan payable – U.S. Department of Education	5.50%	Fixed	2021	1,240	1,312
Total bonds, loans and notes payable				**$492,400**	**$496,292**

* *As of June 30, 2009*

A. Tax Exempt Bonds

The University's tax exempt debt, primarily Facilities Revenue Bonds, is issued through RIHEBC, a state agency serving as a conduit issuer of tax exempt debt. The University is required under certain of its financing agreements with RIHEBC to appropriate funds from operating and other net assets for payment of principal and interest and for maintenance of the properties. The Revenue Bonds currently outstanding were issued primarily to finance new and on-going capital projects for research, student housing, academic and administrative buildings, and infrastructure throughout the University.

B. Taxable Bonds and Other Debt

The Brown University Taxable Bonds, Series 2005 were issued to finance a portion of the acquisition cost of an office building. In addition, the University implemented a Taxable Commercial Paper Program in November 2005. The program provides for the issuance, up to $50,000, of Taxable Standard Commercial Paper Notes, Series A, and Taxable Extendible Commercial Paper Notes, Series B.

In 2006, the University implemented a Tax Exempt Commercial Paper Program. The program enables the University to issue up to $50,000 in revolving commercial paper.

Principal payments of bonds and loan payable as of June 30, 2009 for the succeeding five fiscal years ending June 30 are as follows:

2010	$4,035
2011	4,185
2012	5,954
2013	7,814
2014	8,184

The University's bonds, loans and notes payable are stated at face value. The University's bonds trade periodically in a limited market. Utilizing available market pricing information provided by a third party and other data, the University determined that the aggregate carrying value of its debt as of June 30, 2009 and 2008 approximated its fair value.

The University has a revolving line of credit available up to $20,000. As of June 30, 2009, the full amount of $20,000 was available at a rate of 1.07%.

C. Interest Rate Swaps

At June 30, 2009, the University had in place various interest-rate swap agreements to effectively convert its variable-rate bonds to fixed rates until maturity of the bonds. The swaps' notionals amortize at the same rate as the related debt principal.

As of June 30, the following interest-rate swap agreements were outstanding:

Counterparty	Issue date	Effective date	Expiration date	Remaining notional amount	Swap fixed rate	Fair Value at June 30 Asset (liability) 2009	2008
JP Morgan (formerly Bear Stearns)	11/6/2003	3/3/2008	9/1/2043	$ 44,530	3.732%	$ (7,361)	$ (3,433)
Goldman Sachs	7/7/2005	10/4/2005	5/1/2035	85,500	3.979%	(4,373)	(1,363)
Goldman Sachs	11/15/2006	11/21/2006	9/1/2032	55,340	3.891%	(3,007)	(1,174)
						$ (14,741)	**(5,970)**

The variable rate on the two Goldman Sachs swaps is based on the USD-BMA Municipal Swap Index. The variable rate on the JPMorgan swap is based on 67% of one-month LIBOR-BBA. The Goldman Sachs swaps require posting of collateral by either party at thresholds based on their respective credit ratings. Based on the University's current credit rating, cash collateral must be posted by the University if the mark to market liability payable by the University exceeds $25 million. The JPMorgan swap stipulates that the University maintain its current credit rating to avoid collateral posting requirements. The counterparties are required to maintain a minimum credit rating based on provisions contained in the individual swap agreements, which were at or above the minimum thresholds contained in the agreements as of June 30, 2009 and 2008.

Interest rate volatility, remaining outstanding principal and time to maturity will affect each swap's fair value at subsequent reporting dates. To the extent the University holds a swap through its expiration date, the swap's fair value will reach zero. Because the swap fair values are based predominantly on observable inputs corroborated by market data, they are categorized as Level 2 for purposes of valuation disclosure under SFAS 157.

7. Retirement Benefits

The University participates in two contributory retirement plans. The plans provide for the purchase of annuities on a compulsory basis by full-time faculty and administrative staff. The expense to the University, representing its contributions to the accounts of faculty and staff, was $19,437 and $19,942 for the years ended June 30, 2009 and 2008, respectively. The University has no liability for unfunded pension costs under these plans.

The Brown University Food Services and Plant Operations Employees' Pension Plan is a noncontributory defined benefit plan which provides pensions for certain full-time weekly paid employees. The policy of the University is to fund pension costs in accordance with the Employee Retirement Income Security Act of 1974.

Information regarding the defined benefit pension plan for the years ended June 30 is as follows:

	2009	2008
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$38,291	$35,979
Service cost	1,806	1,728
Interest cost	2,541	2,228
Benefits paid	(1,326)	(1,253)
Actuarial loss (gain)	2,267	(391)
Projected benefit obligation at end of year	**$43,579**	**$38,291**

The projected benefit obligation was determined using the following assumptions as of June 30:

	2009	2008
Discount rate	6.24%	6.82%
Rate of compensation increase	4.00	4.50

The following is a summary of activity under the plan for the years ended June 30:

	2009	2008
Change in plan assets:		
Fair value of plan assets at beginning of year	$32,398	$33,115
Actual return on plan assets	(5,668)	(839)
Contributions	4,250	1,375
Benefits paid	(1,326)	(1,253)
Fair value of plan assets at end of year	**$29,654**	**$32,398**
Projected benefit obligation at end of year	**(43,579)**	**($38,291)**
Funded status recorded in accounts payable and accrued liabilities	**(13,925)**	**(5,893)**

	2009	2008
Net periodic pension cost:		
Service cost	$1,806	$1,728
Interest cost	2,541	2,228
Expected return on assets	(2,426)	(2,494)
Amortization of unrecognized prior service cost	149	149
Net periodic pension cost	**$2,070**	**$1,611**

The net periodic pension cost was determined using the following assumptions for the years ended June 30:

	2009	2008
Discount rate	6.82%	6.32%
Rate of compensation increase	4.50	4.50
Expected long-term rate of return	7.50	7.50

The expected rate of return on assets was derived based upon assumptions of inflation, real returns, anticipated value added by the investment manager and expected asset class allocations.

Net periodic pension cost is reflected in operating activities on the statements of activities. As of June 30, 2009 and 2008, the items not yet recognized as components of net periodic pension cost are an unrecognized prior service cost of $812 and $961, respectively, and a net unrecognized actuarial loss of $11,611 and $1,250, respectively. These changes affecting the funded status of the plan are included in other changes in nonoperating activities.

The investment strategy for the Plan takes into account several factors consistent with the characteristics of an employee pension plan. As such, the strategy recognizes a long-term time horizon where a substantial allocation to equities is appropriate and will help to maximize returns; broad diversification in order to increase return and reduce risk; and investment in institutional retirement annuities that serve to reduce administrative costs.

The actual asset allocation for the pension plan as of June 30, 2009 and 2008, and the weighted average asset targeted allocation are as follows:

	Target	**Actual**	
		2009	2008
Equity securities	65%	59%	63%
Fixed income securities	33	30	36
Cash and cash equivalents	2	11	1
Total	**100%**	**100%**	**100%**

The estimated employer contribution for 2010 is $3,000.

Estimated future benefit payments as of June 30, 2009 are as follows:

Fiscal year	Amount
2010	$1,787
2011	1,881
2012	1,962
2013	2,060
2014	2,193
2015–2019	13,752

8. Net Assets

The University's net assets as of June 30 are as follows:

	2009			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Operating:				
Undesignated, departmental funds	$38,008	—	—	$38,008
University designated	47,011	—	—	47,011
Donor restricted	—	89,170	—	89,170
Facilities and equipment	291,971	94,281	—	386,252
Student loans	9,558	—	8,775	18,333
Endowment	307,650	863,531	974,861	2,146,042
Total net assets	**$694,198**	**1,046,982**	**983,636**	**$2,724,816**

	2008			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Operating:				
Undesignated, departmental funds	$59,624	—	—	$59,624
University designated	106,534	—	—	106,534
Donor restricted	—	78,057	—	78,057
Facilities and equipment	284,574	101,564	—	386,138
Student loans	8,706	—	8,533	17,239
Endowment	1,393,647	92,729	1,356,705	2,843,081
Total net assets	**$1,853,085**	**272,350**	**1,365,238**	**$3,490,673**

9. Functional Classification of Expenses

Functional categories are reported after allocating, on a square footage basis, expenses for operation and maintenance of plant, interest on indebtedness and depreciation. Operating expenses incurred in the fiscal years ended June 30 were as follows:

	2009	2008
Instruction and departmental research	$236,373	$218,781
Sponsored programs	103,988	101,264
Academic and student support	116,727	111,015
Auxiliary services	92,957	86,229
Institutional support	86,502	88,983
	$636,547	**$606,272**

10. Commitments and Contingencies

All funds expended in conjunction with government grants and contracts are subject to audit by governmental agencies. In the opinion of management, any potential liability resulting from these audits will not have a material effect on the University's financial position.

The University is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot currently be determined, the University believes that eventual liability, if any, will not have a material effect on the University's financial position.

11. Related-Party Transactions

Members of the Corporation and senior management may, from time to time, be associated, either directly or indirectly with companies doing business with the University. The University has a written conflict of interest policy that is required to be completed by each member of the Corporation. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arms' length, based on terms in the best interest of the University.

12. Subsequent Events

In August 2009, the University issued taxable bonds with a par value of $100,000 at a fixed rate of 4.57%, maturing September 1, 2019. No principal payments are required on the bonds until their maturity. The bonds are for general University purposes. In September 2009, the University issued $70,795 in tax-exempt bonds through RIHEBC at a fixed rate of 5%, maturing September 1, 2039. The bonds were sold at a premium, resulting in a yield to the first optional call date by the University (September 1, 2019) of 4.15%. No principal payments are required on the bonds until their maturity. The bonds are being used to refund $50,000 of taxable commercial paper and to finance various capital projects.

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2009 and through October 26, 2009, the date on which the financial statements were issued.

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