# COLD SPRING HARBOR LABORATORY

Consolidated Financial Statements

December 31, 2008
(With Independent Auditors' Report Thereon)

**KPMG LLP**
Suite 200
1305 Walt Whitman Road
Melville, NY 11747-4302

## Independent Auditors' Report

The Board of Trustees
Cold Spring Harbor Laboratory:

We have audited the accompanying consolidated balance sheet of Cold Spring Harbor Laboratory (the Laboratory) as of December 31, 2008, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Laboratory's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Laboratory's 2007 consolidated financial statements and, in our report dated April 16, 2008, we expressed an unqualified opinion on those consolidated financial statements.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cold Spring Harbor Laboratory as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

June 9, 2009

KPMG LLP, a U.S. limited liability partnership, is the U.S.
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# COLD SPRING HARBOR LABORATORY

Consolidated Balance Sheet

December 31, 2008

(with comparative financial information as of December 31, 2007)

| | | 2008 | 2007 |
|---|---|---|---|
| Assets: | | | |
| Cash and cash equivalents | $ | 52,226,592 | 25,576,470 |
| Accounts receivable | | 2,391,572 | 2,669,325 |
| Grants receivable | | 8,597,399 | 9,037,130 |
| Contributions receivable, net (Note 4) | | 104,681,657 | 67,093,000 |
| Publications inventory | | 3,925,967 | 4,033,100 |
| Prepaid expenses and other assets (Note 11) | | 3,599,196 | 4,049,972 |
| Investments (Note 2) | | 213,424,159 | 333,635,052 |
| Investment in employee residences (Note 5) | | 4,237,194 | 5,446,047 |
| Restricted use assets (Note 6) | | 20,947,929 | 3,991,338 |
| Deposits with bond trustee (Note 7) | | 11,886,744 | 29,483,468 |
| Land, buildings and equipment, net (Note 8) | | 198,684,203 | 159,204,452 |
| Total assets | $ | 624,602,612 | 644,219,354 |
| Liabilities and Net assets: | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses (Note 11) | $ | 50,563,503 | 19,998,678 |
| Deferred revenue | | 3,962,000 | 4,003,091 |
| Bonds payable (Note 11) | | 97,200,000 | 97,200,000 |
| Total liabilities | | 151,725,503 | 121,201,769 |
| Commitments and contingencies (Notes 9, 10 and 21) | | | |
| Net assets: | | | |
| Unrestricted (Notes 12 and 15) | | 126,126,561 | 219,853,852 |
| Temporarily restricted (Notes 13 and 15) | | 179,988,153 | 119,623,060 |
| Permanently restricted (Notes 14 and 15) | | 166,762,395 | 183,540,673 |
| Total net assets | | 472,877,109 | 523,017,585 |
| Total liabilities and net assets | $ | 624,602,612 | 644,219,354 |

See accompanying notes to consolidated financial statements.

# COLD SPRING HARBOR LABORATORY

Consolidated Statement of Activities

Year ended December 31, 2008

(with summarized financial information for the year ended December 31, 2007)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2008 Total | 2007 Total |
|---|---|---|---|---|---|
| Revenue and other support: | | | | | |
| Public support - contributions and non-Federal grant awards | $ 18,753,007 | 71,018,809 | 12,906,256 | 102,678,072 | 71,633,188 |
| Federal grant awards | 27,728,155 | - | - | 27,728,155 | 30,887,232 |
| Indirect cost allowances (Note 16) | 22,079,594 | - | - | 22,079,594 | 19,634,082 |
| Investment return utilized (Note 17) | 16,956,184 | - | - | 16,956,184 | 18,299,207 |
| Program fees | 4,634,167 | - | - | 4,634,167 | 4,103,754 |
| Publications sales | 10,998,768 | - | - | 10,998,768 | 10,404,661 |
| Dining services | 4,074,984 | - | - | 4,074,984 | 3,640,595 |
| Rooms and apartments | 3,088,435 | - | - | 3,088,435 | 2,804,675 |
| Royalty and licensing fees | 1,250,028 | - | - | 1,250,028 | 1,092,311 |
| Miscellaneous | 1,049,986 | - | - | 1,049,986 | 910,490 |
| Net assets released from restrictions | 30,575,759 | (30,575,759) | - | - | - |
| Total revenue and other support | 141,189,067 | 40,443,050 | 12,906,256 | 194,538,373 | 163,410,195 |
| Expenses (Note 18): | | | | | |
| Research | 69,062,315 | - | - | 69,062,315 | 65,315,923 |
| Educational programs | 15,259,681 | - | - | 15,259,681 | 12,017,459 |
| Publications | 10,764,090 | - | - | 10,764,090 | 10,241,091 |
| Banbury Center conferences | 1,309,337 | - | - | 1,309,337 | 1,342,587 |
| Dolan DNA Learning Center programs | 1,476,222 | - | - | 1,476,222 | 1,413,157 |
| Watson School of Biological Sciences programs | 3,138,774 | - | - | 3,138,774 | 3,206,295 |
| General and administrative | 14,545,349 | - | - | 14,545,349 | 13,111,199 |
| Dining services | 5,345,228 | - | - | 5,345,228 | 5,109,292 |
| Total expenses | 120,900,996 | - | - | 120,900,996 | 111,757,003 |
| Excess of revenue and other support over expenses | 20,288,071 | 40,443,050 | 12,906,256 | 73,637,377 | 51,653,192 |
| Other changes in net assets: | | | | | |
| Investment (loss) / return excluding amount utilized (Note 17) | (59,296,552) | (4,308,727) | (29,684,534) | (93,289,813) | 8,259,753 |
| Change in fair value of interest rate swap (Note 11) | (29,526,602) | - | - | (29,526,602) | (3,076,548) |
| Write-off of terminated bond insurance (Note 11) | (961,438) | - | - | (961,438) | - |
| Change in net asset classification based on change in law (Note 15) | (24,230,770) | 24,230,770 | - | - | - |
| (Decrease) increase in net assets | (93,727,291) | 60,365,093 | (16,778,278) | (50,140,476) | 56,836,397 |
| Net assets at beginning of year | 219,853,852 | 119,623,060 | 183,540,673 | 523,017,585 | 466,181,188 |
| Net assets at end of year | $ 126,126,561 | 179,988,153 | 166,762,395 | 472,877,109 | 523,017,585 |

See accompanying notes to consolidated financial statements.

## COLD SPRING HARBOR LABORATORY

Consolidated Statement of Cash Flows

Year ended December 31, 2008

(with comparative financial information for the year ended December 31, 2007)

| | | 2008 | 2007 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| (Decrease) increase in net assets | $ | (50,140,476) | 56,836,397 |
| Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities: | | | |
| Change in fair value of interest rate swap | | 29,526,602 | 3,076,548 |
| Depreciation and amortization | | 7,056,947 | 6,397,045 |
| Net depreciation (appreciation) in fair value of investments | | 83,339,568 | (17,332,229) |
| Contributions restricted for long-term investment | | (28,230,901) | (9,760,257) |
| Changes in assets and liabilities: | | | |
| Decrease in accounts receivable | | 277,753 | 325,682 |
| Decrease (increase) in grants receivable | | 439,731 | (1,177,750) |
| Increase in contributions receivable | | (30,956,222) | (26,406,799) |
| Decrease (increase) in publications inventory | | 107,133 | (201,657) |
| Increase in prepaid expenses and other assets | | (9,962) | (329,586) |
| Decrease (increase) in restricted use assets | | 423,656 | (392,593) |
| Increase (decrease) in accounts payable and accrued expenses | | 4,152,607 | (560,202) |
| (Decrease) increase in deferred revenue | | (41,091) | 417,178 |
| Net cash provided by operating activities | | 15,945,345 | 10,891,777 |
| Cash flows from investing activities: | | | |
| Capital expenditures | | (46,536,698) | (34,659,089) |
| Proceeds from sales and maturities of investments | | 159,193,212 | 84,438,846 |
| Purchases of investments | | (122,321,887) | (92,610,279) |
| Net change in investment in employee residences | | 1,208,853 | 88,191 |
| Net cash used in investing activities | | (8,456,520) | (42,742,331) |
| Cash flows from financing activities: | | | |
| Permanently restricted contributions | | 12,906,255 | 6,786,787 |
| Contributions restricted for investment in land, buildings and equipment | | 15,324,644 | 2,973,470 |
| (Increase) decrease in contributions receivable | | (6,632,433) | 2,540,317 |
| Decrease in deposits with bond trustee | | 17,596,724 | 16,531,481 |
| (Decrease) increase in accounts payable relating to capital expenditures | | (3,114,384) | 5,069,642 |
| Deposits with swap counterparty | | (17,380,247) | - |
| Payment of conversion costs on bonds payable | | (500,700) | - |
| Write-off of terminated bond insurance | | 961,438 | - |
| Repayment of notes payable | | - | (38,087) |
| Net cash provided by financing activities | | 19,161,297 | 33,863,610 |
| Net increase in cash and cash equivalents | | 26,650,122 | 2,013,056 |
| Cash and cash equivalents at beginning of year | | 25,576,470 | 23,563,414 |
| Cash and cash equivalents at end of year | $ | 52,226,592 | 25,576,470 |
| Supplemental disclosure: | | | |
| Interest paid | $ | 4,153,373 | 3,812,914 |

See accompanying notes to consolidated financial statements.

## (1) Summary of Significant Accounting Policies

(a) Description of Business

Cold Spring Harbor Laboratory (Laboratory) is organized as an educational corporation under the laws of New York State. The Laboratory's primary objectives are to conduct research in cancer, neurobiology, bioinformatics, genomics, plants, and related subjects, to disseminate information, and to provide instruction and training through courses, meetings, publications, and a wide range of other educational activities. A substantial portion of the Laboratory's revenues are derived from federal government grants, which are awarded on a competitive basis. If there were a significant cutback in Federal Government research funding, it could have a material impact on the operations and cash flows of the Laboratory.

The Laboratory received approval from the Board of Regents of the State of New York to operate a graduate education program and confer the degrees of Doctor of Philosophy, Master of Science, and Doctor of Science, Honorary. The program operates under the name "Cold Spring Harbor Laboratory, Watson School of Biological Sciences." Funding has been provided through the establishment of an endowment dedicated to the graduate school.

(b) Basis of Presentation

The Laboratory's net assets and its revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets

Net assets that are not subject to donor imposed restrictions, including the carrying value of all land, buildings and equipment. Items that affect this net asset category include revenue and expenses associated with the primary objectives of the Laboratory, as well as unrestricted gifts, including those designated by the Board of Trustees of the Laboratory (Trustees) to function as endowments. In addition, changes to this category of net assets include restricted gifts whose donor-imposed restrictions were met in the year received, through the passage of time, or through fulfillment of the restricted purpose.

Temporarily restricted net assets

Net assets subject to donor-imposed restrictions that will be met by either the actions of the Laboratory or the passage of time. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions in the accompanying consolidated statement of activities.

Permanently restricted net assets

Net assets subject to donor-imposed restrictions to be maintained permanently by the Laboratory, the income from which investments is expendable to support research, education and training. Realized and unrealized gains (losses) are added (subtracted) to permanently restricted net assets if so restricted by the donor. Otherwise, gains are expendable to support research and educational activities.

**(1) Summary of Significant Accounting Policies (Continued)**

The Laboratory's management and investment of donor-restricted endowment funds is subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA), that serves as a guideline for states to use in enacting legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar value threshold, the amount below which an organization could not spend from the fund in favor of a more robust set of guidelines about what constitutes prudent spending.

In August 2008, 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), was issued, and its guidance is effective for fiscal years ending after December 15, 2008. A key component of that FSP is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure.

On July 31, 2007, the State of Delaware enacted UPMIFA, the provisions of which apply to funds existing on or established after that date. The Laboratory has adopted the FSP for the year ended December 31, 2008 for the assets associated with the consolidated subsidiary, the Robertson Research Fund, Inc., a Delaware corporation (see Note 15). The Laboratory has retained its existing policies regarding net asset classification of its donor-restricted endowment funds for the remainder of its donor-restricted endowment funds until such time as legislation is enacted in the State of New York.

Another key component of the FSP is a requirement for expanded disclosures for all endowment funds, which is presented in Note 15.

(c) Principles of Consolidation

The consolidated financial statements include the accounts of the Laboratory and the Robertson Research Fund, Inc. (Corporation), a not-for-profit organization incorporated in Delaware in 1972 to provide funds for the benefit of the Laboratory on a continuing basis, unless the Laboratory ceases to be exempt from taxation under the Internal Revenue Code. The Corporation is further described in Note 19. All inter-company accounts and transactions have been eliminated in consolidation.

(d) Cash Equivalents

Cash equivalents consist principally of money market funds and short-term notes maturing within three months of the date of purchase. Cash equivalents approximated $49,022,000 and $20,072,000, at December 31, 2008 and 2007, respectively.

(e) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(1) Summary of Significant Accounting Policies and Practices (Continued)**

(f) Fair Value Hierarchy

Effective January 1, 2008, the Laboratory adopted Statement of Financial Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quotes prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate-debt securities and certain alternative investments.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and certain alternative investments.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset or the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

(g) Investments

Investments are reported at fair value based upon quoted market prices or, with respect to alternative investment funds, at estimated values provided by external investment managers. Their estimated values are reviewed and evaluated by the Laboratory. Due to the inherent uncertainties of certain of these estimates, these values may differ significantly from the values that would have been used had a ready market existed for such investments. Contributions of investment securities are recorded at their fair value at the date of the gift.

**(1) Summary of Significant Accounting Policies and Practices (Continued)**

Included in investments are stocks that do not have a readily determinable fair value, which were received by the Laboratory from biotechnology companies in return for various rights to Laboratory-developed intellectual property. Upon the receipt of founders stock from a newly formed company, the value of each share of stock is based on the amount paid per share by the outside investor(s). The amount is reduced by an appropriate valuation allowance, reflecting the high risk associated with startup companies and limitations on the transferability of such stock, to arrive at the initial cost basis of the stock. The values of the stocks are not adjusted until either a) the company is determined to have no value, at which time the value of the stock is written off; b) the company is sold, at which time a gain or loss is recognized; or c) the company completes an initial public offering (IPO) and its stock becomes publicly traded on a securities exchange. At the time of the IPO, the value of the stock is increased to fair value based on the quoted price of the stock. The fair value is reduced by an appropriate valuation allowance if the stock is restricted by governmental or contractual requirements, or the Laboratory owns a large block of stock that could not be sold without potentially affecting the market price.

(h) Publications Inventory

The publications inventory represents works in progress as well as works published and offered for sale by the Laboratory. Amounts are stated at the lower of cost or estimated realizable value.

(i) Contributions Receivable

Contributions receivable are recorded at their estimated net realizable value (discounted to present value at a risk-free rate), less a reserve for bad debts.

(j) Land, Buildings and Equipment

Land, buildings and equipment are reported at cost. Donated books and periodicals and other assets are recorded at appraised value as of the date of gift. Depreciation is computed on the straight-line basis over the estimated useful lives (ranging from three to forty years) of all buildings and equipment. Land, buildings and equipment, and other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Long-lived assets deemed to be permanently impaired are written down to fair value.

(k) Deferred Revenue

Deferred revenue represents advances received on grants deemed to be exchange transactions, and amounts received for publication subscriptions and fees received, but not yet earned. Revenue is recognized in future periods as expenses are incurred or publications are shipped.

(l) Federal Income Tax Status

The Laboratory and the Corporation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48), which addresses the accounting for uncertainties in income taxes recognized in an

**(1) Summary of Significant Accounting Policies and Practices (Continued)**

enterprise's statements and prescribes a threshold of more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosure. There was no material impact to the Laboratory's consolidated financial statements as a result of the adoption of FIN 48 in 2007.

(m) Comparative Financial Statements

The accompanying consolidated statement of activities is presented with certain 2007 summarized comparative information in the aggregate and not displayed by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Laboratory's 2007 financial statements from which the summarized comparative information was derived.

(n) Measurement of Financial Instruments

Effective January 1, 2008, the Laboratory adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115*. SFAS No. 159 permits all entities to choose to elect, at specified election dates, to measure eligible financial instruments, as defined in SFAS No. 159, at fair value. Changes in unrealized gains and losses on items for which the fair value option has been elected are reported in income at each subsequent reporting date and upfront costs and fees related to those items will be reported in income as incurred and not deferred. At adoption, for those financial assets and financial liabilities which management has elected to carry at fair value, an entity will report the effect of the first re-measurement to fair value as a cumulative-effect adjustment to the opening balance of unrestricted net assets. The Laboratory's management did not elect to measure any additional eligible financial assets or financial liabilities at fair value and as a result, adoption of this SFAS did not have an effect on the changes in net assets or financial position of the Laboratory.

**(2) Investments**

Investments at December 31, 2008 and 2007 were as follows:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| Auction Rate Securities | $ 3,300,000 | 3,300,000 | 60,275,000 | 60,275,000 |
| Mutual Funds: | | | | |
| Equity | 79,321,648 | 67,390,814 | 63,033,724 | 83,796,164 |
| Fixed Income | 96,790,902 | 92,438,262 | 62,456,102 | 62,531,440 |
| Stocks | 60,214,723 | 43,288,132 | 85,892,610 | 118,340,860 |
| Alternative Investments | 5,721,869 | 7,006,951 | 5,717,000 | 8,691,588 |
| | $ 245,349,142 | 213,424,159 | 277,374,436 | 333,635,052 |

**(2) Investments (Continued)**

Included in stocks are the Laboratory's investment in biotechnology companies, which have a fair value (net of a valuation allowance) of approximately $146,000 and $132,000 at December 31, 2008 and 2007, respectively. As discussed in Note 1, a valuation allowance of approximately $1,312,000 and $1,190,000 at December 31, 2008 and 2007, respectively, has been applied to these investments.

The Laboratory has invested $970,000 in a limited partnership, which is included in alternative investments. Under the terms of the limited partnership agreement, the Laboratory is obligated to advance up to $30,000 in additional funding for the investment.

The following table presents the Laboratory's fair value hierarchy for those assets and liabilities measured at fair value as of December 31, 2008. At December 31, 2008, Level 3 assets comprised approximately 3% of the Laboratory's total investment portfolio fair value.

| | Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Auction Rate Securities | $ 3,300,000 | - | 3,300,000 | - |
| Mutual Funds: | | | | |
| Equity | 67,390,814 | 67,390,814 | - | - |
| Fixed Income | 92,438,262 | 92,438,262 | - | - |
| Stocks | 43,288,132 | 43,142,323 | - | 145,809 |
| Alternative Investments | 7,006,951 | - | - | 7,006,951 |
| | $ 213,424,159 | 202,971,399 | 3,300,000 | 7,152,760 |

The following table presents a reconciliation for all Level 3 assets measured at fair value for the period:

| | 2008 |
|---|---|
| Financial Assets: | |
| Beginning balance as of January 1, 2008 | $ 8,823,853 |
| Purchases | 40,000 |
| Sales | (36,327) |
| Net unrealized losses | (1,674,766) |
| Ending balance as of December 31, 2008 | $ 7,152,760 |

**(3) Fair Value of Financial Instruments**

The fair value of all financial instruments, other than bonds payable, approximates carrying value because of the short-term maturity of the instruments. The fair value of bonds payable approximates carrying value as these financial instruments bear interest at rates which reflect approximate market rates for loans with similar characteristics, maturities and credit quality.

### (4) Contributions Receivable, net

Contributions receivable consist of the following at December 31, 2008 and 2007:

| | | 2008 | 2007 |
|---|---|---|---|
| Contributions receivable | $ | 115,908,120 | 75,978,689 |
| Less: Discount to present value at | | | |
| rates ranging from 1.9% to 5.0% | | (10,168,463) | (8,885,689) |
| Reserve for bad debts | | (1,058,000) | - |
| Contributions receivable, net | $ | 104,681,657 | 67,093,000 |

Contributions receivable are expected to be collected as follows:

| | | 2008 | 2007 |
|---|---|---|---|
| Within one year | $ | 41,943,872 | 23,603,910 |
| One to five years | | 60,413,788 | 36,157,032 |
| More than five years | | 13,550,460 | 16,217,747 |
| | $ | 115,908,120 | 75,978,689 |

Contributions receivable at December 31, 2008 include fifty two individual pledges, seventeen of which represent approximately 87% of the amount due, with $28 million due from a single donor.

Also included in contributions receivable is the Laboratory's interest in charitable remainder unitrusts. In accordance with the terms of the trusts, the Laboratory will receive a defined interest upon the death of the designated beneficiaries. The Laboratory's interest, net of the present value discount, approximated $2,435,000 and $2,970,000 at December 31, 2008 and 2007, respectively.

### (5) Investment in Employee Residences

Investment in employee residences consists of (a) notes receivable collateralized by mortgages on residential properties owned by several key employees, and (b) the Laboratory's percentage ownership in residences inhabited by employees. Upon sale of these residences, the Laboratory will either share in market value fluctuations of the real estate in proportion to its ownership in the residence, or receive reimbursement of the outstanding mortgage balance. These investments were authorized by the Board of Trustees to enable such employees to purchase local residences. All costs of property ownership, including real estate taxes, are borne by the employees.

### (6) Restricted Use Assets

In 2001, the Laboratory received a gift of a residence in Mill Neck, New York valued at $1,400,000. Under the terms of the contribution, the donor will continue to reside at the residence. The Laboratory will be entitled to occupancy upon the death of the donor.

### (6) Restricted Use Assets (Continued)

In 2002, the Laboratory recorded a gift of a residence in Oyster Bay, New York valued at $840,000. Under the terms of the contribution, the donor and current occupant will continue to reside at the residence. Upon the death of the life tenant, the Laboratory will enter into a lease with the occupant for up to twelve months. At the end of the lease term the Laboratory will be entitled to occupancy of the residence.

In 2005, the Laboratory started a charitable gift annuity program. At December 31, 2008 and 2007, the fair value of segregated assets was $150,250 and $189,411, respectively.

The Laboratory has a supplemental executive retirement plan (SERP) for certain members of its management and scientific staff. The Laboratory has established a grantor trust, whereby the assets and income of the trust are assets and income of the Laboratory. At December 31, 2008 and 2007, the fair value of the assets in the trust was $1,177,432 and $1,561,927, respectively.

In April 2006, the Laboratory entered into an interest rate swap agreement as described in Note 11. During 2008, as part of this agreement, the Laboratory was required to post cash as collateral with the counterparty, JP Morgan Chase Bank, N.A., against the value of the interest rate swap agreement. Any amount posted as collateral will earn an interest rate per annum equal to the rate published as the Federal Funds Overnight Rate, which was 0.14% at December 31, 2008. The amount posted as collateral at December 31, 2008 was $17,380,247.

### (7) Deposits with Bond Trustee

Deposits with bond trustee include the unexpended construction proceeds from the issuance of $55 million in bonds in June 2006, which is further described in Note 11. On September 26, 2006, the Laboratory executed an agreement with a financial institution to obtain a guaranteed investment contract to invest the proceeds. The funds, which were redeemable upon demand as expended, earned a 5.245% guaranteed rate until July 1, 2008, the termination date of the agreement. The funds were held in a money market account at December 31, 2008.

### (8) Land, Buildings and Equipment

Land, buildings and equipment at December 31, 2008 and 2007 consist of:

| | | 2008 | 2007 |
|---|---|---|---|
| Land and land improvements | $ | 15,433,720 | 15,433,720 |
| Buildings | | 124,846,906 | 122,686,654 |
| Furniture, fixtures and equipment | | 20,470,393 | 19,166,805 |
| Laboratory equipment | | 22,890,521 | 22,419,863 |
| Library books and periodicals | | 365,630 | 365,630 |
| Construction in progress | | 89,264,910 | 51,328,597 |
| | | 273,272,080 | 231,401,269 |
| Less accumulated depreciation and amortization | | (74,587,877) | (72,196,817) |
| Land, buildings and equipment, net | $ | 198,684,203 | 159,204,452 |

### (8) Land, Buildings and Equipment (Continued)

Construction in progress principally includes costs of construction and capitalized financing costs of the Hillside Campus. Cost of construction of the Hillside Campus is approximately $77,834,000 and $48,766,000 at December 31, 2008 and 2007, respectively. Capitalized financing costs of the Hillside Campus are approximately $3,196,800 and $732,400 at December 31, 2008 and 2007, respectively. The remaining balances are associated with various campus renovations ongoing at the Laboratory.

### (9) Other Financing Arrangements

The Laboratory has a $5,000,000 discretionary line of credit with JP Morgan Chase, which expires on June 30, 2009. The facility bears interest at prime plus 0.5%. At December 31, 2008 and 2007, there were no borrowings outstanding. The Laboratory expects to renew the facility upon expiration.

### (10) Commitments Under Leases

On December 1, 2003, the Laboratory entered into a sixty-one month noncancelable operating lease for property located at 180 Oser Avenue, Hauppauge, New York. The monthly rental is $5,365 or approximately $327,000 over the lease term.

On January 1, 2005, the Laboratory entered into a five-year noncancelable operating lease with an optional five-year extension for property located at 266 Pulaski Road, Greenlawn, New York. The monthly rental is $25,472 or approximately $1,528,000 over the lease term.

On June 30, 2006, the Laboratory entered into a three-year noncancelable capital lease for a DNA analyzer with a capitalized value of $260,890. Depreciation expense associated with the capital lease was $37,270 at December 31, 2008 and 2007, respectively. In November 2008, the remaining value of the lease was paid in full.

On November 21, 2008, the Laboratory entered into a ten-year noncancelable operating lease beginning on January 1, 2009 for property located at 50 Gordon Drive, Syosset, New York. The monthly rental is $21,295, or approximately $2,555,000 over the lease term.

### (11) Bonds Payable

On April 1, 1999, the Laboratory executed an agreement to obtain $42.2 million of bond financing through the Nassau County Industrial Development Agency (NCIDA). Approximately $5 million of the proceeds were used to reimburse the Laboratory for the purchase of property and a building located in Woodbury, New York. Approximately $10 million of the proceeds were used, together with other available funds, to finance renovation, equipping and furnishing of the building. The property, purchased on June 1, 1998, houses additional research facilities and the editorial offices of the Cold Spring Harbor Laboratory Press. The remaining $27 million of the proceeds were used to refund $20 million 1989 Series bonds and $7 million 1993 Series bonds issued through the NCIDA. The bonds, which mature on January 1, 2034, bear interest at a variable daily rate, which is payable on a monthly basis (0.80% as of December 31, 2008), and are secured by a revolving letter of credit agreement issued by a financial institution scheduled to expire on March 18, 2011. The interest rate is negotiated with the bondholders by the remarketing agent. The agreements contain certain covenants, including those relating to liquidity, net worth as defined, capital expenditures, restrictions of additional liens on certain Laboratory property and assumption of additional debt. The Laboratory is in compliance with the required covenants as of December 31, 2008 and no subsequent violation is expected.

**(11) Bonds Payable (Continued)**

On June 27, 2006, the Laboratory executed an agreement to obtain $55 million of bond financing through the NCIDA for the purpose of paying a portion of the cost of construction, installation and equipping of six research buildings and a chiller building consisting of approximately 120,000 square feet of space on the Laboratory's main campus in Laurel Hollow. The bonds, originally issued as auction rate securities, bore interest at a seven day auction rate which was payable on a weekly basis, and was insured by a financial guarantee insurance policy issued by Financial Guarantee Insurance Company. On June 25, 2008 the interest rate mode on the bonds was converted to a variable daily rate, which is payable on a monthly basis (1.05% as of December 31, 2008). The interest rate on the bonds is negotiated with the bondholders by the remarketing agent. The insurance policy, originally used as credit support for the bonds, was terminated. The original cost of the policy less amounts previously amortized of $961,438 was written off in the current year and is included in other changes in net assets in the accompanying consolidated statement of activities. The bonds, which mature on January 1, 2042, require annual principal payments beginning January 1, 2035. The bonds are secured by a revolving letter of credit agreement issued by a financial institution which is scheduled to expire on June 24, 2009. The agreements contain certain covenants, including those relating to liquidity, net worth as defined, capital expenditures, restrictions of additional liens on certain Laboratory property and assumption of additional debt.

In November 2008, the Laboratory notified the facility provider that a violation of the net asset ratio covenant would occur for the December 31, 2008 testing period, based on changes in GAAP associated with net asset classification and losses in fair value on its investment portfolio (see Notes 2 and 15). The Laboratory obtained an amendment to the agreement, dated December 31, 2008, including a waiver of the unrestricted net asset ratio covenant at December 31, 2008. The Laboratory executed an agreement to renew the facility on June 9, 2009, effective June 24, 2009. Modifications to the covenants for reporting periods after December 31, 2008 were included in the extension of the facility for the 364 day period beginning June 24, 2009, and no subsequent violation is expected.

In April 2006, the Laboratory entered into an interest rate swap agreement with a notional principal amount of $97,200,000 to mitigate the risk of interest rates associated with the Series 1999 and Series 2006 bond issues. Under the terms of the original agreement, the Laboratory paid interest at a predetermined fixed rate of 3.805% and received 68% of 1-month LIBOR on the notional principal amount. The swap agreement had an effective date of October 1, 2006 and a termination date of January 1, 2042. On December 10, 2008, the swap agreement was amended and the Laboratory now pays interest at a predetermined fixed rate of 3.802% and receives 68% of 3-month LIBOR on the notional principal amount. The fair value of the interest rate swap was a liability of $35,973,258 and $6,446,656 at December 31, 2008 and 2007, respectively, and is included in accounts payable and accrued expenses in the accompanying consolidated financial statements. The fair value of the interest rate swap was determined using pricing models developed based on the LIBOR swap rate and other observable market data (Level 2 inputs). The change in fair value is reported as other changes in net assets in the accompanying consolidated statement of activities. According to the agreement with JP Morgan Chase Bank, N.A, when the fair value of the liability exceeds $20 million, the Laboratory is required to post collateral equal to the amount in excess. As of December 31, 2008, the amount posted as collateral was $17,380,247. Fair values have declined since December 31, 2008 and the fair value as of June 9, 2009 was $10,764,234.

In connection with the bond issues, financing costs of approximately $2,314,000 were capitalized and are being amortized over the life of the bond issues. The financing costs are included in prepaid expenses and other assets in the accompanying consolidated balance sheet. Financing costs, net of amortization, were $2,054,976 and $2,637,644 at December 31, 2008 and 2007, respectively.

Interest expense on bonds outstanding during 2008 and 2007 was $4,198,031 and $3,652,469, respectively. The effective average interest rate on all of the bonds outstanding during 2008 and 2007 approximated 4.32% and 3.76%, respectively.

## (12) Unrestricted Net Assets

Unrestricted net assets at December 31, 2008 and 2007 consist of:

| | | 2008 | 2007 |
|---|---|---|---|
| General operating | $ | 18,629,467 | 36,823,081 |
| Designated by Board for endowment | | 53,679,106 | 128,371,318 |
| Net investment in plant | | 39,424,166 | 46,609,899 |
| Research start up | | 14,393,822 | 8,049,554 |
| | $ | 126,126,561 | 219,853,852 |

## (13) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2008 and 2007 consist of gifts restricted by the donors as follows:

| | | 2008 | 2007 |
|---|---|---|---|
| Capital projects | $ | 68,830,932 | 53,418,260 |
| Research programs | | 65,382,117 | 41,458,682 |
| Research start up | | 12,214,453 | 3,685,303 |
| Restricted use assets (Note 6) | | 2,240,000 | 2,240,000 |
| Educational programs | | 1,687,251 | 1,634,352 |
| Time restricted | | 15,737,857 | 17,186,463 |
| Endowment fund - primary program services | | 11,156,012 | - |
| Endowment fund - operation and improvement of Banbury Center facilities | | 2,739,531 | - |
| | $ | 179,988,153 | 119,623,060 |

Included in temporarily restricted net assets for capital projects is approximately $49.3 million and $44.9 million of amounts expended through December 31, 2008 and 2007, respectively, in connection with the construction of the Hillside Campus. These net assets will be released from restriction upon completion of the project.

### (14) Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2008 and 2007 are restricted in perpetuity with investment return available to support the following activities:

| | | 2008 | 2007 |
|---|---|---|---|
| Primary program services | $ | 118,680,633 | 132,182,028 |
| Watson School of Biological Sciences programs | | 37,915,636 | 37,701,042 |
| Operation and improvement of Banbury Center facilities | | 10,166,126 | 13,657,603 |
| | $ | 166,762,395 | 183,540,673 |

### (15) Endowment Funds

In 1972, the Uniform Law Commission approved the model act, UMIFA, which provided guidelines for the management and use of donor-restricted endowment funds. In 2006, the Uniform Law Commission approved the model act, UPMIFA, which serves as a guideline for states to use in enacting legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar value threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending.

Through July 31, 2007, the Laboratory's management and investment of all donor-restricted endowment funds were subject to the provisions of UMIFA. On July 31, 2007, the State of Delaware enacted UPMIFA, the provisions of which apply to funds existing on or established after that date. The Laboratory has adopted FSP FAS 117-1 for the year ended December 31, 2008 for the donor restricted assets associated with the consolidated subsidiary, the Robertson Research Fund, Inc., a Delaware corporation, as it relates to organizations subject to enacted versions of state UPMIFA law. The Board of Trustees of the Laboratory has interpreted the act, as it relates to the Robertson Funds, as requiring the preservation of the fair value of the original gift as of the gift date. As a result, the Laboratory classifies the original value of the gift donated to the permanent endowment, the original value of any subsequent gifts to the permanent endowment, and in accordance with the directive of the original gift instrument, annual accumulations of realized and unrealized appreciation are also classified as permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Laboratory has reflected a reclassification of net assets from unrestricted to temporarily restricted of $24,230,770 in the consolidated statement of activities, representing the reclassification of the unrestricted net asset balance as of January 1, 2008 for the Robertson Research Fund.

The Laboratory has retained its existing policies regarding net asset classification of its donor-restricted endowment funds for the remainder of its donor-restricted endowment funds, following the guidelines of UMIFA, until such time as legislation is enacted in the State of New York. UMIFA requires classifying the original gift and any subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets.

**(15) Endowment Funds (Continued)**

The Laboratory's endowment consists of approximately 100 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with the endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Laboratory's investment policy for its endowment and similar funds emphasizes long-term capital appreciation as a primary source of return while balancing the dual objectives of growth in capital and principal preservation. Investments are expected to earn long-term returns sufficient to maintain or grow the purchasing power of assets, net of spending and investment expenses, within acceptable risk parameters. The portfolio is invested in domestic and international equities, private equity, and other non-traditional investments, broadly diversified fixed income and cash equivalents. The portfolio is expected to earn returns higher than the "market" as represented by a benchmark constructed as a blended rate of indices. The portfolio oversight rests with the Investment Committee of the Board of Trustees, including the selection of external managers, the allocation of investments and the type of investments.

The Laboratory considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization

In accordance with the Laboratory's spending rate policy, 4% of a 12-quarter moving average of the market value of endowment investments is available each year for expenditure. If interest, dividends, and gains are not sufficient to support the current year drawdown, the balance is provided from prior year earnings. If investment return is in excess of the authorized spending level, the balance is reinvested.

For the year ended December 31, 2008 and 2007, the Board of Trustees authorized a 5% spend down on endowment funds. In accordance with the above spending policies, $16,088,471 and $15,952,876 were made available to support operations of the Laboratory for the years ended December 31, 2008 and 2007, respectively.

The planned appropriation for expenditure for the year ending December 31, 2009 is approximately $12,900,000.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Laboratory to maintain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $9,570,575 and $601,989 for the years ended December 31, 2008 and 2007, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. Amounts included in reported deficiencies, $770,548 in 2008 and $380,138 in 2007, resulted from specific language of the gift instrument requiring appropriation regardless of fund balance. Funds with deficiencies are included in donor restricted unrestricted endowment funds, in the following table, net of funds with unrestricted reinvested earnings.

## (15) Endowment Funds (Continued)

The following table presents endowment net asset composition by type of fund as of December 31, 2008:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor restricted | $ 2,326,146 | 13,895,543 | 166,762,395 | 182,984,084 |
| Board designated | 65,746,782 | - | - | 65,746,782 |
| Total endowment funds | $ 68,072,928 | 13,895,543 | 166,762,395 | 248,730,866 |

The following table presents the changes in endowment net assets for the year ended December 31, 2008:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets at beginning of year | $ 136,420,872 | - | 183,540,673 | 319,961,545 |
| Reclassification of net assets | (24,230,770) | 24,230,770 | - | - |
| Endowment net assets after reclassification | 112,190,102 | 24,230,770 | 183,540,673 | 319,961,545 |
| Investment income | 3,961,492 | 2,457,774 | - | 6,419,266 |
| Net depreciation (realized and unrealized) | (47,062,080) | (6,766,501) | (29,684,534) | (83,513,115) |
| Total investment return | (43,100,588) | (4,308,727) | (29,684,534) | (77,093,849) |
| Contributions | - | - | 12,906,256 | 12,906,256 |
| Appropriation of endowment assets for expenditure | (10,061,971) | (6,026,500) | - | (16,088,471) |
| Other changes: Transfer to board designated endowment | 9,045,385 | - | - | 9,045,385 |
| Endowment net assets at end of year | $ 68,072,928 | 13,895,543 | 166,762,395 | 248,730,866 |

## (16) Indirect Costs Allowances

Indirect cost allowances recovered under certain government and other grants are accrued in the period the research is performed. For federal grants, these accruals are based on an approved indirect cost rate negotiated with the cognizant government granting agency. In 2006, the Laboratory negotiated a new agreement establishing predetermined rates for each of the years 2006 through 2008 and a provisional rate for 2009 until amended. On October 29, 2008, the Laboratory submitted a proposal as required to establish rates for the fiscal years subsequent to 2008. The Laboratory is currently awaiting information on the review and negotiation of this rate proposal. For nongovernment grants, indirect cost recoveries are accrued at various rates as allowed by the grantor.

## (17) Investment Return Utilized

In accordance with the Laboratory's spending rate policy, 4% of a 12-quarter moving average of the market value of endowment investments is available each year for expenditure. If interest, dividends, and gains are not sufficient to support the current year drawdown, the balance is provided from prior year earnings. If investment return is in excess of the authorized spending level, the balance is reinvested. Investment return utilized also includes amounts reimbursed from Board designated funds relating to certain Board-authorized expenses and investment return on working capital funds.

In accordance with the above spending policies, $16,956,184 and $18,299,207 were made available to support operations of the Laboratory for the years ended December 31, 2008 and 2007, respectively.

The following summarizes the Laboratory's total investment return for the years ended December 31, 2008 and 2007:

| | 2008 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Interest and dividends on investments | $ 4,993,764 | 2,457,774 | - | 7,451,538 |
| Net depreciation on investments | (47,334,132) | (6,766,501) | (29,684,534) | (83,785,167) |
| Total return on investments | (42,340,368) | (4,308,727) | (29,684,534) | (76,333,629) |
| Investment return utilized | (16,956,184) | - | - | (16,956,184) |
| Investment return excluding amount utilized | $ (59,296,552) | (4,308,727) | (29,684,534) | (93,289,813) |

### (17) Investment Return Utilized (Continued)

| | 2007 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Interest and dividends on investments | $ 9,153,542 | - | - | 9,153,542 |
| Net appreciation on investments | 10,478,888 | - | 6,926,530 | 17,405,418 |
| Total return on investments | 19,632,430 | - | 6,926,530 | 26,558,960 |
| Investment return utilized | (18,299,207) | - | - | (18,299,207) |
| Investment return excluding amount utilized | $ 1,333,223 | - | 6,926,530 | 8,259,753 |

### (18) Expenses

Expenses are reported in the accompanying consolidated statement of activities by their functional classifications as required by SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. The Laboratory's primary program services are research, education and instructional training through courses, meetings, publications and educational activities. Expenses reported as general and administrative, and dining services, are incurred in support of these primary program services. General and administrative expenses include approximately $1,559,000 and $1,420,000 of fund-raising expenses in 2008 and 2007, respectively.

SFAS No. 117 also requires allocation of expenses, which relate to more than one program or supporting activity. Expenses of the Laboratory in this category include, but are not limited to, depreciation, interest, operation and maintenance of plant, library and direct research support. Amounts have been allocated to the programs and services using methods such as square footage, usage, and other financial methods.

**(18) Expenses (Continued)**

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Direct Functional Expenses | Allocated Expenses | Total | Direct Functional Expenses | Allocated Expenses | Total |
| Research | $ 47,434,746 | 21,627,569 | 69,062,315 | 45,073,006 | 20,242,917 | 65,315,923 |
| Educational programs | 12,918,148 | 2,341,533 | 15,259,681 | 9,829,796 | 2,187,663 | 12,017,459 |
| Publications | 10,380,304 | 383,786 | 10,764,090 | 9,850,281 | 390,810 | 10,241,091 |
| Banbury Center conferences | 731,947 | 577,390 | 1,309,337 | 788,120 | 554,467 | 1,342,587 |
| Dolan DNALC programs | 1,018,108 | 458,114 | 1,476,222 | 916,359 | 496,798 | 1,413,157 |
| WSBS programs | 2,694,879 | 443,895 | 3,138,774 | 2,693,897 | 512,398 | 3,206,295 |
| General and administrative | 11,980,039 | 2,565,310 | 14,545,349 | 10,716,241 | 2,394,958 | 13,111,199 |
| Dining services | 4,237,380 | 1,107,848 | 5,345,228 | 4,044,909 | 1,064,383 | 5,109,292 |
| | $ 91,395,551 | 29,505,445 | 120,900,996 | 83,912,609 | 27,844,394 | 111,757,003 |

**(19) Robertson Research Fund, Inc.**

The Corporation is administered by a nine member board of trustees, five of whom represent the Laboratory. The Corporation is composed of two funds; the Robertson Research Fund (Research Fund) and the Robertson Maintenance Fund (Maintenance Fund).

The Research Fund was established in 1972 to provide income to the Laboratory in support of educational facilities, basic scientific research and public dissemination of the results thereof, scholarship and fellowship awards, and auxiliary services, among other purposes.

The Maintenance Fund was established in 1976 to provide income exclusively for the improvement and operation of the Robertson house and appurtenant buildings and grounds at the Banbury Center of the Laboratory.

The Laboratory is entitled to receive all of the income of the Research and Maintenance Funds. In years when the distribution has been less than the total annual income of each fund, the difference has been reinvested along with the principal of the funds to offset the effects of inflation and to provide for future programs at the Laboratory.

**(20) Retirement Plan**

The Laboratory's employees are covered under a defined-contribution retirement plan by the Teachers Insurance and Annuity Association/College Retirement Equities Fund Plan (the Plan). The Laboratory remits contributions to the Plan based on a predetermined percentage of the participants' salaries. Total expense under the Plan approximated $3,011,000 and $2,979,000 for the years ended December 31, 2008 and 2007, respectively.

## (21) Commitments and Contingencies

The Laboratory has entered into various construction contracts for the Hillside Campus and Carnegie Library renovation projects. At December 31, 2008, the Laboratory was committed to an additional amount on these contracts of approximately $35,739,000.

The Laboratory is self-insured for employee medical and prescription benefits beginning January 1, 2008. Under the provisions of this plan, an insurance carrier provides claims processing and administration functions, as well as stop-loss coverage over a stipulated level of claims for the twelve-month period ended December 31, 2008. The expense for the program was approximately $6,419,000 for the year ended December 31, 2008. As of December 31, 2008, the Laboratory had accrued approximately $1,088,000 for liabilities, relating to claims incurred but not reported, which are included in accounts payable and accrued expenses.

The Laboratory is currently, and has in the past been, a party to routine litigation incidental to its business. The impact of the final resolution of these matters on the Laboratory's change in net assets or liquidity in a particular reporting period is not known. Management is of the opinion, however, that the ultimate outcome of such matters will not have a material adverse effect upon the Laboratory's financial condition or liquidity.