COLD SPRING HARBOR LABORATORY

Consolidated Financial Statements

December 31, 2010

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154

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, 2010, 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 2009 consolidated financial statements and, in our report dated May 10, 2010, 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, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

May 13, 2011

COLD SPRING HARBOR LABORATORY

Consolidated Balance Sheet

December 31, 2010

(with comparative financial information as of December 31, 2009)

		2010	2009
Assets:			
Cash and cash equivalents	$	60,766,362	65,950,558
Grants receivable		7,725,659	6,200,398
Contributions receivable, net (note 5)		104,272,591	119,740,185
Publications inventory		3,555,193	4,570,278
Investments (notes 3 and 4)		276,424,730	241,595,564
Restricted use assets (note 6)		2,580,471	2,111,090
Other assets (notes 4, 7, and 9)		9,922,097	10,398,213
Land, buildings, and equipment, net (note 8)		238,777,879	237,791,406
Total assets	$	704,024,982	688,357,692
Liabilities and Net Assets:			
Liabilities:			
Accounts payable and accrued expenses (notes 4, 9, and 17)	$	25,635,009	26,475,011
Deferred revenue		8,210,668	5,640,029
Bonds payable (note 9)		97,200,000	97,200,000
Total liabilities		131,045,677	129,315,040
Commitment and contingencies (note 17)			
Net assets:			
Unrestricted (notes 10 and 13)		227,854,292	235,125,827
Temporarily restricted (notes 11 and 13)		242,589,902	142,357,714
Permanently restricted (notes 12 and 13)		102,535,111	181,559,111
Total net assets		572,979,305	559,042,652
Total liabilities and net assets	$	704,024,982	688,357,692

See accompanying notes to consolidated financial statements.

COLD SPRING HARBOR LABORATORY

Consolidated Statement of Activities

Year ended December 31, 2010

(with summarized financial information for the year ended December 31, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
Revenue and other support:					
Public support - contributions and non-federal grant awards	$ 13,624,936	30,685,893	1,109,499	45,420,328	67,103,796
Federal grant awards	35,405,944	-	-	35,405,944	29,648,968
Indirect cost allowances (note 2)	25,973,354	-	-	25,973,354	21,016,585
Investment return utilized (notes 13 and 14)	18,309,184	-	-	18,309,184	18,216,748
Program fees	6,971,358	-	-	6,971,358	5,484,810
Publications sales	9,251,441	-	-	9,251,441	9,136,188
Dining services	4,319,847	-	-	4,319,847	4,103,820
Rooms and apartments	3,556,328	-	-	3,556,328	3,255,480
Miscellaneous	2,126,513	-	-	2,126,513	1,962,873
Net assets released from restrictions	34,646,285	(34,646,285)	-	-	-
Total revenue and other support	154,185,190	(3,960,392)	1,109,499	151,334,297	159,929,268
Expenses (note 15):					
Research	86,810,119	-	-	86,810,119	74,005,657
Educational programs	17,121,875	-	-	17,121,875	14,964,908
Publications	10,877,055	-	-	10,877,055	9,032,225
Banbury Center conferences	1,370,778	-	-	1,370,778	1,069,044
Dolan DNA Learning Center programs	1,406,339	-	-	1,406,339	1,467,947
Watson School of Biological Sciences programs	3,535,758	-	-	3,535,758	3,595,810
General and administrative	14,746,870	-	-	14,746,870	13,903,883
Dining services	5,137,648	-	-	5,137,648	4,712,901
Total expenses	141,006,442	-	-	141,006,442	122,752,375
Excess (deficiency) of revenue and other support over (under) expenses	13,178,748	(3,960,392)	1,109,499	10,327,855	37,176,893
Other changes in net assets:					
Investment (loss) return excluding amount utilized (notes 13 and 14)	(428,497)	9,028,095	-	8,599,598	24,463,751
Change in fair value of interest rate swap (note 9)	(4,990,800)	-	-	(4,990,800)	24,524,899
Release of temporarily restricted capital funds (note 11)	4,527,558	(4,527,558)	-	-	-
Net asset reclassification based on change in law / interpretation (note 13)	(19,558,544)	99,692,043	(80,133,499)	-	-
(Decrease) increase in net assets	(7,271,535)	100,232,188	(79,024,000)	13,936,653	86,165,543
Net assets at beginning of year	235,125,827	142,357,714	181,559,111	559,042,652	472,877,109
Net assets at end of year	$ 227,854,292	242,589,902	102,535,111	572,979,305	559,042,652

See accompanying notes to consolidated financial statements.

COLD SPRING HARBOR LABORATORY

Consolidated Statement of Cash Flows

Year ended December 31, 2010

(with comparative financial information for the year ended December 31, 2009)

		2010	2009
Cash flows from operating activities:			
Increase in net assets	$	13,936,653	86,165,543
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Change in fair value of interest rate swap		4,990,800	(24,524,897)
Depreciation and amortization		15,443,523	9,282,371
Net appreciation in fair value of investments		(23,724,939)	(36,992,017)
Contributions restricted for long-term investment		(1,712,498)	(9,121,400)
Changes in assets and liabilities:			
Grants receivable		(1,525,261)	2,397,001
Contributions receivable, net of financing activities		11,309,672	(18,458,455)
Publications inventory		1,015,085	(644,311)
Other assets		929,237	(611,026)
Restricted use assets		(469,381)	1,456,592
Accounts payable and accrued expenses, net of financing activities		(2,521,650)	32,680
Deferred revenue		2,570,639	1,678,029
Net cash provided by operating activities		20,241,880	10,660,110
Cash flows from investing activities:			
Capital expenditures		(16,429,996)	(48,389,574)
Proceeds from sales and maturities of investments		36,404,485	140,454,706
Purchases of investments		(47,508,712)	(131,634,094)
Net change in investment in employee residences		(453,121)	440,775
Net cash used in investing activities		(27,987,344)	(39,128,187)
Cash flows from financing activities:			
Permanently restricted contributions		1,109,499	2,255,040
Contributions restricted for investment in land, buildings, and equipment		602,999	6,866,360
Decrease in contributions receivable		4,157,922	3,399,927
Decrease in deposits with bond trustee		-	11,886,744
(Decrease) increase in accounts payable relating to capital expenditures		(3,309,152)	403,725
Decrease in deposits with swap counterparty		-	17,380,247
Net cash provided by financing activities		2,561,268	42,192,043
Net (decrease) increase in cash and cash equivalents		(5,184,196)	13,723,966
Cash and cash equivalents at beginning of year		65,950,558	52,226,592
Cash and cash equivalents at end of year	$	60,766,362	65,950,558
Supplemental disclosure:			
Interest paid	$	3,652,690	3,180,748
Noncash investing and financing activities:			
Contributed property	$	57,475	98,085

See accompanying notes to consolidated financial statements.

(1) Description of Business

(a) Discussion of Operations

Cold Spring Harbor Laboratory (the 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"(WSBS). Funding has been provided through the establishment of an endowment dedicated to the graduate school.

The consolidated financial statements of the Laboratory include two wholly-owned subsidiaries. The first, the Robertson Research Fund, Inc. (Robertson), is 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. Robertson is administered by a nine-member board of trustees, five of whom represent the Laboratory. The Laboratory is entitled to receive all of the income of Robertson. 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.

The second, Cold Spring Harbor Asia (SIP) Ltd. (CSH Asia), is a wholly owned for-profit subsidiary established in Suzhou, Peoples Republic of China, in 2008. CSH Asia was created to expand the educational outreach of the Laboratory with the creation of a meetings and conferences program at a state-of-the-art conference center, owned by a private company, located in Suzhou. CSH Asia has an exclusive license to conduct scientific conferences and training courses in academic life sciences and applied biological sciences at the conference center for a term of ten years beginning with the opening of the conference center, which occurred in 2010. The license is renewable for an additional five-year term.

All intercompany accounts and transactions have been eliminated in consolidation.

(b) Tax Status

The Laboratory and Robertson are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, they are not subject to income taxes except to the extent there is taxable income from activities that are not related to the exempt purposes. The Laboratory recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. CSH Asia was established as a taxable organization where the Laboratory has begun efforts to convert the organization to a not-for-profit organization in China. Provisions for unrelated business income taxes are included in accounts payable and accrued expenses.

(2) Summary of Significant Accounting Policies

(a) 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 investment-related income from which is available to support research, education, and training. Realized and unrealized gains (losses) are added to (subtracted from) permanently restricted net assets if so required by the donor. Absent specific donor requirements, gains are available to support research and educational activities.

(b) Cash Equivalents

Cash equivalents consist principally of money market funds earmarked for operations and short-term notes maturing within three months of the date of purchase. Cash equivalents approximated $38,548,000 and $62,483,000 at December 31, 2010 and 2009, respectively.

(c) 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 contingencies at the date of the consolidated financial statements, and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions include the valuation of alternative investments, the interest rate swap liability, the determination of medical and prescription benefit costs and the related liability, and the allocation of expenses to their functional classification.

(2) Summary of Significant Accounting Policies (Continued)

(d) Fair Value Measurements

The Laboratory classifies its assets and liabilities measured at fair value into three levels based on the inputs used to measure them:

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; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the 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 measured at net asset value per share, which are redeemable at or near the balance sheet date.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. 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 measured at net asset value per share, which are not redeemable at or near the balance sheet date.

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.

(e) Investments

Investments are stated at fair value. Contributions of investment securities are recorded at their fair value at the date of the gift. Publicly traded investments are valued at the last reported sales price on the date of valuation, as quoted on major securities exchanges. Securities that are not traded on major securities exchanges are valued based on quotations received from leading vendors. Pooled investments are funds that are not held at the Laboratory's custodian bank. These funds are part of multiple investors' commingled funds that are invested in one or more asset classes by a fund manager.

The Laboratory invests in limited partnerships, limited liability corporations, and offshore investment funds for the purpose of earning returns from alternative investment strategies. These investments are presented, under procedures established by the Trustees, at net asset value or its equivalent, which generally represents the Laboratory's proportionate share of the net assets of the investment

(2) Summary of Significant Accounting Policies (Continued)

managers, as reported by them and reviewed by management for reasonableness. The Laboratory's proportionate share of net assets subject to the investment manager's estimates of fair value may differ significantly, due to the inherent uncertainty of the valuations, from the values that would have been used had a ready market existed. The Laboratory's proportionate share of the change in fair values of the investment managers is recorded as an increase or a decrease in unrealized appreciation (depreciation) of investments in its consolidated statement of activities.

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.

(f) 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.

(g) Contributions Receivable

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

(h) 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.

(i) 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.

(2) Summary of Significant Accounting Policies (Continued)

(j) Revenues

The Laboratory receives grants and contributions from a number of sources including the federal government, foreign governments, private foundations, and other donors. Grants are evaluated as to whether they qualify as exchange transactions or contributions as defined by GAAP. Grants that are treated as exchange transactions are reported as unrestricted revenue when expenses are incurred in accordance with the terms of the agreement. The excess of amounts received in exchange transactions over the amount of expenditures incurred are classified as deferred revenue on the consolidated balance sheet.

Contributions that are considered non-exchange transactions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

(k) Indirect Cost 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 2009, the Laboratory negotiated a new agreement establishing predetermined rates for the years 2009 and 2010 and a provisional rate for 2011 until amended. As a result, the Laboratory should not, except for unforeseen changes in federal regulations, be subject to revisions of its predetermined indirect cost rate through the end of 2011. For nongovernment grants, indirect cost recoveries are accrued at various rates as allowed by the grantor.

(l) Comparative Financial Statements

The accompanying consolidated statement of activities is presented with certain 2009 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 2009 financial statements from which the summarized comparative information was derived. Certain 2009 amounts have been reclassified to conform to the 2010 presentation.

(3) Investments

Investments at December 31 were as follows:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Auction rate securities	$ -	-	1,650,000	1,650,000
Mutual funds:				
Large/mid cap growth	43,656,313	62,944,340	44,679,546	58,895,343
Diversified fixed income	68,187,655	68,859,249	57,439,880	58,340,290
Stocks	11,061,084	11,814,326	22,297,704	20,392,813
Alternative investments	107,422,622	132,806,815	86,591,487	102,317,118
	$ 230,327,674	276,424,730	212,658,617	241,595,564

(3) Investments (Continued)

Stocks principally include publicly traded common stock holdings in both domestic and international organizations. Also included is the Laboratory's investment in biotechnology companies, as discussed in Note 2, which have a fair value (net of a valuation allowance) of approximately $69,000 and $146,000 at December 31, 2010 and 2009, respectively. A valuation allowance has been applied of approximately $620,000 and $1,312,000 at December 31, 2010 and 2009, respectively.

The alternative investment portfolio includes limited partnerships, limited liability corporations, and off-shore investment funds. The underlying investments include, among other financial instruments, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments involve varying degrees of off-balance-sheet risk. All investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and such changes could materially affect the consolidated balance sheet.

The following table summarizes alternative investments by investment strategy at December 31:

	2010		2009	
	Number of Funds	Fair Value	Number of Funds	Fair Value
Multi strategy, fund of funds, and absolute return	6	$ 65,029,544	4	$ 48,173,865
Long/short equity	2	15,726,203	2	15,589,978
International equity	1	35,165,492	1	33,037,934
Emerging markets	1	10,920,089	-	-
Aggressive fixed income	1	5,471,576	1	5,000,000
Private equity	1	493,911	1	515,341
	12	$ 132,806,815	9	$ 102,317,118

The Laboratory's alternative investments are diversified across six basic investment strategies as follows (amounts included are as of December 31, 2010):

Multi strategy, fund of funds, and absolute return ($65,029,544) – represent investments in a broad range of investment strategies that seek to exploit opportunities as they occur in the markets due to temporary dislocations or structural inefficiencies. This category includes managers that utilize a fund of funds philosophy.

Long/short equity ($15,726,203) – primarily investments in funds that, in turn, invest in liquid marketable securities, attempting to realize gains through the identification of mispriced securities, involving buying long equities that are expected to increase in value and selling short equities that are expected to decrease in value.

(3) Investments (Continued)

International equity ($35,165,492) – consists of a trust that invests in the equity securities of companies located outside the U.S. The portfolio can invest up to 10% of its assets in emerging markets. The fund is permitted to utilize a wide range of equity instruments, convertible investment-grade instruments, and to a limited extent, options and warrants on equity securities. The fund is also permitted to invest in physical currencies and spot and forward currency contracts.

Emerging markets ($10,920,089) – an absolute return focused investment in debt and equity securities in emerging markets. Debt securities include both dollar denominated and local currency sovereign debt, corporate debt, and inflation protected securities.

Aggressive fixed income ($5,471,576) – an investment in global fixed income arbitrage strategies exploiting opportunities within specific substrategies, with tight risk controls, seeking to add excess return over a specified client-designated benchmark.

Private equity ($493,911) – consists of a limited partnership that was formed for the purpose of investing in private equity funds including venture capital, buyouts and growth capital, international private equity, and other private equity investments.

Alternative investments contain various redemption restrictions with required written notice ranging from 45 to 90 days. In addition, certain of these investments are restricted by initial lockup periods. As of December 31, 2010, the following table summarizes the composition of the alternative investments at fair value of such investments by the various redemption provisions and lockup periods:

Redemption period		Amount
0 – 3 Months	$	46,085,581
Semi-annual		7,467,688
Annual		26,403,607
No redemptions		493,911
Lockup (a)		52,356,028
	$	132,806,815

(a) The amount of investments subject to redemption lockup is set to expire as follows:

Fiscal year		Amount
2011	$	46,620,928
2012		5,735,100
	$	52,356,028

(4) Fair Value of Financial Assets and Liabilities

The following tables present the Laboratory's fair value hierarchy for those assets measured at fair value on an annual basis as of December 31.

Fair value hierarchy at December 31, 2010 is as follows:

Financial Assets	Fair Value	Level 1	Level 2	Level 3
Investment in employee residences	$ 4,249,542	-	-	4,249,542
Mutual funds:				
Large/mid cap growth	62,944,340	62,944,340	-	-
Diversified fixed income	68,859,249	68,859,249	-	-
Stocks	11,814,326	11,745,442	-	68,884
Alternative investments	132,806,815	-	79,956,876	52,849,939
	$ 280,674,272	143,549,031	79,956,876	57,168,365

Fair value hierarchy at December 31, 2009 is as follows:

Financial Assets	Fair Value	Level 1	Level 2	Level 3
Investment in employee residences	$ 3,796,420	-	-	3,796,420
Auction rate securities	1,650,000	-	1,650,000	-
Mutual funds:				
Large/mid cap growth	58,895,343	58,895,343	-	-
Diversified fixed	58,340,290	58,340,290	-	-
Stocks	20,392,813	20,247,004	-	145,809
Alternative investments	102,317,118	-	33,037,934	69,279,184
	$ 245,391,984	137,482,637	34,687,934	73,221,413

Level 3 assets comprised approximately 19.1% and 28.7% of the Laboratory's total investment portfolio fair value at December 31, 2010 and 2009, respectively.

The fair value of investments in investment companies for which the investment does not have a readily determinable fair value are estimated using net asset value per share or its equivalent. In addition, classification of these investments within the fair value hierarchy is based on the Laboratory's ability to timely redeem its interest rather than on valuation inputs.

(4) Fair Value of Financial Assets and Liabilities (Continued)

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

		2010	2009
Balance at beginning of year	$	73,221,413	11,389,954
Purchases/Additions		5,659,842	56,263,108
Sales/Redemptions		(303,843)	(713,120)
Net unrealized gains		2,696,529	6,281,471
Transfers out of Level 3		(24,105,576)	-
Balance at end of year	$	57,168,365	73,221,413

The interest rate swap agreement described in Note 9 valued at $16,439,159 and $11,448,359 at December 31, 2010 and 2009, respectively, is classified as a Level 2 financial liability.

The fair value of all other 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 that reflect approximate market rates for loans with similar characteristics, maturities, and credit quality.

(5) Contributions Receivable, net

Contributions receivable consist of the following at December 31:

		2010	2009
Contributions receivable	$	115,017,743	132,344,253
Less: Discount to present value at rates ranging from 0.25% to 5.0%		(9,428,152)	(11,497,068)
Reserve for bad debts		(1,317,000)	(1,107,000)
Contributions receivable, net	$	104,272,591	119,740,185

Contributions receivable are expected to be collected as follows:

		2010	2009
Within one year	$	42,920,717	37,029,041
One to five years		53,986,497	77,041,727
More than five years		18,110,529	18,273,485
	$	115,017,743	132,344,253

Contributions receivable at December 31, 2010 include sixty-five individual pledges, nine of which represent approximately 69% of the amount due, with $48 million due from a single donor.

(5) Contributions Receivable, net (Continued)

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 $3,050,000 and $2,931,000 at December 31, 2010 and 2009, respectively.

(6) Restricted Use Assets

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, 2010 and 2009, the fair value of the assets in the trust was $2,397,820 and $1,957,467 respectively.

In 2005, the Laboratory started a charitable gift annuity program. At December 31, 2010 and 2009, the fair value of segregated assets was $182,651 and $153,623, respectively.

(7) Investment in Employee Residences

Included in other assets are investments in employee residences, which consist 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 Trustees to enable such employees to purchase local residences. All costs of property ownership, including real estate taxes, are borne by the employees.

(8) Land, Buildings, and Equipment

Land, buildings, and equipment at December 31 consist of the following:

		2010	2009
Land and land improvements	$	15,671,519	15,564,812
Buildings		248,453,786	235,635,306
Furniture, fixtures, and equipment		31,392,890	26,739,919
Laboratory equipment		35,982,993	30,646,133
Library books and periodicals		365,630	365,630
Construction in progress		2,051,208	10,160,601
		333,918,026	319,112,401
Less accumulated depreciation and amortization		(95,140,147)	(81,320,995)
Land, buildings, and equipment, net	$	238,777,879	237,791,406

In 2009, the Laboratory opened the Hillside Campus laboratories, a three-year construction project, which included over $112 million in costs. In 2010, the Laboratory reopened the newly renovated and expanded Carnegie Library which included approximately $7.9 million in construction costs, reported at December 31, 2010 in buildings. Construction in progress at December 31, 2010 represents the cost of various other campus renovations ongoing at the Laboratory.

(9) 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 (0.20% as of December 31, 2010), and are secured by a revolving letter-of-credit agreement issued by a financial institution scheduled to expire on March 18, 2012. 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, 2010 and expects to renew the agreement upon expiration.

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 (0.20% as of December 31, 2010). 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 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, 2012. 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, 2010 and expects to renew the agreement upon expiration.

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 $16,439,159 and $11,448,359 at December 31, 2010 and 2009, 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 JPMorgan 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.

(9) Bonds Payable (Continued)

In connection with the bond issues, financing costs of approximately $2,357,000 were capitalized and are being amortized over the life of the bond issues. The financing costs are included in other assets in the accompanying consolidated balance sheet. Financing costs, net of amortization, were $1,922,458 and $1,988,707 at December 31, 2010 and 2009, respectively.

Interest expense on bonds outstanding during 2010 and 2009 was $3,657,625 and $3,260,538, respectively. The effective average interest rate on all of the bonds outstanding during 2010 and 2009 approximated 3.76% and 3.35%, respectively.

(10) Unrestricted Net Assets

Unrestricted net assets at December 31 consist of the following:

		2010	2009
General operating	$	1,162,640	19,910,659
Board-designated:			
Endowment - general		70,142,308	57,562,375
Endowment - research start-up		14,971,465	17,061,387
Net investment in plant		141,577,879	140,591,406
	$	227,854,292	235,125,827

(11) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes:

		2010	2009
Capital projects	$	8,925,010	23,312,659
Research programs		73,125,006	51,162,018
Research start-up		4,765,642	7,567,801
Educational programs		1,249,679	1,381,558
Time restricted		59,362,340	46,094,912
Endowment fund - primary program services		81,769,684	10,140,681
Endowment fund - operation and improvement of Banbury Center facilities		13,392,541	2,698,085
	$	242,589,902	142,357,714

Included in temporarily restricted net assets for capital projects was $4,527,558 through December 31, 2009, in connection with the renovation of the Carnegie Library. These net assets were reported as released from restriction in the consolidated statement of activities as of December 31, 2010.

(12) Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2010 and 2009 are restricted in perpetuity with investment return available to support the following activities:

		2010	2009
Primary program services	$	61,567,336	131,453,126
Watson School of Biological Sciences programs		39,455,971	38,447,774
Operation and improvement of Banbury Center facilities		1,511,804	11,658,211
	$	102,535,111	181,559,111

(13) Endowment Funds

The Laboratory's endowment consists of approximately 116 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Trustees to function as endowments. As required by GAAP, net assets associated with the endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Laboratory's management and investment of donor-restricted endowment funds has historically been subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a guideline for states to use in enacting legislation. Among UPMIFA's most significant changes was 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.

On September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), the provisions of which apply to funds existing on or established after that date. The Laboratory adopted NYPMIFA as of December 31, 2010 for all institutional endowment assets. The Laboratory and Robertson have interpreted the new law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Laboratory classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the explicit direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Laboratory in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In response to the interpretation of the enacted version of NYPMIFA, the Laboratory reflected a reclassification of net assets from permanently restricted to temporarily restricted of $80,133,499 in the 2010 consolidated statement of activities. This represents the reclassification of the realized and unrealized gains and losses and additional earnings thereon as of January 1, 2010, associated with the assets of Robertson, which had previously been classified as permanently restricted under a strict interpretation of the definition of income. The Laboratory also reported a reclassification of net assets from unrestricted to temporarily restricted of $19,558,544 in the 2010 consolidated statement of activities, representing the unrestricted net asset balance associated with permanently restricted endowment assets as of January 1, 2010 that has not been appropriated for expenditure by the Trustees.

(13) Endowment Funds (Continued)

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 nontraditional 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 Laboratory and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation or deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Laboratory
(7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure
(8) The investment policies of the Laboratory

In accordance with the Laboratory's spending rate policy, the Trustees authorized a 5% spend-down on endowment funds based on a 12-quarter moving average of the market value of endowment investments. 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.

In accordance with the above spending policies, $12,960,459 and $12,506,571 were made available to support operations of the Laboratory for the years ended December 31, 2010 and 2009, respectively. In addition, the Trustees also authorized the use of $5,026,953 and $5,683,553 in support of research start-up expenses for the years ended December 31, 2010 and 2009, respectively. The total planned appropriation for expenditure for the year ending December 31, 2011 is approximately $22,120,000.

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 NYPMIFA 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 $2,060,186 and $3,993,969 at December 31, 2010 and 2009, 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 Trustees. Amounts included in reported deficiencies, $1,153,800 in 2010 and $969,483 in 2009, resulted from specific language of the gift instrument requiring appropriation regardless of fund balance. Funds with deficiencies are included in the unrestricted portion of donor-restricted endowment funds, in the following tables.

(13) Endowment Funds (Continued)

The following table presents endowment net asset composition by type of fund as of December 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ (2,060,186)	122,161,903	102,535,111	222,636,828
Board-designated	87,173,959	-	-	87,173,959
Total endowment funds	$ 85,113,773	122,161,903	102,535,111	309,810,787

The following table presents the changes in endowment net assets for the year ended December 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 90,430,031	12,838,766	181,559,111	284,827,908
Investment income	876,959	2,047,148	-	2,924,107
Net appreciation (realized and unrealized)	16,783,429	6,980,947	-	23,764,376
Total investment return	17,660,388	9,028,095	-	26,688,483
Contributions	9,000,000	602,999	1,109,499	10,712,498
Appropriation of endowment assets for expenditure	(17,987,412)	-	-	(17,987,412)
Transfer to board-designated endowment	5,569,310	-	-	5,569,310
Total net assets	104,672,317	22,469,860	182,668,610	309,810,787
Re-classification based on change in law / interpretation	(19,558,544)	99,692,043	(80,133,499)	-
Endowment net assets at end of year	$ 85,113,773	122,161,903	102,535,111	309,810,787

Included in permanently restricted endowment amounts above is approximately $10.6 million in pledges receivable.

(13) Endowment Funds (Continued)

The following table presents endowment net asset composition by type of fund as of December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ 15,806,269	12,838,766	181,559,111	210,204,146
Board-designated	74,623,762	-	-	74,623,762
Total endowment funds	$ 90,430,031	12,838,766	181,559,111	284,827,908

The following table presents the changes in endowment net assets for the year ended December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 68,072,928	13,895,543	166,762,395	248,730,866
Investment income	3,410,642	2,175,554	-	5,586,196
Net appreciation (realized and unrealized)	22,359,122	2,271,451	12,541,676	37,172,249
Total investment return	25,769,764	4,447,005	12,541,676	42,758,445
Contributions	162,999	-	2,255,040	2,418,039
Appropriation of endowment assets for expenditure	(12,215,524)	(5,974,600)	-	(18,190,124)
Transfer to board-designated endowment	8,639,864	470,818	-	9,110,682
Endowment net assets at end of year	$ 90,430,031	12,838,766	181,559,111	284,827,908

Included in permanently restricted endowment amounts above is approximately $14.0 million in pledges receivable.

(14) Investment Return Utilized

Investment return utilized includes amounts reimbursed from Board-designated funds relating to certain Board-authorized expenses as reported in Note 13, amounts appropriated from donor-restricted endowment funds, and investment return on working capital funds. The following tables summarize the Laboratory's total investment return for the years ended December 31:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends on investments	$ 850,756	2,047,148	-	2,897,904
Net appreciation on investments	17,029,931	6,980,947	-	24,010,878
Total return on investments	17,880,687	9,028,095	-	26,908,782
Investment return utilized	(18,309,184)	-	-	(18,309,184)
Investment return excluding amount utilized	$ (428,497)	9,028,095	-	8,599,598

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends on investments	$ 3,445,811	2,175,554	-	5,621,365
Net appreciation on investments	22,246,007	2,271,451	12,541,676	37,059,134
Total return on investments	25,691,818	4,447,005	12,541,676	42,680,499
Investment return utilized	(18,216,748)	-	-	(18,216,748)
Investment return excluding amount utilized	$ 7,475,070	4,447,005	12,541,676	24,463,751

(15) Expenses

Expenses are reported in the accompanying consolidated statement of activities by their functional classifications. 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 $1,316,600 and $1,233,800 of fund-raising expenses in 2010 and 2009, respectively.

The Laboratory allocates certain types of expenses that relate to more than one program or supporting activity. Expenses of this nature 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.

	2010			2009		
	Direct Functional Expenses	Allocated Expenses	Total	Direct Functional Expenses	Allocated Expenses	Total
Research	$ 52,128,515	34,681,604	86,810,119	46,502,269	27,503,388	74,005,657
Educational programs	14,460,399	2,661,476	17,121,875	12,528,518	2,436,390	14,964,908
Publications	10,441,430	435,625	10,877,055	8,602,093	430,132	9,032,225
Banbury Center conferences	739,232	631,546	1,370,778	505,232	563,812	1,069,044
Dolan DNALC programs	985,585	420,754	1,406,339	1,036,160	431,787	1,467,947
WSBS programs	2,997,715	538,043	3,535,758	3,077,017	518,793	3,595,810
General and administrative	11,895,969	2,850,901	14,746,870	11,266,673	2,637,210	13,903,883
Dining services	3,808,767	1,328,881	5,137,648	3,514,155	1,198,746	4,712,901
	$ 97,457,612	43,548,830	141,006,442	87,032,117	35,720,258	122,752,375

(16) 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 $3,346,000 and $3,116,000 for the years ended December 31, 2010 and 2009, respectively.

(17) Commitments and Contingencies

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.

The Laboratory has a $5,000,000 discretionary line of credit with JPMorgan Chase Bank, N.A., which expires on June 30, 2011. The facility bears interest at prime plus 0.5%. At December 31, 2010 and 2009, there were no borrowings outstanding. The Laboratory expects to renew the facility upon expiration.

(17) Commitments and Contingencies (Continued)

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, 2010. The expense for the program was approximately $8,470,000 and $6,469,000 for the years ended December 31, 2010 and 2009, respectively. As of December 31, 2010, the Laboratory had accrued approximately $1,025,000 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.

The Laboratory evaluated events subsequent from December 31, 2010 through May 13, 2011, the date on which the financial statements were issued.