Woods Hole Oceanographic Institution

Financial Statements
December 31, 2010 and 2009

Woods Hole Oceanographic Institution
Index
December 31, 2010

pwc

Report of Independent Auditors

To the Board of Trustees of
Woods Hole Oceanographic Institution:

In our opinion, the accompanying statement of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Woods Hole Oceanographic Institution (the "Institution") at December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Institution's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Institution's 2009 financial statements, and in our report dated August 13, 2010, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements 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 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, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

August 1, 2011

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Woods Hole Oceanographic Institution
Statement of Financial Position
December 31, 2010
(with summarized information for December 31, 2009)

	2010	2009
Assets		
Cash and cash equivalents, unrestricted	$ 7,548,167	$ 5,913,279
Cash and cash equivalents, restricted	2,366,427	3,384,314
Reimbursable costs and fees		
Billed (net of allowance for doubtful accounts of $30,405 for 2010 and $80,359 for 2009)	5,666,094	5,419,096
Unbilled	8,887,639	8,271,337
Receivable for investments sold	192,737	75,348
Interest and dividends receivable	221,067	48,537
Other receivables	1,102,907	1,072,140
Pledges receivable, net (Note 5)	7,337,618	10,451,525
Inventory	1,850,872	1,644,600
Deferred charges and prepaid expenses	731,269	333,268
Investments, pooled (Note 3)	361,156,069	328,292,567
Deposits with trustees for construction	3,177,682	7,363,141
Deposits with trustees for debt service	92	92
Deferred fixed rate variance (Note 7)	6,147,384	4,206,130
Supplemental retirement	6,801,626	6,054,809
Other assets	6,452,682	9,150,695
Deferred financing costs	225,772	258,536
	419,866,104	391,939,414
Property, plant and equipment		
Land, buildings and improvements	140,117,698	135,733,697
Vessels and dock facilities	8,166,446	7,997,337
Laboratory and other equipment	31,530,425	29,541,160
Construction in process	1,105,389	1,241,329
	180,919,958	174,513,523
Accumulated depreciation	(96,695,400)	(88,675,963)
Net property, plant and equipment	84,224,558	85,837,560
Contribution receivable from remainder trusts, net (Note 6)	10,420,847	9,814,334
Total assets	$ 514,511,509	$ 487,591,308
Liabilities		
Line of credit (Note 8)	$ 3,000,000	$ 6,000,000
Accounts payable and other liabilities (Note 8)	14,652,631	12,175,852
Accrued payroll and related liabilities	7,930,273	7,004,044
Payable for investments purchased	436,484	33,374
Accrued supplemental retirement benefits	6,801,626	6,054,809
Accrued pension and restoration liability	66,286,872	64,720,545
Accrued postretirement liability	5,910,392	6,589,580
Deferred revenue and refundable advances	13,389,434	8,726,087
Bonds payable (Note 8)	62,052,329	63,431,258
Total liabilities	$ 180,460,041	$ 174,735,549

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010	2009
Net Assets					
Undesignated and plant	$ 15,467,435	$ -	$ -	15,467,435	23,101,367
Pension	(72,197,264)	-	-	(72,197,264)	(72,100,850)
Designated	4,162,264	10,787,695	-	14,949,959	14,638,365
Pledges and other	-	9,583,664	15,188,823	24,772,487	26,748,041
Education	-	3,160,292	-	3,160,292	2,623,021
Endowment and similar funds	84,872,660	196,730,011	66,295,888	347,898,559	317,845,815
Total net assets	$ 32,305,095	$ 220,261,662	$ 81,484,711	334,051,468	312,855,759
Total liabilities and net assets				$ 514,511,509	$ 487,591,308

The accompanying notes are an integral part of these financial statements.

Woods Hole Oceanographic Institution
Statement of Activities
Year Ended December 31, 2010
(with summarized information for the year ended December 31, 2009)

	Unrestricted					
	Operating	Sponsored Research	Temporarily Restricted	Permanently Restricted	2010	2009
Revenues						
Fees	$ 1,486,309	$ -	$ -	$ -	$ 1,486,309	$ 1,896,938
Sponsored research						
Government		104,170,800			104,170,800	89,149,989
Subcontract and nongovernment		38,581,666	5,850,195		44,431,861	36,858,183
Ships and subs operations		28,220,441			28,220,441	25,953,603
Sponsored research assets released to operations	176,257,862	(170,972,907)	(5,284,955)		-	-
Fixed price awards income	322,737				322,737	119,301
Education						
Joint program income	4,004,251				4,004,251	4,045,415
Endowment income			6,620,679		6,620,679	6,354,464
Education funds released from restriction	7,068,341		(7,068,341)		-	-
Investment return designated for current operations	3,705,249				3,705,249	3,514,878
Contributions and gifts	3,898,656		3,413,215	272,363	7,584,234	5,280,243
Releases from restrictions			(4,123,930)		(4,123,930)	(2,996,923)
Contributions in kind	157,073				157,073	224,872
Rental income	543,788				543,788	525,203
Communication and publications	216,875				216,875	230,560
Gain on sale of Cotuit property	4,767,555				4,767,555	-
Other	346,153				346,153	579,404
Total revenues	202,774,849	-	(593,137)	272,363	202,454,075	171,736,130
Expenses						
Sponsored research						
National Science Foundation	58,322,377				58,322,377	48,427,780
United States Navy	19,012,813				19,012,813	24,566,738
Subcontracts	21,766,505				21,766,505	14,230,066
National Oceanic & Atmospheric Administration	16,508,102				16,508,102	10,517,222
Department of Energy	25,846				25,846	113,062
United States Geological Survey	1,439,535				1,439,535	1,167,050
National Aeronautics & Space Administration	3,100,797				3,100,797	2,179,120
Ships Operations	22,564,280				22,564,280	20,066,317
Submersible and ROV operations	5,656,161				5,656,161	5,887,286
Privately funded grants	4,253,833				4,253,833	5,610,730
Other	23,607,613				23,607,613	17,969,788
Education						
Faculty expense	4,005,464				4,005,464	3,961,106
Student expense	4,162,758				4,162,758	4,176,776
Postdoctoral programs	252,544				252,544	365,674
Other	1,187,758				1,187,758	1,187,948
Rental expenses	232,130				232,130	223,658
Communication, publications and development	2,541,707				2,541,707	2,463,065
Fundraising expenses	2,308,049				2,308,049	2,400,165
Unsponsored programs	6,559,167				6,559,167	7,299,446
Other expenses	1,175,960				1,175,960	1,871,265
Total expenses	198,683,399	-	-	-	198,683,399	174,684,262
Change in net assets from operating activities before reclassification of pension curtailment charge	4,091,450	-	(593,137)	272,363	3,770,676	(2,948,132)
Pension curtailment charge	-	-	-	-	-	(8,894,763)
Change in net assets from operating activities after reclassification of pension curtailment charge	4,091,450	-	(593,137)	272,363	3,770,676	(11,842,895)
Nonoperating revenue and expenses						
Investment return in excess of amounts designated for sponsored research, education and current operations	5,709,872		15,763,546		21,473,418	51,189,644
Net realized/unrealized (losses) gains on interest rate swap	(3,645,219)				(3,645,219)	5,169,063
Change in split interest agreements	741		16,620	566,588	583,949	1,326,994
Other nonoperating expenses	(99,976)				(99,976)	(99,976)
Net periodic pension income (cost)	3,082,329				3,082,329	(1,126,114)
Gain on property investment					-	74,334
Redesignation of donor gifts			50,000	(50,000)	-	-
Reclassification of pension curtailment charge					-	8,894,763
Pension related changes other than net periodic pension costs (Note 9)	(3,969,468)				(3,969,468)	25,404,221
Change in net assets from nonoperating activities	1,078,279	-	15,830,166	516,588	17,425,033	90,832,929
Total change in net assets	5,169,729	-	15,237,029	788,951	21,195,709	78,990,034
Net assets at beginning of year	27,135,366		205,024,633	80,695,760	312,855,759	233,865,725
Net assets at end of year	$ 32,305,095	$ -	$ 220,261,662	$ 81,484,711	$ 334,051,468	$ 312,855,759

The accompanying notes are an integral part of these financial statements.

Woods Hole Oceanographic Institution
Statement of Cash Flows
Year Ended December 31, 2010
(with summarized information for the year ended December 31, 2009)

	2010	2009
Cash flows from operating activities		
Total change in net assets	$ 21,195,709	$ 78,990,034
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities		
Depreciation and amortization	8,777,879	8,606,147
Change in split interest agreements	(583,949)	(1,326,994)
Allowance for uncollectible pledges	96,320	29,882
Discount on pledges	165,771	(72,694)
Net realized and unrealized gain on investments	(36,855,483)	(64,859,216)
Unrealized loss (gain) on interest swap	1,777,116	(7,053,860)
Pension related changes other than net periodic pension costs	3,969,468	(25,404,221)
Contributions to be used for long-term investment	(601,972)	(423,323)
Gain on sale of Cotuit/other property	(4,767,555)	(74,334)
Receipt of contributed securities	(281,518)	(117,044)
(Increase) decrease in assets		
Restricted cash	1,017,887	(1,134,343)
Interest and dividends receivable	(172,530)	309,696
Reimbursable costs and fees		
Billed	(246,998)	1,063,292
Unbilled	(616,302)	3,313,123
Other receivables	(30,767)	(110,404)
Pledges receivable	2,851,816	1,573,110
Inventory	(206,272)	104,389
Deferred charges and prepaid expenses	(398,001)	215,465
Other assets	272,457	2,613,954
Deferred financing costs	22,234	1,097,203
Supplemental retirement	(746,817)	(996,637)
Deferred fixed rate variance	(1,941,254)	(3,212,051)
Increase (decrease) in liabilities		
Accrued pension liability	(3,135,407)	1,126,114
Accrued pension restoration liability	53,078	32,336
Accounts payable and other liabilities	801,080	1,351,033
Accrued payroll and related liabilities	926,229	684,843
Deferred revenue and refundable advances	4,663,347	1,659,527
Accrued supplemental retirement benefits	746,817	996,637
Net cash used in operating activities	(3,247,617)	(1,018,336)
Cash flows from investing activities		
Capital expenditures		
Additions to property and equipment	(7,242,257)	(5,971,699)
Endowment		
Receivable for investments sold	(117,389)	(72,433)
Payable for investments purchased	403,110	(46,793)
Proceeds from the sale of investments	102,096,110	51,578,143
Purchase of investments	(98,104,130)	(48,476,775)
Change in construction fund	4,185,459	2,748,546
Change in funds for debt service and to pay Series A debt	-	53,700,000
Liquidation of contributed securities	281,518	117,044
Proceeds from sale of Cotuit property	7,193,111	-
Net cash provided by investing activities	8,695,532	53,576,033
Cash flows from financing activities		
Repayments under debt agreement	(1,415,000)	(54,385,000)
Repayments under line of credit	(3,000,000)	2,117,444
Contributions to be used for long-term investment	601,972	423,323
Net cash used in financing activities	(3,813,028)	(51,844,233)
Net increase in cash and cash equivalents	1,634,887	713,465
Cash and cash equivalents, beginning of year	5,913,280	5,199,815
Cash and cash equivalents, end of year	$ 7,548,167	$ 5,913,280
Supplemental disclosures		
Cash paid for interest	$ 5,361,261	$ 5,128,325
Noncash activity		
Construction in process additions remaining in accounts payable	120,295	244,276
Contributed securities	281,518	117,044
Contributed property	2,732,443	-

The accompanying notes are an integral part of these financial statements.

1. Background

Woods Hole Oceanographic Institution (the "Institution") is a private, independent not-for-profit research and educational institution located in Woods Hole, Massachusetts. Founded in 1930, the Institution is dedicated to working and learning at the frontier of ocean science and attaining maximum return on intellectual and material investments in oceanographic research.

The Institution is a qualified tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code as it is organized and operated for education and scientific purposes.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America.

The financial statements include certain prior-year summarized comparative information, but do not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institution's audited financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Net assets, revenues, and realized and unrealized gains and losses are classified based on the existence or absence of donor-imposed restrictions and legal restrictions imposed under Massachusetts State law. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Institution. Generally the donors of these assets permit the Institution to use all or part of the income earned and capital appreciation, if any, on related investments for general or specific purposes.

Temporarily Restricted Net Assets

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met by actions of the Institution and/or the passage of time. Unspent gains on permanent endowment are classified as temporarily restricted until the Institution appropriates and spends such sums in accordance with the terms of the underlying endowment funds and in accordance with Massachusetts law, at which time they will be released to unrestricted revenues.

Unrestricted Net Assets

Unrestricted net assets are not subject to donor-imposed stipulations. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets. Amounts received for sponsored research (under exchange transactions) are reflected in unrestricted sponsored research revenue and released to operations when spent for the appropriate purpose, or as deferred revenue if expenditures have yet to be incurred.

Contributions
Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. Promises to give that are scheduled to be received after the balance sheet date are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or restriction is met. Promises to give, subject to donor-imposed stipulations that the corpus be maintained permanently, are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions other than cash are generally recorded at market value on the date of the gift (or an estimate of fair value); although certain noncash gifts, for which a readily determinable market value cannot be established, are recorded at a nominal value until such time as the value becomes known. Contributions to be received after one year are discounted at the appropriate rate commensurate with risk. Amortization of such discount is recorded as additional contribution revenue in accordance with restrictions imposed by the donor on the original contribution, as applicable. Amounts receivable for contributions are reflected net of an applicable reserve for collectibility.

The Institution reports contributions in the form of land, buildings, or equipment as unrestricted operating support at fair market value when received.

Dividends, interest and net gains on investments of endowment and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift or relevant state law impose restrictions on the current use of the income or net realized and unrealized gains; and
- as increases in unrestricted net assets in all other cases.

Operations
The statement of activities reports the Institution's operating and nonoperating activities. Operating revenues and expenses consist of those activities attributable to the Institution's current annual research or educational programs, all gifts received and a component of endowment income appropriated for operations (Note 3). Unrestricted endowment investment income, gains and losses over the amount appropriated under the Institution's spending plan are reported as nonoperating revenue (expense) as investment return in excess of (less than) amounts designated for sponsored research, education and current operations. Nonoperating revenues (expenses) also include the change in value of split interest agreements, realized/unrealized (losses) gains on interest rate swaps, and the net periodic pension income (cost) on the noncontributory defined benefit pension plan that is not reimbursed through negotiated fixed rate agreements with the federal government. Additionally, nonoperating activities include redesignation of donor gifts, depreciation on certain government-funded facilities and pension related changes other than net periodic pension costs.

In prior years, the gain or loss on the sale of property gifted was recorded through nonoperating revenues (expenses). In 2010, the Institution changed its policy to record such gains and losses through operations.

The 2009 curtailment charge on the defined benefit pension plan is shown as a reclassification between nonoperating activities and operating activities. Refer to the pension footnote for more details (Note 9).

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market accounts, certificates of deposit and overnight repurchase agreements with initial maturities of three months or less when purchased which are stated at cost, which approximates market value.

Included in restricted cash at December 31, 2010 and 2009 is $2,026,863 and $2,821,013, respectively, representing advances received from the United States Navy and other U.S. Government and state agencies. Such amounts are restricted as to use for research programs. Interest earned on unspent funds is remitted to the federal government.

Also included in restricted cash at December 31, 2010 and 2009 is $339,564 and $563,301, respectively, representing cash restricted by the Massachusetts Radiation Control Program and Department of Environmental Protection. Interest earned on unspent funds is reinvested within the restricted cash account.

Investments

Investment securities are carried at market value determined as follows: securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; securities traded in the over-the-counter market and listed securities for which no sales prices were reported on that day are valued at closing bid prices. The value of publicly traded securities is based upon quoted market prices and net asset values. Other securities, such as private equity funds, venture capital funds and hedge funds for which no such quotations or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers. The Institution reviews and evaluates the valuations provided by investment managers and believes that these valuations are a reasonable estimate of fair value as of December 31, 2010 and 2009 but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material.

Purchases and sales of investment securities are recorded on a trade date basis. Realized gains and losses are computed on a specific identification method. Investment income, net of investment expenses, is distributed on the unit method.

In 2009, new guidance related to the *Fair Value Measurement* standard was issued for estimating the fair value of investments in investment companies that have a calculated value of their capital account or net asset value (NAV) in accordance with, or in a manner consistent with US generally accepted accounting principles (US GAAP). As a practical expedient, the Institution is permitted under US GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US GAAP. The Institution's investments in private equity, venture capital, hedge funds and commingled funds are fair valued based on the most current NAV received.

The guidance also requires additional disclosure, to enable users of the financial statements to understand the nature and risk of the Institution's investments in investment companies. Furthermore, investments which can be redeemed at NAV by the Institution on the measurement date or in the near term are classified as Level 2. Investments which cannot be redeemed on the measurement date or in the near term are classified as Level 3. The new guidance did not materially affect the Institution's financial statements.

Investment Income Unitization
The Institution's investments are pooled in an endowment fund and the investments and allocation of income are tracked on a unitized basis. The Institution distributes to operations for each individual fund an amount of investment income earned by each of the fund's proportionate share of investments based on a total return policy.

The Board of Trustees has appropriated all of the income and a specified percentage of the net appreciation (depreciation) to operations as prudent considering the Institution's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Under the Institution's current endowment spending policy, which is within the guidelines specified under state law, the Institution’s annual operating budget should not exceed 5.0% of the Fund’s trailing 36 month rolling average market value. This amounted to $16,297,548 and $15,348,009 for the years ended December 31, 2010 and 2009, respectively, and is classified in operating revenues (research, education, and operations).

Deposits with Trustees
Deposits with trustees consist principally of investments in United States Government obligations and have been deposited with trustees as required under certain loan agreements. At December 31, 2010 and 2009, respectively, the amounts consist of $3,177,774 and $7,363,233 for construction purposes.

Other Assets
Other assets consist primarily of investments held by various split-interest agreements and donated property.

Inventories
Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

Contracts and Grants
Revenues earned on contracts and grants for research are recognized as related costs are incurred.

The Institution received approximately 87% of its sponsored research revenues from government agencies including 46% and 46% of its operating revenues directly from the National Science Foundation and 11% and 17% from the United States Navy in fiscal years 2010 and 2009, respectively. Although applications for research funding to federal agencies historically have been funded, authorizations are subject to annual Congressional appropriations and payment.

Deferred Financing Costs
Costs incurred in connection with the placement of the Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Woods Hole Oceanographic Institution Issue, Series B (2008) (the “Series B Bonds”), have been deferred and are being amortized over the term of the obligation on a straight line basis, which approximates the effective interest method. Accumulated amortization on Series B bonds at December 31, 2010 and 2009 was $21,060 and $10,530.

Interest Rate Swap
The Institution entered into an interest rate swap agreement on the Massachusetts Health and Educational Facilities Authority, Variable Rate Revenue Bonds, Woods Hole Oceanographic Institution Issue Series A Bonds in order to convert a portion of the variable rate debt to fixed rate, thereby economically hedging against changes in the cash flow requirements of the Institution's variable rate debt obligations. The Series A bonds were retired on January 2, 2009.

Net payments or receipts (difference between variable and fixed rate) under the swap agreement along with the change in fair value of the swap are recorded in nonoperating activities as net realized/unrealized (losses) gains on interest swap.

Property, Plant and Equipment
Property, plant and equipment are stated at cost. Depreciation is provided on a straight-line basis at annual rates of 12 to 39 years on buildings and improvements, 10 to 15 years on vessels and dock facilities and 5 to 10 years on laboratory and other equipment. Depreciation expense on property, plant, and equipment purchased by the Institution in the amounts of $8,631,304 and $8,460,133 in 2010 and 2009, respectively, has been charged to operating activities. Depreciation on certain government-funded facilities (the Laboratory for Marine Science and the dock facility) amounting to $99,976 both in 2010 and 2009 has been charged to nonoperating expenses as these assets were gifted by the Government.

Use of Estimates
The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Reclassifications
Prior to 2010, cash and cash equivalents included all uninvested amounts from pooled investments. In 2010, uninvested amounts from pooled investments have been included in investments. Prior year amounts have been reclassified to conform with current year classification.

Subsequent Events
Effective in 2009, the Institution implemented new accounting guidance, which establishes general standards of accounting for, and disclosures of, events that occur after the balance sheet date but before the financial statements are issued. The adoption of this guidance did not impact the Institution's financial position or results of operations. Management evaluated all events or transactions that occurred after December 31, 2010 up through August 1, 2011, the date these financial statements were issued.

3. Investments

The following table presents the classification and carrying value of investments at December 31:

	2010		2009	
	Cost	**Market**	**Cost**	**Market**
Assets				
Cash and cash equivalents	$ 19,147,281	$ 19,147,281	$ 21,045,745	$ 21,045,745
Private equity, venture capital and other limited partnerships	68,369,601	81,544,702	85,909,042	92,959,448
Commingled funds	82,728,358	103,636,279	61,407,655	68,432,244
Hedge funds	41,295,000	58,111,282	41,295,000	53,341,844
Mutual funds	33,392,959	34,373,998	26,892,958	24,990,222
Domestic common stock	44,562,012	52,583,173	33,861,956	38,005,927
Domestic fixed income	12,925,249	11,759,354	17,626,094	23,301,747
International fixed income	-	-	9,706,165	6,215,390
Total assets at fair value	$ 302,420,460	$ 361,156,069	$ 297,744,615	$ 328,292,567

The following schedule summarizes the investment return and its classification in the statement of activities:

	Unrestricted	**Temporarily restricted**	**2010 Total**	**2009 Total**
Dividend and interest income	$ (3,815,772)	$ 6,620,679	$ 2,804,907	$ 3,090,693
Investment management costs	(1,889,424)	-	(1,889,424)	(1,412,258)
Net realized gains (losses)	2,298,613	6,369,210	8,667,823	(5,252,968)
Change in unrealized appreciation	12,943,129	15,244,531	28,187,660	70,112,184
Total return on investments	9,536,546	28,234,420	37,770,966	66,537,651
Investment return designated for:				
Sponsored research	-	(5,850,195)	(5,850,195)	(5,287,791)
Education	-	(6,620,679)	(6,620,679)	(6,354,464)
Current operations	(3,826,674)	-	(3,826,674)	(3,705,754)
Total distributed to operations	(3,826,674)	(12,470,874)	(16,297,548)	(15,348,009)
Investment return in excess of amounts designated for sponsored research, education and current operations	$ 5,709,872	$ 15,763,546	$ 21,473,418	$ 51,189,642

Investment securities 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 value of investment securities will occur in the near term and that such changes could materially affect the market values and the amounts reported in the statement of financial position.

Endowment income for pooled investments is allocated to each individual fund based on a per unit valuation. The value of an investment unit at December 31 is as follows:

	2010	2009
Unit value, beginning of year	$ 4.3372	$ 3.9408
Unit value, end of year	4.6230	4.3372
Net change for the year	0.2858	0.3964
Investment income per unit for the year	0.0122	0.0226
Total return per unit	$ 0.2980	$ 0.4190

4. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (also referred to as "exit price"). Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. In determining fair value, the use of various valuation approaches, including market, income and cost approaches, is permitted.

Fair Value Hierarchy
A fair value hierarchy has been established based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the reporting entity's assumptions about the inputs market participants would use. The fair value hierarchy requires the reporting entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The hierarchy is described below.

- *Level 1* - Valuations using quoted prices in active markets for identical assets or liabilities. Valuations of these products do not require a significant degree of judgment. Level 1 assets and liabilities primarily include debt and equity securities that are traded in an active exchange market.

- *Level 2* - Valuations using observable inputs other than Level 1 prices such as quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; broker or dealer quotations; 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 3* - Valuations using unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques.

The following tables summarize fair value measurements at December 31, 2010 and December 31, 2009 for financial assets measured at fair value:

	2010			
Assets	**Quoted Prices in Active Markets Level 1**	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**	**Total Fair Value**
Cash and cash equivalents	$ 19,147,281	$ -	$ -	$ 19,147,281
Private equity, venture capital and other limited partnerships	-	9,786,629	71,758,073	81,544,702
Commingled funds	-	103,636,279	-	103,636,279
Hedge funds	-	12,789,179	45,322,103	58,111,282
Mutual funds	34,373,998	-	-	34,373,998
Domestic common stock	52,583,173	-	-	52,583,173
Domestic fixed income	11,759,354	-	-	11,759,354
Contributions receivable from remainder trust	-		10,420,847	10,420,847
Other assets	-		909,681	909,681
Deposits with trustees	3,177,774	-	-	3,177,774
Total assets at fair value	$ 121,041,580	$ 126,212,087	$ 128,410,704	$ 375,664,371
Interest rate swap	$ -	$ 7,594,906	$ -	$ 7,594,906
Total liabilities at fair value	$ -	$ 7,594,906	$ -	$ 7,594,906

	2009			
Assets	**Quoted Prices in Active Markets Level 1**	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**	**Total Fair Value**
Cash and cash equivalents	$ 21,045,745	$ -	$ -	$ 21,045,745
Private equity, venture capital and other limited partnerships	-	6,709,218	86,250,230	92,959,448
Commingled funds	-	68,432,244	-	68,432,244
Hedge funds	-	5,691,199	47,650,645	53,341,844
Mutual funds	16,565,916	8,424,306	-	24,990,222
Domestic common stock	38,005,927	-	-	38,005,927
Domestic fixed income	23,301,747	-	-	23,301,747
International fixed income	-	6,215,390	-	6,215,390
Contributions receivable from remainder trust	-		9,814,334	9,814,334
Other assets	-	-	940,249	940,249
Deposits with trustees	7,363,233	-	-	7,363,233
Total assets at fair value	$ 106,282,568	$ 95,472,357	$ 144,655,458	$ 346,410,383
Interest rate swap	$ -	$ -	$ 5,817,790	$ 5,817,790
Total liabilities at fair value	$ -	$ -	$ 5,817,790	$ 5,817,790

The Institution has adopted a policy that defines near-term liquidity as those investments allowing liquidity within 90 days of the reporting period. Included in Level 2 are assets valued at NAV which are redeemable in the near term. Investments offering periodic transparency with opportunities for liquidity within 90 days of the reporting period consist of private equity and hedge funds and are reported in Level 2 at December 31, 2010.

The following table presents the assets and liability carried at fair value as of December 31, 2010 and December 31, 2009 that are classified within Level 3 of the fair value hierarchy defined above:

	2010 Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Balance, January 1, 2010	Realized Gains/(Losses)	Unrealized Gains/(Losses)	Purchases and Sales	Transfers in and/or out of Level 3	Balance, December 31, 2010
Private equity, venture capital and other limited partnerships	$ 86,250,230	$ 5,287,780	$ 2,588,956	$ (22,368,893)	$ -	$ 71,758,073
Hedge funds	47,650,645		3,786,208		(6,114,750)	45,322,103
Contributions receivable from remainder trust	9,814,334		606,513			10,420,847
Other assets	940,249		(30,568)			909,681
Interest rate swap	(5,817,790)				5,817,790	-
	$ 138,837,668	$ 5,287,780	$ 6,951,109	$ (22,368,893)	$ (296,960)	$ 128,410,704

	2009 Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Balance, January 1, 2009	Realized Gains/(Losses)	Unrealized Gains/(Losses)	Purchases and Sales	Transfers in and/or out of Level 3	Balance, December 31, 2009
Private equity, venture capital and other limited partnerships	$ 70,556,232	$ 715,121	$ 12,739,130	$ 2,239,747	$ -	$ 86,250,230
Other assets	879,869		60,380			940,249
Commingled funds	57,254,408	(638,816)	(10,985)	(9,137,634)	(47,466,973)	-
Hedge funds	38,801,517		7,647,512	6,000,000	(4,798,384)	47,650,645
Mutual funds	10,865,692				(10,865,692)	-
International fixed income	6,292,480				(6,292,480)	-
Contributions receivable from remainder trust	8,483,567		1,330,767			9,814,334
Nonpooled investments	64,606	(522)		(64,084)		
Interest rate swap	(12,871,650)		7,053,860			(5,817,790)
	$ 180,326,721	$ 75,783	$ 28,820,664	$ (961,971)	$ (69,423,529)	$ 138,837,668

Reclassifications from Level 3 to Level 2 due to changes in redemption features are effective as of December 31, 2010.

The fair market value of the investments described in the table below are based on net asset value per share of the investments as of December 31, 2010.

Assets	Fair Value	Redemption Terms	Redemption Restrictions
Private equity, venture capital and other limited partnerships	$ 81,544,702	Semi-Annually, Quarterly, Annual (Dec), Remaining lives up to 10 years	$50,528,300 designated as illiquid and $988,940 in nonredeemable side pockets and subject to lock-up period for up to 1 to 2 years
Commingled funds	103,636,279	Monthly	
Hedge funds	58,111,282	Quarterly, Annual (Dec)	$5,413,050 subject to lockup until 12/31/2011.
Total investments	$ 243,292,263		

As of December 31, 2010 the Institution had unfunded commitments relating to endowment and pension plan assets of approximately $23,941,000 relating to private equity, venture capital and other limited partnerships.

5. Pledges Receivable, Net

Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Discount rates used to calculate the present value of pledges receivable were 3.01% to 3.64% and 3.69% to 4.08% at December 31, 2010 and 2009, respectively.

Pledges receivable consist of the following at December 31:

	2010	2009
Unconditional promises expected to be collected in:		
Less than one year	$ 4,368,838	$ 4,757,375
One year to five years	3,828,008	6,815,469
Reserve for uncollectible pledges receivable	(433,779)	(530,099)
Unamortized discount	(425,449)	(591,220)
	$ 7,337,618	$ 10,451,525

6. Contribution Receivable from Remainder Trusts, Net

Contributions receivable from remainder trusts at December 31, 2010 and 2009 were $10,420,847 and $9,814,334, respectively. The receivable and related revenue is measured at the present value of estimated future cash flows to be received, net of expected payouts, and recorded in the appropriate net asset category based on donor stipulation. During the term of these agreements, changes in the value are recognized based on amortization of discounts and changes in actuarial assumptions. For the years ended December 31, 2010 and 2009, discount rates ranging from 5.0% to 8.0% were used in these calculations.

7. Deferred Fixed Rate Variance

The Institution receives funding or reimbursement from federal government agencies for sponsored research under government grants and contracts. Revenue is recognized as related costs are incurred. The Institution has negotiated fixed rates with the federal government for the recovery of certain fringe benefits and indirect costs on these grants and contracts. Such recoveries are subject to carryforward provisions that provide for adjustments to be included in the negotiation of future fixed rates. The deferred fixed rate variance accounts represent the cumulative amount owed to or due from the federal government. The Institution's rates are negotiated with the Office of Naval Research (ONR), the Institution's cognizant agency.

The composition of the deferred fixed rate variance is as follows:

Deferred fixed rate variance asset, December 31, 2008	$ 994,079
2009 indirect costs	77,141,004
Amounts recovered	(73,928,953)
2009 change	3,212,051
Deferred fixed rate variance asset, December 31, 2009	$ 4,206,130
2010 indirect costs	82,792,417
Amounts recovered	(80,347,537)
Submission adjustment 2007	(503,626)
2010 change	1,941,254
Deferred fixed rate variance asset, December 31, 2010	$ 6,147,384

As of December 31, 2010, the Institution has expended a cumulative amount in excess of recovered amounts of $6,147,384 which will be reflected as an addition to future year recoveries. This amount has been reported as an asset of the Institution.

8. Line of Credit, Bonds Payable and Interest Rate Swap

Indebtedness at December 31, 2010 and 2009 includes bonds issued through the Massachusetts Health and Education Facilities Authority (MHEFA). Balances of outstanding bonds payable at December 31 consist of the following:

	2010	2009
MHEFA, Series B, Fixed Rate Revenue Bonds	$ 62,900,000	$ 64,315,000
Less: Series B unamortized bond discount	(847,671)	(883,742)
Bonds Payable	$ 62,052,329	$ 63,431,258

In fiscal 2004, proceeds were received from the offering of the $54,850,000 Massachusetts Health and Educational Facilities Authority, Variable Rate Revenue Bonds, Woods Hole Oceanographic Institution Issue, Series A (2004), (the “Series A Bonds”), which were used to repay the MHEFA B Pool loans and for campus construction completed in December 2007. The bonds contain certain restrictive covenants including limitations on obtaining additional debt, filings of annual financial statements and limitations on the creation of liens. In addition, the Institution agrees that, subject to any governmental restrictions, its fiduciary obligations and limitations imposed by law, it will maintain unrestricted resources at a market value equal to at least 75% of all outstanding indebtedness.

On December 1, 2008, the Institution issued $65,000,000 Massachusetts Health and Educational Facilities Authority, Fixed Rate Revenue Bonds, Woods Hole Oceanographic Institution Issue, Series B (2008), (the “Series B Bonds”). The proceeds will be used for major maintenance and renovation projects throughout the Institution and were used to retire the Series A Bonds. The Series B Bonds mature in 2034 and bear fixed interest rates from 4.0% to 5.5% payable on June 1 and December 1 beginning in 2009. The Series B Bonds are collateralized by the Institution's unrestricted revenues. The Institution incurred costs of $268,500 associated with the issue which have been capitalized and are being amortized over the life of the bonds. At December 31, 2010 and 2009, deposits with trustees include $3,177,682 and $7,363,141 of construction funds held by trustees that will be drawn down to fund various construction projects. Debt covenants are consistent with the requirements under the Series A bond agreement as long as the interest rate swap agreement is in effect. The fair value of the Series B bond which is based on current traded values for the same or similar issues or on the current rates offered for debt of the same remaining maturities was $66,634,181 at December 31, 2010.

The Institution has an uncollateralized $20,000,000 line of credit. This line of credit bears interest at the Wall Street Journal Prime Rate. The Institution had $3,000,000 and $6,000,000 outstanding on the line of credit at December 31, 2010 and 2009, respectively. There is no expiration for the line of credit, but it is subject to review on May 1st of each year.

The aggregate maturities due on the Series B long-term debt at December 31, 2010 are as follows:

Fiscal Year		**Principal Amount**
2011	$	1,475,000
2012		1,530,000
2013		1,595,000
2014		1,655,000
2015		1,725,000
Thereafter		54,920,000
	$	62,900,000

In June 2004, the Institution entered into an interest rate swap agreement on the Series A Bonds (refinanced to Series B Bonds) in order to convert a portion of the variable rate debt to fixed rate, thereby economically hedging against changes in the cash flow requirements of the Institution's variable rate debt obligations. The term of the swap is through June 1, 2034 and effectively locked in a fixed rate of 3.79% per annum. The agreement has a notional amount of $52,500,000. The Institution paid interest expense in association with the swap agreement of $1,868,103 and $1,884,797 which is reflected as part of the net realized/unrealized (losses) gains on interest rate swap at December 31, 2010 and 2009, respectively.

The fair value of the interest rate swap at December 31, 2010 and 2009 is as follows:

2010		**2009**	
Statement of Financial Position Location	**Fair Value**	**Statement of Financial Position Location**	**Fair Value**
Accounts payable and other liabilities	$ 7,594,906	Accounts payable and other liabilities	$ 5,817,790

The effect of the interest rate swap on the statement of activities for 2010 and 2009 is as follows:

Location of (Loss) Gain Recognized in Statement of Activities	**Amount of (Loss) Gain Recognized in Statement of Activities**	
	2010	**2009**
Nonoperating income and expenses		
Net realized/unrealized (losses) gains on interest rate swap	$ (3,645,219)	$ 5,169,063

9. Retirement Plans

The Institution maintains a noncontributory defined benefit pension plan covering substantially all employees of the Institution(Qualified Plan), a Restoration Plan for certain senior employees and a supplemental benefit plan for certain other employees. Pension benefits are earned based on years of service and compensation received. The Institution's policy is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974.

Effective August 1, 2010, the Institution entered into a new 403(b) Defined Contribution Plan (DC Plan). Effective January 1, 2010, no new participants were allowed to enter the Qualified Plan and Restoration Plan but were eligible to participate in the DC Plan. The Qualified Plan and Restoration Plan were placed under a soft freeze for current participants with all future retirement benefits being earned through the new plan and prior benefits adjusted for future salary increases.

The Institution uses a December 31 measurement date for all of its plans.

	Restoration Plan Pension Benefits	
	2010	**2009**
Change in benefit obligation		
Benefit obligation at beginning of year	$ 63,457	$ 29,807
Service cost	29,486	23,805
Interest cost	5,269	1,928
Actuarial loss	30,805	7,917
Benefits paid	-	-
Benefit obligation at end of year	$ 129,017	$ 63,457
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contributions	-	-
Actual return on plan assets	-	-
Benefits paid	-	-
Fair value of plan assets at end of year	$ -	$ -
Funded status	$ (129,017)	$ (63,457)
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	$ (129,017)	$ (63,457)
Net amount recognized	$ (129,017)	$ (63,457)

Amounts recognized in unrestricted net assets		
Net actuarial loss	$ 33,298	$ 20,816
Information for pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	$ 129,017	$ 63,457
Accumulated benefit obligation	121,489	39,369
Component of net periodic benefit cost		
Interest cost	5,269	1,928
Service cost	29,486	23,805
Recognized actuarial loss	18,323	6,600
Net periodic benefit cost	$ 53,078	$ 32,333
Other changes in benefit obligations recognized in unrestricted net assets		
Net actuarial loss	$ 33,298	$ 20,816
Total recognized in nonoperating expense	$ 33,298	$ 20,816
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	5.75 %	6.00 %
Rate of compensation increase	4.50 %	4.50 %
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	6.00 %	6.50 %
Rate of compensation increase	4.50 %	4.50 %

Expected amounts amortized from unrestricted net assets into net periodic pension cost for the next fiscal year.

Amortization of net loss	$ 13,647

Expected Contributions
The Institution anticipates contributing $43,755 to the Restoration Plan in 2011.

Estimated Future Benefit Payments
Future benefit payments are expected to be paid as follows:

Years	Benefit Payments
2011	$ 43,755
2012	-
2013	96,490
2014	-
2015	-
2016 - 2020	-

	Qualified Plan Pension Benefits 2010	2009
Change in benefit obligation		
Benefit obligation at beginning of year	$ 214,020,521	$ 213,957,486
Service cost	6,709,853	6,487,935
Interest cost	12,411,735	13,495,261
Actuarial loss	11,168,875	4,450,793
Benefits paid	(8,535,129)	(10,191,314)
Curtailment	-	(14,179,640)
Benefit obligation at end of year	$ 235,775,855	$ 214,020,521
Change in plan assets		
Fair value of plan assets at beginning of year	$ 149,363,433	$ 129,578,093
Employer contributions	12,224,000	9,663,645
Actual return on plan assets	16,565,696	20,313,009
Benefits paid	(8,535,129)	(10,191,314)
Fair value of plan assets at end of year	$ 169,618,000	$ 149,363,433
Funded status	$ (66,157,855)	$ (64,657,088)
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	$ (66,157,855)	$ (64,657,088)
Net amount recognized	$ (66,157,855)	$ (64,657,088)
Amounts recognized in unrestricted net assets		
Net prior service cost	$ -	$ 881,850
Net actuarial loss	27,729,021	22,818,425
Information for pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	$ 235,775,855	$ 214,020,521
Accumulated benefit obligation	217,313,647	195,440,440
Components of net periodic benefit cost		
Service cost	$ 6,709,853	$ 6,487,935
Interest cost	12,411,735	13,495,261
Curtailment cost	-	8,894,763
Expected return on plan assets	(10,365,233)	(11,311,265)
Amortization of prior service cost	881,850	1,678,806
Recognized actuarial loss	57,816	439,022
Net periodic benefit cost	$ 9,696,021	$ 19,684,522
Other changes in plan assets and benefit obligations recognized in unrestricted net assets		
Amortization of prior service cost	$ (881,850)	$ (1,678,806)
Amortization of actuarial loss	(57,816)	(439,022)
Net actuarial (gain) loss	(11,168,875)	(4,550,951)
Other adjustment (due to curtailment)	-	(23,074,403)
Total recognized in nonoperating (income) expense	$ (12,108,541)	$ (29,743,182)

The Institution has reflected $12,224,000 and $9,663,645 for the years ended December 31, 2010 and 2009, respectively, in the operating section of the statement of activities which represents employer contributions reimbursed through the employee benefit fixed rate as negotiated with the United States Government. Any difference between the employer contributions and the net periodic benefit cost is recorded in the nonoperating section of the statement of activities. This difference amounted to $2,527,979 and ($1,126,114) for the years ended December 31, 2010 and 2009, respectively.

On January 8, 2010, the Institution's Board approved a plan change effective January 1, 2011 to stop future service crediting, but allow the effect of salary increases to continue until participants have no more than 25 years of service. In addition, an option to elect a single lump sum payment in lieu of an annuity was added. Management has elected to treat this “soft freeze” as a pension curtailment, which is appropriate under generally accepted accounting principles. A curtailment is an event that significantly reduces the expected years of future service of present employees or eliminates for a significant number of employees the accrual of defined benefits for some or all of their future service. As a result of this pension curtailment, $8,894,763 was reclassified out of nonoperating income and expensed into operations as a curtailment charge in fiscal year 2009. There is no net impact on unrestricted net assets as a result of this reclassification.

	Qualified Plan Pension Benefits	
	2010	**2009**
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	5.75 %	6.00 %
Rate of compensation increase	4.50 %	4.50 %
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	6.00 %	6.50 %
Expected long-term rate of return on plan assets	7.00 %	8.00 %
Rate of compensation increase	4.50 %	4.50 %

To develop the expected long-term rate of return on assets assumption, the Institution considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio, net of expenses expected to be paid. This resulted in the selection of the 7.00% and 8.00% assumption as of December 31, 2010 and 2009, respectively.

Plan Assets

The Institution's pension plan weighted-average asset allocations at December 31, 2010 and 2009, and target allocations by asset category are as follows:

Asset Category	Target Allocation	2010	2009
U.S. equity	12.0 %	8.9 %	9 %
Global developed	10.0 %	10.9 %	11 %
Emerging markets	3.0 %	2.6 %	3 %
Marketable alternative assets	13.0 %	13.9 %	15 %
Real assets	4.0 %	0.0 %	4 %
Bonds	40.0 %	36.0 %	39 %
Nonmarketable assets	15.0 %	13.7 %	15 %
Cash and cash equivalents	3.0 %	14.1 %	4 %
	100 %	100 %	100 %

The primary financial objectives of the assets of the Plan are to (1) provide a stream of relatively predictable, stable and constant earnings in support of the Qualified Plan's annual benefit payment obligations; and (2) preserve and enhance the real (inflation-adjusted) value of assets, over time, with the goal of meeting the anticipated future benefit obligations of the qualified plan.

The long-term investment objectives of the assets of the Plan are to (1) attain the average annual total return assumed in the Plan's most recent actuarial assumptions (net of investment management fees) over rolling five-year periods; and (2) outperform the custom benchmark.

Expected amounts amortized from unrestricted net assets into net periodic pension cost for the next fiscal year	
Amortization of net loss	$ 1,006,676

Fair Value Disclosures

The following fair value hierarchy tables present information about the Qualified Plan's financial assets measured at fair value on a recurring basis:

	2010			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 24,799,424	$ -	$ -	$ 24,799,424
Private equity, venture capital and other limited partnerships	-	-	28,364,596	28,364,596
Commingled funds	-	10,975,821	-	10,975,821
Hedge funds	-	7,673,507	14,614,822	22,288,329
Mutual funds	11,712,692	-	-	11,712,692
Domestic common stock	11,408,501	-	-	11,408,501
Domestic fixed income	59,620,746	-	-	59,620,746
Total assets at fair value	$ 107,541,363	$ 18,649,328	$ 42,979,418	$ 169,170,109

Assets	**2009** Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 7,181,754	$ -	$ -	$ 7,181,754
Private equity, venture capital and other limited partnerships			39,403,191	39,403,191
Commingled funds		9,338,317		9,338,317
Hedge funds		3,414,719	17,105,843	20,520,562
Mutual funds	6,346,756	3,636,923		9,983,679
Domestic common stock	9,159,249			9,159,249
Domestic fixed income	53,438,988			53,438,988
Total assets at fair value	$ 76,126,747	$ 16,389,959	$ 56,509,034	$ 149,025,740

The following table summarizes changes in the fair value of the Qualified Plan's Level 3 assets:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) **Investments Pooled**
Balance, January 1, 2009	$ 60,789,940
Realized losses	(3,973,683)
Unrealized gain	10,485,251
Purchases and sales	(10,792,474)
Balance, December 31, 2009	$ 56,509,034

	Private Equity, Venture Capital and Other Limited Partnerships	**Hedge Funds**	**Total**
Balance, January 1, 2010	$ 39,403,191	$ 17,105,843	$ 56,509,034
Realized gain	3,140,364	-	3,140,364
Unrealized (loss)/gain	(696,744)	1,177,721	480,977
Purchases and sales	(13,482,215)	-	(13,482,215)
Transfer in and/or out of Level 3	-	(3,668,742)	(3,668,742)
Balance, December 31, 2010	$ 28,364,596	$ 14,614,822	$ 42,979,418

Expected Contributions
The Institution anticipates contributing $8,900,000 to the Qualified Plan in 2011.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service are expected to be paid as follows:

Years	Benefit Payments
2011	$ 15,937,358
2012	16,549,891
2013	18,180,768
2014	18,494,849
2015	18,909,054
2016 - 2020	88,028,182

	Supplemental Plan Pension Benefits 2010	Supplemental Plan Pension Benefits 2009
Change in benefit obligation		
Benefit obligation at beginning of year	$ 1,854,222	$ 2,149,035
Service cost	11,955	22,180
Interest cost	81,587	106,316
Actuarial gain	(1,947,764)	(423,309)
Benefits paid	-	-
Benefit obligation at end of year	$ -	$ 1,854,222
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contributions	-	-
Benefits paid	-	-
Fair value of plan assets at end of year	$ -	$ -
Funded status	$ -	$ (1,854,222)
Amounts recognized in unrestricted net assets		
Net prior service cost	$ 6,825	$ 13,130
Net actuarial gain	(2,750,509)	(1,225,816)
Information for pension plans with accumulated benefit obligations in excess of plan assets		
Projected benefit obligation	$ -	$ 1,854,222
Accumulated benefit obligation	-	1,780,310
Component of net periodic benefit cost		
Service cost	$ 11,955	$ 22,180
Interest cost	81,587	106,316
Expected return on earmarked reserves	(189,564)	(204,235)
Amortization of prior year service	6,305	6,361
Recognized actuarial gain	(388,811)	(320,251)
Net periodic benefit cost	$ (478,528)	$ (389,629)

The accrued supplemental retirement is matched by a "Rabbi" Trust with $6,801,624 and $6,054,809, respectively, as of December 31, 2010 and 2009. An additional accrual of $6,801,621 and $4,200,587 has been established for the excess of the "Rabbi" Trust assets over the accrued supplemental retirement benefits at December 31, 2010 and 2009, respectively. Income earned on the investments earmarked for the supplemental retirement plan amounted to $155,304 and $157,329 for the years ended December 31, 2010 and 2009, respectively.

	Supplemental Plan Pension Benefits	
	2010	2009
Actual return on earmarked reserves	$ 155,304	$ 157,329
Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	5.75 %	6.00 %
Rate of compensation increase	4.50 %	4.50 %
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	6.00 %	6.50 %
Expected long-term rate of return on plan assets	7.00 %	8.00 %
Rate of compensation increase	4.50 %	4.50 %

Expected amounts amortized from unrestricted net assets into net periodic pension cost for the next fiscal year

Amortization of net prior service cost	$ 6,305
Amortization of net loss (gain)	(521,635)

Expected Contributions
The Institution anticipates contributing $0 to the Supplemental Plan in 2011.

Estimated Future Benefit Payments
There are no future benefit payments.

10. Other Postretirement Benefits

In addition to providing retirement plan benefits, the Institution provides certain health care benefits for retired employees and their spouses. Substantially all of the Institution's employees may become eligible for the benefits if they reach normal retirement age (as defined) or elect early retirement after having met certain time in service criteria.

	Other Postretirement Benefits 2010	Other Postretirement Benefits 2009
Change in benefit obligation		
Benefit obligation at beginning of year	$ 26,480,037	$ 26,628,315
Service cost	604,895	613,932
Interest cost	1,508,779	1,553,859
Benefits paid, net of participant contributions	(1,170,177)	(1,012,013)
Actuarial loss/(gain)	452,969	(1,304,056)
Benefit obligation at end of year	$ 27,876,503	$ 26,480,037
Change in plan assets		
Fair value of plan assets at beginning of year	$ 19,890,457	$ 15,481,618
Employer contributions	1,200,000	1,447,782
Actual return on plan assets	2,045,831	3,973,070
Benefits paid, net of participant contributions	(1,170,177)	(1,012,013)
Fair value of plan assets at end of year	$ 21,966,111	$ 19,890,457
Funded status	$ (5,910,392)	$ (6,589,580)
Amounts recognized in the statement of financial position consist of		
Accrued benefit liability	$ (5,910,392)	$ (6,589,580)
Net amount recognized	$ (5,910,392)	$ (6,589,580)
Amounts recognized in unrestricted net assets		
Net prior service cost	$ (6,415,818)	$ (7,255,664)
Net actuarial loss	13,722,466	14,634,072
Components of net periodic benefit cost		
Service cost	$ 604,895	$ 613,932
Interest cost	1,508,779	1,553,859
Expected return on plan assets	(1,552,082)	(1,216,918)
Amortization of prior service credit	(839,846)	(839,846)
Amortization of net loss	870,826	1,336,755
Net periodic benefit cost	$ 592,572	$ 1,447,782
Other changes in plan assets and benefit obligations recognized in unrestricted net assets		
Amortization of prior service credit	$ 839,846	$ 839,846
Amortization of actuarial loss	(870,826)	(1,336,755)
Net actuarial gain	(40,780)	(4,060,208)
Total recognized in nonoperating (income) expense	$ (71,760)	$ (4,557,117)

The Institution recognizes the difference between contributions and the net periodic benefit cost in the nonoperating section of the statement of activities. This difference amounted to $607,428 for the year ended December 31, 2010.

The Institution has reflected the net periodic benefit cost in operating expenses, as the amount is reimbursed through federal awards.

Weighted-average assumptions used to determine benefit obligations at December 31		
Discount rate	5.75 %	6.25 %
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31		
Discount rate	5.75 %	6.25 %
Expected long-term rate of return on plan assets	8.00 %	8.00 %

The plan does not provide prescription drug benefits for post-65 retirees; therefore, there is no anticipated Medicare employer subsidy.

	2010		**2009**	
	Pre-65	**Post-65**	**Pre-65**	**Post-65**
Assumed health care cost trend rates at December 31				
Health care cost trend rate assumed for next year	8.0 %	6.5 %	8.0 %	6.5 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0 %	5.0 %	5.0 %	5.0 %
Year that the rate reaches the ultimate trend rate	2017	2014	2016	2013

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	2010 One-Percentage-Point Increase in Trend	**2009 One-Percentage-Point Increase in Trend**
Effect on total of service cost and interest cost components	$ 358,483	$ 366,178
Effect on year-end postretirement benefit obligation	3,868,960	3,807,547
	One-Percentage-Point Decrease in Trend	**One-Percentage-Point Decrease in Trend**
Effect on total of service cost and interest cost components	$ (287,326)	$ (293,825)
Effect on year-end postretirement benefit obligation	(3,177,372)	(3,141,146)

Plan Assets

The Institution's postretirement benefit plan weighted-average asset allocations at December 31, 2010 and 2009, by asset category are as follows:

Asset Category	2010	2009
Cash and cash equivalents	12 %	11 %
Equity securities	76 %	76 %
Bonds	12 %	13 %
	100 %	100 %

To develop the expected long-term rate of return on assets assumption, the Institution considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio, net of expenses expected to be paid. This resulted in the selection of the 8.00% assumption.

Expected amounts amortized from unrestricted net assets into net periodic pension cost for the next fiscal year	
Amortization of net prior service cost	$ (839,846)
Amortization of net loss	910,855

The following fair value hierarchy tables present information about the Postretirement Benefit Plan's financial assets measured at fair value on a recurring basis:

Fair Value Disclosures

2010	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,693,706	$ -	$ -	$ 2,693,706
Mutual funds	2,611,253	-	-	2,611,253
Commingled funds	-	6,019,667	-	6,019,667
Domestic common stock	10,626,146	-	-	10,626,146
	$ 15,931,105	$ 6,019,667	$ -	$ 21,950,772

2009	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,352,554	$ -	$ -	$ 2,352,554
Mutual funds	2,557,962	-	-	2,557,962
Commingled funds	-	5,389,013	-	5,389,013
Domestic common stock	9,538,608	-	-	9,538,608
Total assets at fair value	$ 14,449,124	$ 5,389,013	$ -	$ 19,838,137

Expected Contributions

The Institution anticipates contributing $800,000 to the Retiree Medical Plan in 2011.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service are expected to be paid as follows:

Years	Benefit Payments
2011	$ 1,351,261
2012	1,399,341
2013	1,500,092
2014	1,541,361
2015	1,623,858
2016 - 2020	9,157,489

11. Endowment

The Institution's endowment consists of 138 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designed by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

At December 31, the endowment net asset composition by type of fund consisted of the following:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 196,730,011	$ 66,295,888	$ 263,025,899
Board designated funds	84,872,660			84,872,660
Total funds	$ 84,872,660	$ 196,730,011	$ 66,295,888	$ 347,898,559

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 180,949,548	$ 65,177,328	$ 246,126,876
Board designated funds	71,718,939	-	-	71,718,939
Total funds	$ 71,718,939	$ 180,949,548	$ 65,177,328	$ 317,845,815

Changes in endowment net assets for the year ended December 31, consisted of the following:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets beginning of year	$ 71,718,939	$ 180,949,548	$ 65,177,328	$ 317,845,815
Investment return				
Investment income	219,626	695,860	-	915,486
Net appreciation (realized and unrealized)	9,789,029	27,066,454	-	36,855,483
Total investment return	10,008,655	27,762,314	-	37,770,969
New gifts	7,443,111	300	551,972	7,995,383
Appropriation of endowment assets for expenditure	(4,298,786)	(11,998,771)	-	(16,297,557)
Change in split interest agreements	741	16,620	566,588	583,949
Endowment net assets end of year	$ 84,872,660	$ 196,730,011	$ 66,295,888	$ 347,898,559

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets beginning of year	$ 58,793,501	$ 142,556,268	$ 63,190,783	$ 264,540,552
Investment return				
Investment income	381,619	1,296,816	-	1,678,435
Net appreciation (realized and unrealized)	16,027,555	48,831,663	-	64,859,218
Total investment return	16,409,174	50,128,479	-	66,537,653
Contributions	-	115,302	673,323	788,625
Appropriation of endowment assets for expenditure	(3,479,150)	(11,868,859)	-	(15,348,009)
Change in split interest agreements	(4,586)	18,358	1,313,222	1,326,994
Endowment net assets end of year	$ 71,718,939	$ 180,949,548	$ 65,177,328	$ 317,845,815

12. Commitments and Contingencies

The Defense Contract Audit Agency (DCAA) is responsible for auditing both direct and indirect charges to grants and contracts on behalf of the ONR. The Institution and the ONR have settled the years through 2007. The current indirect cost recovery rates, which are fixed, include the impact of prior year settlements. The DCAA issued an audit report on the completed audit of direct and indirect costs for the year ended December 31, 2007 on March 31, 2009. The 2008, 2009 and 2010 costs remain subject to audit. Any adjustments will be recorded in the years they become known.

The Institution is a defendant in legal proceedings incidental to the nature of its operations. The Institution believes that the outcome of these proceedings will not materially affect its financial position.

13. Related Party Transactions

The Institution's subcontracts to subgrantee organizations in which an individual associated with the subgrantee organization is also a member of the Institution's Board of Trustees or Corporation totaled $905,543 and $1,127,492 for the years ended December 31, 2010 and 2009, respectively. These subcontracts may include federal pass-through awards. The Institution also has other transactions such as legal services and other items with organizations where members of the Board of Trustees or Corporation are affiliated with the organizations. Total expenditures for these legal, publication, research and student transactions were approximately $1,412,778 and $3,861,063 for the years ended December 31, 2010 and 2009, respectively.

The Institution has loans due from various employees for education advances and computer purchases. The amounts outstanding are $1,054,615 and $1,022,750 at December 31, 2010 and 2009, respectively.