KPMG

COLD SPRING HARBOR LABORATORY

Consolidated Financial Statements

December 31, 2009

(With Independent Auditors' Report Thereon)

KPMG

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

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, 2009, 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 2008 consolidated financial statements and, in our report dated June 9, 2009, 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, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

May 10, 2010

COLD SPRING HARBOR LABORATORY

Consolidated Balance Sheet

December 31, 2009

(with comparative financial information as of December 31, 2008)

		2009	2008
Assets:			
Cash and cash equivalents	$	65,950,558	52,226,592
Grants receivable		6,200,398	8,597,399
Contributions receivable, net (note 5)		119,740,185	104,681,657
Publications inventory		4,570,278	3,925,967
Investments (notes 3 and 4)		241,595,564	213,424,159
Restricted use assets (note 6)		2,111,090	20,947,929
Deposits with bond trustee (note 7)		-	11,886,744
Other assets (notes 4, 8 and 10)		10,398,213	10,227,962
Land, buildings and equipment, net (note 9)		237,791,406	198,684,203
Total assets	$	688,357,692	624,602,612
Liabilities and Net Assets:			
Liabilities:			
Accounts payable and accrued expenses (notes 10 and 18)	$	26,475,011	50,563,503
Deferred revenue		5,640,029	3,962,000
Bonds payable (note 10)		97,200,000	97,200,000
Total liabilities		129,315,040	151,725,503
Commitment and contingencies (note 18)			
Net assets:			
Unrestricted (notes 11 and 14)		235,125,827	126,126,561
Temporarily restricted (notes 12 and 14)		142,357,714	179,988,153
Permanently restricted (notes 13 and 14)		181,559,111	166,762,395
Total net assets		559,042,652	472,877,109
Total liabilities and net assets	$	688,357,692	624,602,612

See accompanying notes to consolidated financial statements.

COLD SPRING HARBOR LABORATORY

Consolidated Statement of Activities

Year ended December 31, 2009

(with summarized financial information for the year ended December 31, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Revenue and other support:					
Public support - contributions and non-federal grant awards	$ 10,276,866	54,571,890	2,255,040	67,103,796	102,678,072
Federal grant awards	29,648,968	-	-	29,648,968	27,728,155
Indirect cost allowances (note 2)	21,016,585	-	-	21,016,585	22,079,594
Investment return utilized (notes 14 and 15)	18,216,748	-	-	18,216,748	16,956,184
Program fees	5,484,810	-	-	5,484,810	4,634,167
Publications sales	9,136,188	-	-	9,136,188	10,998,768
Dining services	4,103,820	-	-	4,103,820	4,074,984
Rooms and apartments	3,255,480	-	-	3,255,480	3,088,435
Miscellaneous	1,962,873	-	-	1,962,873	2,300,014
Net assets released from restrictions	48,880,350	(48,880,350)	-	-	-
Total revenue and other support	151,982,688	5,691,540	2,255,040	159,929,268	194,538,373
Expenses (note 16):					
Research	73,046,245	-	-	73,046,245	69,062,315
Educational programs	15,319,175	-	-	15,319,175	15,259,681
Publications	9,075,715	-	-	9,075,715	10,764,090
Banbury Center conferences	1,069,044	-	-	1,069,044	1,309,337
Dolan DNA Learning Center programs	1,467,947	-	-	1,467,947	1,476,222
Watson School of Biological Sciences programs	3,595,810	-	-	3,595,810	3,138,774
General and administrative	14,293,070	-	-	14,293,070	14,545,349
Dining services	4,885,369	-	-	4,885,369	5,345,228
Total expenses	122,752,375	-	-	122,752,375	120,900,996
Excess of revenue and other support over expenses	29,230,313	5,691,540	2,255,040	37,176,893	73,637,377
Other changes in net assets:					
Investment return / (loss) excluding amount utilized (note 15)	7,475,070	4,447,005	12,541,676	24,463,751	(93,289,813)
Change in fair value of interest rate swap (note 10)	24,524,899	-	-	24,524,899	(29,526,602)
Write-off of terminated bond insurance (note 10)	-	-	-	-	(961,438)
Release of temporarily restricted capital funds (note 12)	47,768,984	(47,768,984)	-	-	-
Increase (decrease) in net assets	108,999,266	(37,630,439)	14,796,716	86,165,543	(50,140,476)
Net assets at beginning of year	126,126,561	179,988,153	166,762,395	472,877,109	523,017,585
Net assets at end of year	$ 235,125,827	142,357,714	181,559,111	559,042,652	472,877,109

See accompanying notes to consolidated financial statements.

COLD SPRING HARBOR LABORATORY

Consolidated Statement of Cash Flows

Year ended December 31, 2009

(with comparative financial information for the year ended December 31, 2008)

		2009	2008
Cash flows from operating activities:			
Increase (decrease) in net assets	$	86,165,543	(50,140,476)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Change in fair value of interest rate swap		(24,524,897)	29,526,602
Depreciation and amortization		9,282,371	7,056,947
Net (appreciation) depreciation in fair value of investments		(36,992,017)	83,339,568
Contributions restricted for long-term investment		(9,121,400)	(28,230,901)
Changes in assets and liabilities:			
Grants receivable		2,397,001	439,731
Contributions receivable, net of financing activities		(18,458,455)	(30,956,222)
Publications inventory		(644,311)	107,133
Other assets		(611,026)	267,791
Restricted use assets		1,456,592	423,656
Accounts payable and accrued expenses, net of financinig activities		32,680	4,152,607
Deferred revenue		1,678,029	(41,091)
Net cash provided by operating activities		10,660,110	15,945,345
Cash flows from investing activities:			
Capital expenditures		(48,389,574)	(46,536,698)
Proceeds from sales and maturities of investments		140,454,706	159,193,212
Purchases of investments		(131,634,094)	(122,321,887)
Net change in investment in employee residences		440,775	1,208,853
Net cash used in investing activities		(39,128,187)	(8,456,520)
Cash flows from financing activities:			
Permanently restricted contributions		2,255,040	12,906,255
Contributions restricted for investment in land, buildings and equipment		6,866,360	15,324,644
Decrease (increase) in contributions receivable		3,399,927	(6,632,433)
Decrease in deposits with bond trustee		11,886,744	17,596,724
Increase (decrease) in accounts payable relating to capital expenditures		403,725	(3,114,384)
Decrease (increase) in deposits with swap counterparty		17,380,247	(17,380,247)
Payment of conversion costs on bonds payable		-	(500,700)
Write-off of terminated bond insurance		-	961,438
Net cash provided by financing activities		42,192,043	19,161,297
Net increase in cash and cash equivalents		13,723,966	26,650,122
Cash and cash equivalents at beginning of year		52,226,592	25,576,470
Cash and cash equivalents at end of year	$	65,950,558	52,226,592
Supplemental disclosure:			
Interest paid	$	3,180,748	4,153,373
Noncash investing and financing activities:			
Contributed property	$	98,085	-

See accompanying notes to consolidated financial statements.

(1) Description of Business

(a) Discussion of Operations

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

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

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, anticipated in 2010. The license is renewable for an additional five-year term.

All inter company 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. 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.

(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 $62,483,000 and $49,022,000 at December 31, 2009 and 2008, 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 contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

(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 which are not held at the Laboratory's custodian bank. These funds are part of multiple investors' commingled funds which are invested in one or more asset classes by a fund manager.

The Laboratory adopted Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, with respect to investments within its scope (principally hedge funds and private equity – collectively alternative investments). This guidance amends Accounting Standards Codification (ASC) No. 820-10, *Fair Value Measurements and Disclosures – Overall*, and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. In

(2) Summary of Significant Accounting Policies (Continued)

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.

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 assets value, which generally represent the Laboratory's proportionate share of the net assets of the investment 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 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.

(2) Summary of Significant Accounting Policies (Continued)

(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.

(j) 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 2010. For nongovernment grants, indirect cost recoveries are accrued at various rates as allowed by the grantor.

(k) Comparative Financial Statements

The accompanying consolidated statement of activities is presented with certain 2008 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 2008 financial statements from which the summarized comparative information was derived. Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

(l) New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued ASC No. 105-10 (formerly referred to as Statement of Financial Accounting Standards (SFAS) No. 168), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (ASC 105-10). The Codification brings together and organizes all GAAP previously in Levels A through D of the GAAP Hierarchy and designates GAAP into two levels, authoritative and non-authoritative. As of December 31, 2009, the Laboratory adopted ASC 105-10.

(3) Investments

Investments at December 31 were as follows:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Auction rate securities	$ 1,650,000	1,650,000	3,300,000	3,300,000
Mutual funds:				
Equity	44,679,546	58,895,343	79,321,648	67,390,814
Fixed income	57,439,880	58,340,290	96,790,902	92,438,262
Stocks	22,297,704	20,392,813	60,214,723	43,288,132
Alternative investments	86,591,487	102,317,118	5,721,869	7,006,951
	$ 212,658,617	241,595,564	245,349,142	213,424,159

Included in stocks are the Laboratory's investment in biotechnology companies, which have a fair value (net of a valuation allowance) of approximately $146,000 at December 31, 2009 and 2008. As discussed in Note 2, a valuation allowance of approximately $1,312,000 at December 31, 2009 and 2008 has been applied to these investments.

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 amounts reported in the consolidated balance sheet.

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

	2009		2008	
	Number of Funds	Fair Value	Number of Funds	Fair Value
Multi strategy, fund of funds, and absolute returns	4	$ 48,173,865	1	$ 6,387,763
Long/short equity	2	15,589,978	-	-
International equity	1	33,037,934	-	-
Aggressive fixed income	1	5,000,000	-	-
Private equity	1	515,341	1	619,188
	9	$ 102,317,118	2	$ 7,006,951

(3) Investments (Continued)

The Laboratory's alternative investments are diversified across five basic investment strategies as follows (amounts included are as of December 31, 2009):

Multi strategy, fund of funds and absolute return ($48,173,865) – 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 which utilize a fund of funds philosophy.

Long/short equity ($15,589,978) – 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.

International equity ($33,037,934) – consists of a trust which 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.

Aggressive fixed income ($5,000,000) – an investment in global fixed income arbitrage strategies exploiting opportunities within specific sub strategies, with tight risk controls, seeking to add excess return over a specified client-designated benchmark.

Private equity ($515,341) – consists of a limited partnership which 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 lock up periods. As of December 31, 2009, the following table summarizes the composition of the alternative investments at fair value of such investments by the various redemption provisions and lock up periods:

Redemption period		Amount
0 – 3 Months	$	33,037,934
Semi-annual		7,056,571
No redemptions		515,341
Lock up (a)		61,707,272
Total	$	102,317,118

(3) Investments (Continued)

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

Fiscal year		Amount
2010	$	22,049,005
2011		39,658,267
Total	$	61,707,272

(4) Fair Value of Financial Assets and Liabilities

The following presents the Laboratory's fair value hierarchy for those assets measured at fair value on an annual basis as of December 31, 2009 and 2008:

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:					
Equity		58,895,343	58,895,343	-	-
Fixed income		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

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

Fair value hierarchy at December 31, 2008 is as follows:

Financial Assets		Fair Value	Level 1	Level 2	Level 3
Investment in employee residences	$	4,237,194	-	-	4,237,194
Deposits with bond trustee		11,886,744	11,886,744	-	-
Auction rate securities		3,300,000	-	3,300,000	-
Mutual funds:					
Equity		67,390,814	67,390,814	-	-
Fixed income		92,438,262	92,438,262	-	-
Stocks		43,288,132	43,142,323	-	145,809
Alternative investments		7,006,951	-	-	7,006,951
	$	229,548,097	214,858,143	3,300,000	11,389,954

Level 3 assets comprised approximately 28.7% and 3% of the Laboratory's total investment portfolio fair value at December 31, 2009 and 2008, respectively.

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

		2009	2008
Balance at beginning of year	$	11,389,954	14,269,900
Purchases/Additions		56,263,108	40,000
Sales/Redemptions		(713,120)	(1,245,180)
Net unrealized gains (losses)		6,281,471	(1,674,766)
Balance at end of year	$	73,221,413	11,389,954

The interest rate swap agreement described in Note 10 valued at $11,448,359 and $35,973,258 at December 31, 2009 and 2008, respectively, is classified as a Level 2 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 which 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:

		2009	2008
Contributions receivable	$	132,344,253	115,908,120
Less: Discount to present value at rates ranging from 1.4% to 5.0%		(11,497,068)	(10,168,463)
Reserve for bad debts		(1,107,000)	(1,058,000)
Contributions receivable, net	$	119,740,185	104,681,657

Contributions receivable are expected to be collected as follows:

		2009	2008
Within one year	$	37,029,041	41,943,872
One to five years		77,041,727	60,413,788
More than five years		18,273,485	13,550,460
	$	132,344,253	115,908,120

Contributions receivable at December 31, 2009 include forty-seven individual pledges, thirteen of which represent approximately 84% of the amount due, with $59 million due from a single donor.

Also included in contributions receivable is the Laboratory's interest in charitable remainder unitrusts. In accordance with the terms of the trusts, the Laboratory will receive a defined interest upon the death of the designated beneficiaries. The Laboratory's interest, net of the present value discount, approximated $2,931,000 and $2,435,000 at December 31, 2009 and 2008, respectively.

(6) Restricted Use Assets

Restricted use assets principally includes cash posted as collateral with the counterparty, JPMorgan Chase Bank, N.A., in relation to the value of the interest rate swap agreement further described in Note 10. At December 31, 2008, the amount posted as collateral was $17,380,247. All posted collateral was returned to the Laboratory as of December 31, 2009.

(7) Deposits with Bond Trustee

Deposits with bond trustee include the unexpended construction proceeds from the issuance of $55 million in bonds in June 2006, which is further described in Note 10. On September 26, 2006, the Laboratory executed an agreement with a financial institution to obtain a guaranteed investment contract to invest the proceeds. The funds, which were redeemable upon demand as expended, earned a 5.245% guaranteed rate until July 1, 2008, the termination date of the agreement. At December 31, 2008, the amount on deposit with the bond trustee was $11,886,744. The bond proceeds were fully expended at December 31, 2009.

(8) 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.

(9) Land, Buildings and Equipment

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

		2009	2008
Land and land improvements	$	15,564,812	15,433,720
Buildings		235,635,306	124,846,906
Furniture, fixtures and equipment		26,739,919	20,470,393
Laboratory equipment		30,646,133	22,890,521
Library books and periodicals		365,630	365,630
Construction in progress		10,160,601	89,264,910
		319,112,401	273,272,080
Less accumulated depreciation and amortization		(81,320,995)	(74,587,877)
Land, buildings and equipment, net	$	237,791,406	198,684,203

The Laboratory recently opened the Hillside Campus laboratories, a three-year construction project, which included over $107 million in costs, reported at December 31, 2009 in buildings. Approximately $77,834,000 of these costs and $3,196,800 in capitalized financing costs were included in construction in progress at December 31, 2008. Construction in progress at December 31, 2009 represents the cost of various other campus renovations ongoing at the Laboratory.

(10) 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, 2009), and are secured by a revolving letter-of-credit agreement issued by a financial institution scheduled to expire on March 18, 2011. The interest rate is negotiated with the bondholders by the remarketing agent. The agreements contain certain covenants, including those relating to liquidity, net worth as defined, capital expenditures, restrictions of additional liens on certain Laboratory property and assumption of additional debt. The Laboratory is in compliance with the required covenants as of December 31, 2009 and expects to renew the agreement upon expiration.

(10) Bonds Payable (Continued)

On June 27, 2006, the Laboratory executed an agreement to obtain $55 million of bond financing through the NCIDA for the purpose of paying a portion of the cost of construction, installation and equipping of six research buildings and a chiller building consisting of approximately 120,000 square feet of space on the Laboratory's main campus in Laurel Hollow. The bonds, originally issued as auction rate securities, bore interest at a seven-day auction rate which was payable on a weekly basis, and was insured by a financial guarantee insurance policy issued by Financial Guarantee Insurance Company. On June 25, 2008, the interest rate mode on the bonds was converted to a variable daily rate, which is payable on a monthly basis (0.20% as of December 31, 2009). The interest rate on the bonds is negotiated with the bondholders by the remarketing agent. The insurance policy, originally used as credit support for the bonds, was terminated. The original cost of the policy less amounts previously amortized of $961,438 was written off in 2008 and is included in other changes in net assets in the accompanying consolidated statement of activities. The bonds, which mature on January 1, 2042, require annual principal payments beginning January 1, 2035. The bonds are secured by a revolving letter-of-credit agreement issued by a financial institution, which is scheduled to expire on June 23, 2010. 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, 2009 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 $11,448,359 and $35,973,258 at December 31, 2009 and 2008, 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. At December 31, 2008 the amount posted as collateral was $17,380,247. All posted collateral was returned to the Laboratory at December 31, 2009.

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 $1,988,707 and $2,054,976 at December 31, 2009 and 2008, respectively.

Interest expense on bonds outstanding during 2009 and 2008 was $3,260,538 and $4,198,031, respectively. The effective average interest rate on all of the bonds outstanding during 2009 and 2008 approximated 3.35% and 4.32%, respectively.

(11) Unrestricted Net Assets

Unrestricted net assets at December 31 consist of the following:

		2009	2008
General operating	$	19,910,659	20,955,613
Board designated:			
Endowment - general		57,562,375	51,352,960
Endowment - research start-up		17,061,387	14,393,822
Net investment in plant		140,591,406	39,424,166
	$	235,125,827	126,126,561

(12) Temporarily Restricted Net Assets

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

		2009	2008
Capital projects	$	23,312,659	68,830,932
Research programs		51,162,018	65,382,117
Research start-up		7,567,801	12,214,453
Restricted use assets (note 6)		-	2,240,000
Educational programs		1,381,558	1,687,251
Time restricted		46,094,912	15,737,857
Endowment fund - primary program services		10,140,681	11,156,012
Endowment fund - operation and improvement of Banbury Center facilities		2,698,085	2,739,531
	$	142,357,714	179,988,153

Included in temporarily restricted net assets for capital projects was $47.8 million of amounts expended through December 31, 2008, in connection with the construction of the Hillside Campus. These net assets were reported as released from restriction in the consolidated statement of activities as of December 31, 2009.

(13) Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2009 and 2008 are restricted in perpetuity with investment return available to support the following activities:

		2009	2008
Primary program services	$	131,453,126	118,680,633
Watson School of Biological Sciences programs		38,447,774	37,915,636
Operation and improvement of Banbury Center facilities		11,658,211	10,166,126
	$	181,559,111	166,762,395

(14) Endowment Funds

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

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

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

The Laboratory's endowment consists of approximately 110 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.

(14) 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 non-traditional investments, broadly diversified fixed income and cash equivalents. The portfolio is expected to earn returns higher than the "market" as represented by a benchmark constructed as a blended rate of indices. The portfolio oversight rests with the Investment Committee of the Board of Trustees, including the selection of external managers, the allocation of investments and the type of investments.

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

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

In accordance with the Laboratory's spending rate policy, 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 $12,506,571 and $14,299,505 were made available to support operations of the Laboratory for the years ended December 31, 2009 and 2008, respectively. In addition, the Trustees also authorized the use of $5,683,553 and $1,788,966 in support of research start-up expenses for the years ended December 31, 2009 and 2008, respectively. The total planned appropriation for expenditure for the year ending December 31, 2010 is approximately $20,820,000.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Laboratory to maintain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $3,993,969 and $9,570,575 at December 31, 2009 and 2008, 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, $969,483 in 2009 and $770,548 in 2008, 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 table, net of funds with unrestricted reinvested earnings.

(14) 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)
Other changes: 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 million in pledges receivable.

(14) Endowment Funds (Continued)

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

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

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

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

Included in permanently restricted endowment amounts above is approximately $17 million in pledges receivable.

(15) Investment Return Utilized

Investment return utilized includes amounts reimbursed from Board-designated funds relating to certain Board-authorized expenses as reported in Note 14 and investment return on working capital funds. The following summarizes the Laboratory's total investment return for the years ended December 31:

	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

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

(16) 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 $1,233,800 and $1,559,000 of fund-raising expenses in 2009 and 2008, 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.

	2009			2008		
	Direct Functional Expenses	Allocated Expenses	Total	Direct Functional Expenses	Allocated Expenses	Total
Research	$ 46,502,269	26,543,976	73,046,245	47,434,746	21,627,569	69,062,315
Educational programs	12,528,518	2,790,657	15,319,175	12,918,148	2,341,533	15,259,681
Publications	8,602,093	473,622	9,075,715	10,380,304	383,786	10,764,090
Banbury Center conferences	505,232	563,812	1,069,044	731,947	577,390	1,309,337
Dolan DNALC programs	1,036,160	431,787	1,467,947	1,018,108	458,114	1,476,222
WSBS programs	3,077,017	518,793	3,595,810	2,694,879	443,895	3,138,774
General and administrative	11,266,673	3,026,397	14,293,070	11,980,039	2,565,310	14,545,349
Dining services	3,514,155	1,371,214	4,885,369	4,237,380	1,107,848	5,345,228
	$ 87,032,117	35,720,258	122,752,375	91,395,551	29,505,445	120,900,996

(17) 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 $3,116,000 and $3,011,000 for the years ended December 31, 2009 and 2008, respectively.

(18) Commitments and Contingencies

On January 1, 2005, the Laboratory entered into a five-year noncancelable operating lease with an optional five-year extension for property located at 266 Pulaski Road, Greenlawn, New York. The monthly rental was $25,472, or approximately $1,528,000, over the lease term. The lease expired on December 31, 2009.

(18) Commitments and Contingencies (Continued)

On June 30, 2006, the Laboratory entered into a three-year noncancelable capital lease for a DNA analyzer with a capitalized value of $260,890. Depreciation expense associated with the capital lease was $37,270 at December 31, 2009 and 2008. In November 2008, the remaining value of the lease was paid in full.

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

The Laboratory has a $5,000,000 discretionary line of credit with JPMorgan Chase Bank, N.A., which expires on June 30, 2010. The facility bears interest at prime plus 0.5%. At December 31, 2009 and 2008, there were no borrowings outstanding. The Laboratory expects to renew the facility upon expiration.

The Laboratory has entered into various construction contracts for the Hillside Campus and Carnegie Library renovation projects. At December 31, 2009, the Laboratory was committed to an additional amount on these contracts of approximately $13,941,000.

The Laboratory is self-insured for employee medical and prescription benefits beginning January 1, 2008. Under the provisions of this plan, an insurance carrier provides claims processing and administration functions, as well as stop-loss coverage over a stipulated level of claims for the twelve-month period ended December 31, 2009. The expense for the program was approximately $6,469,000 and $6,419,000 for the years ended December 31, 2009 and 2008, respectively. As of December 31, 2009, 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.

(19) Subsequent Events

Effective December 31, 2009, the Laboratory adopted ASC No. 855-10 (formerly referred to as SFAS No. 165, *Subsequent Events*), *Subsequent Events – Overall* (ASC 855-10), as amended. ASC 855-10 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The Laboratory evaluated events subsequent from December 31, 2009 through May 10, 2010, the date on which the financial statements were issued. The adoption of ASC 855-10 had no impact on the Laboratory's financial statements.