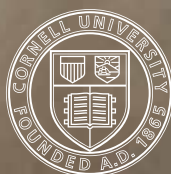




Annual Report

2010–2011



Cornell University

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CORNELL UNIVERSITY HIGHLIGHTS

	2010-11	2009-10	2008-09
Fall enrollment (excluding in absentia)			
Undergraduate	13,935	13,931	13,846
Graduate	5,661	5,190	5,019
Professional	2,428	2,450	2,273
Total fall enrollment	22,024	21,571	21,138
Degrees granted			
Baccalaureate degrees	3,542	3,696	3,456
Master degrees	2,253	1,996	1,816
PhD degrees	555	549	574
Other doctoral degrees (JD, MD, DVM)	380	378	361
Total degrees granted	6,730	6,619	6,207
Tuition rates			
Endowed Ithaca	\$39,450	\$37,750	\$36,300
Contract Colleges			
Resident	\$23,310	\$21,610	\$20,160
Nonresident	\$39,450	\$37,750	\$35,200
Medical Campus	\$45,545	\$44,650	\$41,730
Business	\$49,272	\$47,150	\$44,950
Law	\$51,150	\$48,950	\$46,670
Veterinary medicine	\$27,700	\$26,500	\$25,100
Volumes in library (in thousands)	7,803	7,726*	7,713
Academic workforce			
Full-time employees			
Faculty	3,119	3,063	3,095
Nonfaculty	901	939	992
Part-time employees			
Faculty	243	249	247
Nonfaculty	210	187	214
Total academic workforce	4,473	4,438	4,548
Nonacademic workforce			
Full-time employees	9,629	9,526	9,940
Part-time employees	612	635	838
Total nonacademic workforce	10,241	10,161	10,778
University Endowment			
Market value of total university endowment (in millions)	\$5,059.4	\$4,378.6	\$3,944.2*
Unit value of Long Term Investment Pool	\$53.58	\$47.38	\$45.12
Gifts received, excluding pledges (in millions)	\$318.2	\$313.4	\$450.5
New York State appropriations through SUNY (in millions)	\$146.0	\$159.5	\$163.2
Medical Physicians' Organization fees (in millions)	\$577.6	\$557.2	\$504.0
Sponsored research volume (in millions)			
Direct expenditures	\$439.0	\$434.7	\$391.5
Indirect-cost recovery	\$127.9	\$126.0	\$115.9
Selected land, buildings, and equipment items and related debt (in millions)			
Additions to land, buildings, and equipment	\$608.2	\$586.7	\$732.7
Cost of land, buildings, and equipment	\$5,254.5	\$4,969.0	\$4,604.4
Outstanding bonds, mortgages, and notes payable	\$1,932.1	\$1,931.0	\$1,705.3

* Number restated

President's Message

I, too, want to welcome you, as Cornell's leaders and my partners, colleagues and friends, to the 2011 joint meeting of the Cornell University Board of Trustees and the Cornell University Council. It is a wonderful commencement of the countdown to our sesquicentennial, which we'll celebrate at the joint meetings of 2014 and 2015. I thank you for all you do, and I hope you'll attend the special session tomorrow morning to explore how Council members can be even more effective ambassadors for Cornell.

I am grateful for the leadership that Pete Meinig '61 and Katrina James '96 provide—and for Mitch Lee's '90, JD '96 leadership of Council during the previous two years. I am delighted that Pete and Nancy Meinig—Pete's gracious wife, partner and dedicated Cornellian, Class of 1962—have agreed to chair our sesquicentennial. Please join me in thanking the Meinigs for shouldering yet another enormous responsibility for our Cornell.



FROM TOP TO BOTTOM: The Big Red women's ice hockey team celebrates their advancement to the Frozen Four of the NCAA tournament; Margaret Atwood talks with students during her visit to campus; President David Skorton participates in a town hall discussion organized by WVBR-FM's 'Sunday Forum;' architecture graduate student Sarah Haubner examines the design layout as the "Unpacking the Nano" exhibition is installed in the Herbert F. Johnson Museum of Art.

My message to you today is one of continuity of tradition and principles and yet of new ideas and exciting opportunities. Cornell has had another extraordinary year and is poised to flourish and lead as never before. Thanks to our strategic plan, we have never been clearer about the path we will follow to recruit tomorrow's most talented faculty; to educate the most deserving and diverse undergraduate, graduate and professional students from the U.S. and from abroad; to set the standard for internationalization in higher education; and, to bring our expertise to the greater society locally, in New York State, nationally and globally.

Every day, we at Cornell are doing the hard work needed for success. We are finding ways, despite the financial challenges of the Great Recession, to bring our budget into a balance that is sustainable over the long term—with resources to recruit hundreds of new faculty, stabilize our superb staff workforce and continue our commitment to need-based student financial aid. And we are taking the time to think deeply, clearly and creatively about who we are and what we can become.

What is it that makes Cornell "Cornell?"

Cornell is first and foremost a community of scholars. In the 2010-11 academic year, Cornell faculty members earned more places in the distinguished national academies and societies than in any other single year since my arrival at Cornell, confirming the high regard in which our faculty are held everywhere.

Excellence in our faculty extends from senior members of the academy to our newest recruits. Last month, for example, Mary Fainsod Katzenstein, Stephen and Evalyn Milman Professor of American Studies and professor of government, was honored by the American Political Science Association (along with co-authors Leila Mohsen Ibrahim, a graduate student in government, and Katherine D. Rubin '01) for the best journal article of the year. At the same meeting, one of our newest faculty members, Adam Seth Levine '03, an assistant professor in government, received an APSA award for the best doctoral thesis in his field.

This year, four of our faculty members won Presidential Early Career Awards for Scientists and Engineers, the highest honor bestowed by the U.S. government on young professionals in these fields. They are Salman Avestimehr in electrical and computer engineering, David Erickson in mechanical and aerospace engineering, John C. March in biological and environmental engineering, and Kyle Shen in physics. With only 94 awards made nationally this year, it is truly remarkable that four of the awards have come to Cornell.

Also inherent in our community of scholars is the expectation that we will tap the breadth and depth of our expertise and our propensity for multidisciplinary approaches to contribute to the solution of the world's most pressing challenges. Our faculty collaborate seamlessly across disciplines, departments and campuses as "One

Cornell” to frame questions and develop novel research approaches that offer the promise of exceptional results.

To begin with one example, the Atkinson Center for a Sustainable Future (ACSF), established by a gift from David Atkinson, Class of 1960, and Pat Atkinson, “advances multidisciplinary research in energy, the environment and economic development.” Through its Academic Venture Fund, ACSF seeds interdisciplinary Cornell projects that have potential to involve external partners, such as industry, government, foundations and nongovernmental organizations. Its latest awards support 10 projects ranging from the use of geographic information systems technology in the formalization of property rights in Tanzania to the implications of methane production related to the extraction of natural gas from shale.

In another example, an innovative approach to fighting cancer by targeting the regulation of metabolic enzymes has led to a \$3-million-plus, five-year Transformative Research Projects (T-R01) Award from the National Institutes of Health for two faculty members in the College of Veterinary Medicine—Richard A. Cerione and Robert S. Weiss—and Hening Lin, assistant professor of chemistry and chemical biology in the College of Arts and Sciences. T-R01 awards are designed to support “exceptionally innovative and/or unconventional research projects” with “potential to create or overturn fundamental paradigms.”

Here is a third example: working with advanced micro- and nano-engineering methods, researchers here in Ithaca, led by Harold Craighead, Ph.D. '80 C.W. Lake Professor of Engineering, and at Weill Cornell Medical College, led by Barbara Hempstead, professor of medicine, are exploring the origins and development of cancer at the single-cell level with support from the National Cancer Institute, providing new methods for early diagnosis of cancer and new opportunities for drug treatment.

Thanks to careful stewardship by the provosts, vice presidents, and deans and to the generosity of so many alumni, parents and friends, we are succeeding in our faculty renewal initiative. To replenish our community of scholars, in anticipation of a significant number of faculty retirements over the next decade, we have made a number of strong new appointments. We have 63 new faculty members in Ithaca this year; 40 percent of them are women. Twenty-seven of these new appointments are in the College of Arts and Sciences. I am pleased to note that 18 of them are in the humanities. In addition we welcomed 104 new tenure-track assistant professors at Weill Cornell, including Weill Cornell-Qatar, this year, giving a tremendous boost to our faculty renewal efforts at the medical college.

Dr. Laurie Glimcher will become our new dean of Weill Cornell Medical College and provost for medical affairs of Cornell University on January 1, 2012. A distinguished physician-scientist and researcher, Dr. Glimcher is currently the Irene Heinz Given Professor of Immunology



FROM TOP TO BOTTOM: Kathi Warren, assistant dean for Alumni Affairs and Development in the College of Engineering, responds to questions; Johnson Museum Director Frank Robinson stops by a gallery as schoolchildren view Alberto Giacometti's sculpture "L'Homme qui marche II"; student models strut the runway during the Cornell Fashion Collective's annual show; the Big Red Band prepares to take the field during halftime of a football game in Schoelkopf Stadium.

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at the Harvard School of Public Health, where she directs the Division of Biological Sciences, and professor of medicine at Harvard Medical School, where she led one of the top immunology programs in the world. She is a member of the American Academy of Arts and Sciences, the National Academy of Sciences, and the Institute of Medicine, and author of more than 350 scientific articles and chapters.

When Dr. Glimcher assumes her WCMC duties next year, Dr. Tony Gotto, who has served with such distinction as medical college dean and provost for medical affairs since 1997, will become co-chair of the board of overseers for the college and vice president at Cornell. As he has for so many others, Tony has been a model and mentor for me for decades, and I am delighted that we will continue to benefit from his wisdom and experience.

During the past year, my colleagues and I have been writing and speaking out about the importance of the humanities—and the National Endowment for the Humanities—to our national life and our understanding of ourselves and our world, through the lens of today and yesterday. To give one example from our own faculty, Ziad Fahmy, assistant professor of modern Middle East history in the Department of Near Eastern Studies, published his first book this year—*Ordinary Egyptians: Creating the Modern Nation through Popular Culture*—which examines how from the 1870s until the eve of the 1919 revolution, popular media and culture helped Egyptians construct a modern identity. It is wonderful to see the centrality of the humanities to the academic mission of the university affirmed by our own faculty hiring.

With our Society for the Humanities, our strength in the digital humanities, and the recent renewal of the Andrew W. Mellon Foundation-funded Central New York Humanities Corridor, in which we participate with Syracuse University and the University of Rochester, Cornell is poised for even greater leadership. We will be learning more about that later this morning from Don Randel, president of the Mellon Foundation, whom many of us remember from his years as a Cornell professor of musicology, Arts College dean and university provost.

We must keep our focus on faculty renewal in all major academic spheres of the university, building strategically on areas of promise and strength. We need to balance growth in faculty numbers and new initiatives with discipline in overall cost containment—to attenuate the rate of rise in costs that are reflected in the price of a Cornell education. Yet we must also ensure that Cornell extends its excellence, its influence and its impact.

A second distinctive quality of Cornell is our commitment to student access. Cornell is the original opportunity university, and we still carry forward our founder's vision of inclusion. Even in the darkest days of the Great Recession, we kept our policy of need-blind



FROM TOP TO BOTTOM: Bishop Gene Robinson talks about how a person who is lesbian, gay, bisexual or transgendered can also be a person of faith in Sage Chapel; graduates of the College of Veterinary Medicine enter Bailey Hall during commencement; a student catches an interlude of spring sun outside the Physical Sciences Building; a student crosses the pedestrian footbrige that traverses the Beebe Lake Dam.



FROM TOP TO BOTTOM: Board of Trustees Chairman Peter C. Meinig '61 speaks at the Board of Trustees' annual Chairman's Dinner at New York's St. Regis Hotel; local Ithaca children enjoy the many constructions at the fifth annual Junior FIRST LEGO League Expo; the dragon constructed by first year Architecture, Art and Planning students sits behind Rand Hall prior to the annual Dragon Day parade; Students enjoying Slope Day.

admissions and need-based undergraduate financial aid. In fact, we substantially enhanced the financial aid we provide to students from low- and middle-income groups so that they could graduate without a crushing burden of debt. We are proud of this commitment to access and to the diversity within our student body it fosters.

Our Sesquicentennial Class—the Class of 2015—comes from 48 states, plus Washington, D.C., Puerto Rico, and 45 countries worldwide. (We hope we've done nothing to offend Arkansas and Nebraska, and I will work on that for next year.) The sesquicentennial class was selected from among 36,387 applicants for freshman admission—an all-time high and the largest applicant pool in the Ivy League. One-fifth self-identify as underrepresented minorities. We currently rank 10th for economic diversity, according to a report from *U.S. News & World Report*. And about one-tenth are international students. Transfer students, too, come from all across the country, and this year over 13% are international students.

As part of our commitment to creating a diverse campus community, we began the year with three new high-level professionals to provide leadership to our diversity initiatives for undergraduate, graduate and professional students, and we opened two diversity units—the Cornell Intercultural Center and the Office of Academic Diversity Initiatives.

We are focusing a great deal of effort and attention on the physical and emotional wellbeing of our students. As many of you know, I recently directed fraternities and sororities to end pledging as we know it and create a new system of recruitment, education and induction starting next year to eliminate the hazing and high-risk use of alcohol that too often have become part of the pledging process. This approach, I am convinced, will strengthen the Greek system, which can have—and has had—such a positive impact on so many Cornellians. We are devoting increased attention to the safe use of our beautiful campus gorges and also, with increased staffing at Gannett Health Services, we are providing extended hours for counseling as well as online resources to all members of our community.

A diverse student body taught by distinguished faculty members within a caring community is a winning combination, and our students seem to agree. Eighty-eight percent of Cornell undergraduates rate their educational experience at Cornell as excellent or good, according to a survey conducted last spring; 93 percent said they are very satisfied or generally satisfied with the overall quality of instruction.

Going forward, we will keep Cornell within reach, not only of American undergraduates, but also of graduate and professional students, and of international students, who—especially as undergraduates—have only limited access to financial aid.

A third aspect of Cornell's uniqueness is our long-standing global reach, beginning with our founding. Ezra

Cornell's determination to "...found an institution where any person can find instruction in any study," as expansive a goal as any in the history of higher education, included the assumption that the dream would not be limited to New York or to the United States.

Cornell is widely respected as an international powerhouse of learning, discovery and creativity and is a magnet for students and scholars from scores of countries. At this time we have students and scholars from more than 120 countries here in Ithaca. Faculty excel in work involving nearly every continent and in both developed and developing countries. Our undergraduate major in China and Asia-Pacific Studies has revolutionized the preparation of students in foreign relations and international business. We have the distinction of developing and operating the Weill Cornell Medical College-Qatar in Doha, Qatar and being the first American university to offer our M.D. degree abroad.

But the world of international scholarship and engagement is changing, and Cornell must—and will—change with it or risk being left behind. Global climate change, infectious diseases, nuclear proliferation, trade regulation require international collaboration, and all of us need the skills to live and work effectively across cultures and national borders. We will be giving increasing attention to internationalization between now and our sesquicentennial—to prepare our students and increase our impact in a world of interconnected challenges.

A fourth key to Cornell's character is our mandate for public engagement as the only private university with a full land grant mission of service and outreach. Through Cornell Cooperative Extension, which is celebrating its centennial this year, our agricultural experiment facilities, and other initiatives, Cornell is in every county in the state and in all five boroughs of New York City.

The Cornell Public Service Center, celebrating its 20th anniversary this year, connects students, staff, faculty and alumni with community organizations. For two decades, it has reinforced academic learning with practical experiences that strengthen civic values and respond to community needs. Since Hurricane Lee caused devastating flooding in our area last month, hundreds of Cornell students, working through the Cornell Public Service Center and other organizations—including the women's gymnastics team, Black Students United and the Interfraternity Council—have helped our neighbors in need.

Staff members also contribute to Cornell's public engagement through their excellence in formal activities, as just mentioned, and through their participation in a host of civic and volunteer activities. I especially want to commend the volunteer staff of the Emergency CARE Fund Committee and its chair Beth McKinney '82, employee-elected trustee and director of our Wellness Program, for the assistance the fund has provided to flood victims in the Cornell community. Yesterday, with support



FROM TOP TO BOTTOM: Performers pause during rehearsal for Pao Bhangra 9, an annual festival in Barton Hall that combines traditional folk dance and music of northern India and Pakistan with high energy music and choreography; South Bronx DJ Afrika Bambaataa speaks at a symposium on the early history of hip-hop; Lord John Krebs, a professor at Oxford University and one of Britain's leading environmentalists, speaks with students; facilities workers clean up what is left of the coal storage area at the Central Energy Plant.



FROM TOP TO BOTTOM: Assistant professor of engineering Richard Robertson speaks with students; a newly minted doctoral graduate; Judith Jamison, artistic director of the Alvin Ailey American Dance Theater, speaks with Cornell President David Skorton; Julia Murphy, a student in the School of Hotel Administration, interns at a restaurant in New York City.

from the university and those in our campus and local communities, the CARE Fund concluded a successful auction—online and in person—to aid members of our campus community who face emergencies.

And we are moving ahead with additional initiatives that will promote public engagement—as land grant university to the world. Earlier this month, David Einhorn and Cheryl Strauss-Einhorn, both Class of 1991, in partnership with the Office of the Provost and the Division of Student and Academic Services, established the Center for Community Engaged Learning and Research, which will be the core academic unit that connects public engagement to Cornell’s educational mission. The Einhorns’ gift allows Cornell to take a crucial next step—not only enhancing the work we have already been doing but transforming our approaches to public engagement and advancing a key priority in our strategic plan. The integrated service-learning initiative will place Cornell in the lead among its peers for engaged teaching, learning and scholarship.

Another way in which Cornell is expanding its public engagement is by taking a leadership role in economic development within our region and state. I serve, with Lt. Governor Robert Duffy and Tom Tranter, president and CEO of Corning Enterprises, as co-chair of the Southern Tier Regional Economic Development Council—one of 10 such councils that Governor Andrew Cuomo has established to foster economic development in the state. I am convinced that New York’s colleges and universities, in partnership with business, government and the venture capital community, can play an important role in fostering sustainable economic development. Between FY2007 and FY2011, Cornell research efforts helped launch 35 companies—26 of them within New York State. And in FY2010—the most recent for which comparable data are now available—New York’s colleges and universities spun off at least 45 companies—including 12 that grew out of Cornell research—providing an economic boost to our state.

Going forward, we have responded to Mayor Bloomberg’s call for proposals to build an applied science and technology campus in New York City. Our new partnership with the Technion-Israel Institute of Technology will bring the full spectrum of each institution’s academic strengths to this new venture. Together, our two great universities will create global avenues of economic opportunity and tech leadership. Next week we will submit a formal proposal to Mayor Bloomberg and his team who will make their decision by the end of the year.

Although competition for this campus is stiff, I believe Cornell is the right choice for this venture:

1. Cornell is highly ranked in the fields necessary to succeed in technology entrepreneurship: engineering, computer science and interdisciplinary and applied research.





2. Our faculty, staff and alumni are heavily involved in the New York City tech network.

3. We are experienced in developing major capital projects in New York City; for example, the current \$1 billion project to double the research space at Weill Cornell Medical College.

4. And Cornell has experience in establishing and managing a complete campus far from our home campus—as we have done so successfully with Weill Cornell Medical College-Qatar.

I can sum up our proposal for a new campus in New York City in two words: excellence and commitment. Cornell's new campus will bring excellence in innovation and entrepreneurship to New York City, and Cornell is committed to the future of New York City.

So there you have it: four years before our sesquicentennial, high on a hill with our feet on the ground, and with the momentum already beginning to build, we are a university with our house in order and a strategic plan in place to expand our reach, enhance our academic prowess and extend our leadership. I am grateful to our colleague, professor, dean and vice president Glenn Altschuler Ph.D. '76, who, working with Pete and Nancy Meinig and a broadly based campus committee, is leading campus planning for the sesquicentennial.

We can measure Cornell's progress by the extent to which Cornell's expertise is known and respected worldwide; by the national and international honors our faculty, students and staff—and the institution as a whole—receive; by the faculty members who not only educate our students but inform and shape the direction of their fields; by the broader action that our efforts inspire, and by the positive changes on the state, national and international level that result.

We owe a great deal to our alumni, parents and friends, who strengthen it with their love and support. You serve on advisory councils and boards; provide leadership for reunions and other class activities; organize activities for Cornell clubs, alumni associations and affinity groups, encourage and mentor our students and provide a remarkable level of financial support. Those in this room have been among the leaders of our efforts, and I am pleased to report that we ended the 2011 fiscal year with more than \$30 million raised for the Cornell Annual Fund, surpassing a long-time goal and setting a new record. Thank you. And since the campaign began, despite the daunting economic climate, Cornell's alumni, parents and friends have donated a record-breaking \$3.3 billion in gifts to the university.

Through the leadership of campaign co-chairs Stephen Ashley '62, MBA '64 and Andrew Tisch '71, and past co-chair Jan Rock Zubrow '77 who is now chair of the Executive Committee of our Board of Trustees, and Robert Appel '53, who heads the campaign at Weill Cornell Medical College, we have achieved remarkable results. And with their enthusiastic support and commitment, I am pleased to announce today, in honor of our upcoming sesquicentennial,

an expanded campaign goal of \$4.75 billion, to be raised by December 31, 2015. I know that together we can exceed this ambitious goal.

On our 150th birthday:

Cornell will be a model around the world for excellence in discovery, learning, creativity and engagement.

Cornell will be one of the world's 10 most distinguished universities and accessible to all deserving students.

Cornell will tap the breadth and depth of our expertise to effect solutions to the world's most pressing challenges—from securing a sustainable future to promoting health and curing disease to securing the humanistic foundation of knowledge and ethics—while also responding to the challenges and opportunities of an increasingly interconnected global society.

In America's bicentennial year, speaking to Cornell graduates and their guests in Schoellkopf Stadium, beloved Cornell Professor Emeritus Walter Lafeber noted: “the founders of this nation and the founders of Cornell shared a common commitment, indeed a common passion—a belief in the power of ideas to transform individual lives and to improve human society.”

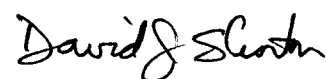
That commitment and passion remain part of Cornell's special magic—the pride that so many of us feel about being Cornellians, no matter what our major or college or the path we've followed since earning our degrees; the sense that we are part of a great and noble enterprise where ideas matter and where human society can be improved and individual lives transformed. Cornell's magic continues to ground us, inspire us, motivate us to become the university we aspire to be. We can be. We must be. We will be.

To realize our aspirations we need the engagement, guidance, help and support of every person in this room and tens of thousands of loyal Cornellians around the country and the world. For our sesquicentennial and beyond—the time is NOW!

Before we stretch for a moment before our session on the humanities, I'd like to return to the theme of my talk and ask all of you—and each of you—to help make sure that at our sesquicentennial in 2015: a new generation of scholars and teachers will excite a new generation of Cornellians; our promise of opportunity for exceptional students the world over will be affirmed, our capacity for scholarship and engagement will be extended by faculty, students and alumni everywhere; our commitment to the greater good will be expressed locally, in New York City, through the state, the nation and beyond.

And the special Cornell magic—the magic of Libe Slope, of fall colors and snowstorms, the magic that brought you back to centrally isolated Ithaca this weekend—will carry us forward as one of the world's greatest universities.

Thank you all!



News of the Year

excerpts from selected stories in the ChronicleOnline and other official university communications

Faculty recruitment

CU launches \$100 million fund to recruit faculty

Sept. 2, 2010 — Cornell faces an unprecedented number of faculty retirements over the next decade. The university sees that challenge as an unprecedented opportunity: the chance to recruit outstanding new faculty—the next generation’s Alison Luries, Carl Sagans and Barbara McClintocks. A \$100 million Cornell Faculty Renewal Fund will leverage that opportunity, enabling the university to significantly accelerate hiring of faculty over the next five years, funded through philanthropy and university dollars. “Hiring new faculty is a clear sign that we are emerging healthier and better positioned for the future,” President David Skorton wrote in a September email to the campus community. “This will allow us to build strength in strategically important areas and shape Cornell for a generation or more.” A \$5 million gift from David Croll ’70, chair of the Cornell Board of Trustees’ Finance Committee, kicked off the initiative which will pay for such incentives as salary, startup funds for laboratories, library acquisitions and research stipends. A \$50 million Faculty Renewal Sesquicentennial Challenge will match multi-year gift commitments of \$500,000 or more from donors on a dollar-for-dollar basis with university funds.

Skorton: Renew faculty, support humanities nationally

Oct. 29, 2010 — It’s “time for Cornell to step up and advocate for arts and humanities nationally as we recruit faculty locally that will define our university for a generation,” President David Skorton said Oct. 29 in his State of the University Address. Skorton focused his address on two main points: first, the need for hiring faculty in all academic areas, but especially in the arts and humanities; and second, the role that Cornell can play in bolstering the humanities in the national arena. Far from being irrelevant in the digital age, the arts and humanities not only teach the basic skills of critical and contextual thinking, communication and ethics but also have value as disciplines of research and critical analysis

in their own right, he said, adding, that on a fundamental level, they teach us what it means to be human. In the national arena, the arts and humanities struggle for funding because their value is difficult to quantify, and they are not seen as contributing directly to economic growth, health or national security, said Skorton, who added that he is planning to launch a national campaign to increase funding for national arts agencies.

Donors endow three humanities professorships

Dec. 1, 2010 — Cornell donors’ gifts will establish three new endowed professorships in the humanities in the College of Arts and Sciences, with support from the Andrew W. Mellon Foundation. The senior professorships—the L. Sanford and Jo Mills Reis Professorship, the Susan and Barton Winokur Professorship and the David and Kathleen Ryan Professorship—will be endowed for a total of \$12 million. The Mellon Foundation pledged a \$2.4 million challenge grant toward the endowment goal to Cornell in 2007. The grant required the university to raise \$9.6 million within five years to endow the positions. About 40 percent of the 500 current Arts and Sciences faculty are humanists. To fill these professorships, the college will recruit established or rising stars whose scholarship and teaching encompass more than one or several humanistic disciplines. “Faculty renewal is Cornell’s critical challenge,” said Arts and Sciences Dean G. Peter Lepage. “These gifts are extremely valuable and strategic because they ensure that influential midcareer and senior humanists will be among the first of many fine scholars to join our humanities faculty.”

Student experience

Student-built satellite to launch next year

Dec. 13, 2010 — It was a waiting game not unlike a marriage proposal—expected, yet unclear in timing. But finally, the CUSat team gets to set a date. The student team, which has built an experimental satellite equipped with sophisticated GPS technology, has





been “manifested” for flight – that is, the satellite is guaranteed a spot on a rocket bound for space, where it will conduct experiments in low-Earth orbit. In 2007, CUSat won the U.S. Air Force-sponsored University Nanosatellite Program’s Nanosat-4 competition, and the prize was a flight worth millions of dollars. Just recently, their satellite became a confirmed passenger aboard the Falcon 9, which will head to the International Space Station sometime between October 2011 and January 2012. “We knew we were in the hopper,” said Mason Peck, associate professor of mechanical and aerospace engineering and CUSat principal investigator. “It was just a matter of waiting long enough.”

Students to design, build school in South Africa

Feb. 22, 2011 — Aiming to create a vital and vibrant structure for a growing community, Cornell University Sustainable Design, a student-led organization, will design and build a schoolhouse in Cosmo City, South Africa, this summer. To that end, the students have published a book, *Schoolhouse South Africa: Comprehensive Context*, describing their research and design approach. Cornell University Sustainable Design, formerly Cornell’s Solar Decathlon Team, has partnered with Education Africa, a nonprofit organization that strives to counter poverty through education. The book was distributed to libraries across campus and is available online. Ultimately, this research will inform the design of a 6,000 square-foot preschool and teacher-training center, known locally as a crèche. Second-year Cornell architectural students and students from many disciplines all across campus will work to determine the final plans this semester for building the schoolhouse. The crèche will accommodate up to 80 of Cosmo City’s neediest children as part of a South African national initiative to improve early childhood development. It will include classrooms, a dining area, a kitchen, a health center, indoor and outdoor play areas and an office. Interactive spaces will create a sanctuary for group learning, creative play and social development—all without any electricity or solar panels.

Streamlining University Operations

Cornell to save at least \$75 million annually by 2015

July 8, 2010 — In letters to deans and vice presidents, President David Skorton and Provost Kent Fuchs have accepted the proposed actions in each area from the Initiatives Coordination Office (ICO). The approved actions are expected to save Cornell \$75 million to \$85 million annually by fiscal year (FY) 2015. “We are very pleased with the progress made to date in identifying cost savings opportunities and developing strategies that will improve the effectiveness of operations across campus,” Fuchs said. “There is still considerable work ahead as implementation plans are now to be executed, but having a foundation of well-considered designs is critical, and we believe this has been accomplished.” Vice President Mary Opperman said: “the goal of these plans is to perform administrative services with fewer resources, with improved results and with less strain on faculty, students and staff by creating improved systems and processes. While the implementation plans do impact staff positions, they do so specifically related to the changes in the plans. The impact on positions is specific to the areas under review. There are no across-the-board position implications.”

Structural deficit to be nearly erased in 2012, VP says

June 2, 2011 — Two years ago, the university was faced with a nagging, growing deficit, the result of a years-long rolling accumulation of debt that was projected to grow to nearly \$215 million by 2015 if the administration took no action. That so-called structural deficit will be nearly erased by the close of fiscal year 2012, a year ahead of time, according to Vice President for Planning and Budget Elmira Mangum. And there are plans to reduce the annual operating budget deficit to \$15 million thanks to efficiency initiatives. After the financial downturn in 2008, “there’s a lot of good news going forward,” she said, in an interview discussing the budget for fiscal 2012, beginning July 1. “We’re trying to make sure that we have predictable, recurring resources to cover our predictable, recurring expenses. If we continue on the current course we will have a sustainable budget for the long term.”

New Facilities

Pritzker-winning architect selected to design Gates Hall

July 9, 2010 — The New York- and Los Angeles-based architecture firm Morphosis will design a new building that will bring together several units of the Faculty of Computing and Information Science (CIS) in a collaborative working and learning environment. The 100,000 square-foot building, to be named William H. Gates Hall, will be built on the current site of the Hoy North parking lot, on Campus Road across from Barton Hall. Gates Hall will house the Department of Computer Science, the new Department of Information Science, and research and teaching facilities for both departments, according to Daniel Huttenlocher, dean of CIS. Morphosis founder and design director Thom Mayne, winner of the 2005 Pritzker Prize in architecture, will be the lead architect. A schematic design is expected in December, and construction will be completed by early 2014. Mayne was on campus in fall 2009 and taught an architecture studio as the Gensler Visiting Critic in the Department of Architecture. “The CIS building will be the third Cornell building in the last five years designed by a Pritzker Prize-winning architect, the others being Milstein [Rem Koolhaas] and Weill [Richard Meier ’56, B.Arch. ’57],” University Architect Gilbert Delgado said. The Bill and Melinda Gates Foundation gave the university \$25 million in January 2006 to support the construction of a signature building for information science.

New home for the physical sciences

December 2010 — The new Physical Sciences Building, a joint project of the College of Arts and Sciences and the College of Engineering, was officially completed Nov. 19. While the building will not be fully occupied until the end of January, some of the labs and classrooms were already in use during the fall semester. The building includes more than 80 research and teaching laboratories, a 120-seat auditorium, and new meeting, dining and gathering spaces. It is designed to enhance interdisciplinary research, and will accommodate 15 to 20 research groups in the Departments of Physics and of Chemistry and Chemical Biology, and the School of Applied and Engineering Physics. *Ezra* magazine’s winter edition cover story takes

a look into the lab of physicist J.C. Séamus Davis, which will include a scanning tunneling microscope that will operate in the highest magnetic field available on any STM in the world.

Milstein Hall on track to open in August

June 13, 2011 — Milstein Hall is on track to open in August, with studio space and other new amenities for the College of Architecture, Art and Planning (AAP). The 47,000 square-foot, glass, steel and concrete building north of the Arts Quad will reconfigure and integrate the activities of the college’s departments and programs. The second floor of Milstein is nearly finished and offers 25,000 square feet of flexible space for teaching AAP students. With no interior walls, the space will accommodate about 20 studios of varying sizes. The open floor plan also includes a presentation/critique area with LCD screens and other technology, designed for students to show, save and print their work. The studio space in Milstein will be ready for classes by mid-August, and a transportation hub on University Avenue, a garden, interior gallery, and space for reviews, critiques and special events on the first floor will also be complete. The 250-seat auditorium on the first floor will open in October. “Milstein Hall not only allows a new architecture studio culture to unfold, it also enables a number of collateral moves that are transformative for teaching and learning in the college,” AAP Dean Kent Kleinman said. With the linkages between buildings at the second floor, planners in West Sibley will no longer be separated from architects in East Sibley, he said.

Cornell in NYC

Cornell proposes ‘transformative’ NYC campus

June 17, 2011 — Cornell’s New York City footprint may soon grow much larger with the addition of a new applied sciences research center and campus. The campus will be charged with enhancing the commercialization of research and technologies developed at Cornell that will benefit NYC economic development. Answering a call for expressions of interest from the New York City Economic Development Corp., the university’s is one of 18 preliminary proposals from 27 academic institutions and companies planning to respond to a request for proposals for the project to





be released by Mayor Michael Bloomberg this summer. “New York City attracts the best and Cornell University is eager to go up against the best,” said President David Skorton. “We welcome the mayor’s vision, and we think that this broad and open approach is the best way to identify the most successful potential academic partnership to secure the city’s tech future.” He added, “We firmly believe that Cornell’s combination of academic excellence in engineering and computing sciences, leadership position in the technology industry, and strong existing presence in the city make us an ideal candidate, and that the competitive process will lead to a better outcome for New Yorkers.”

Balder aims to enhance AAP’s presence in the Big Apple

June 30, 2011 — As the new executive director of AAP NYC, Robert Balder ’89 intends to expand the College of Architecture, Art and Planning’s academic and alumni programs in New York City and foster professional development for students, through dialogues with AAP alumni and commissioner-level civic leaders. He was appointed in April to advance and coordinate programs at the AAP studio and classroom facilities in Chelsea and optimize the college’s presence in the city for its students, faculty and alumni. Among his other goals: identify community-based initiatives in the city and “more meaningful opportunities for collaboration” within the Cornell community and with AAP’s strategic partners in New York City; explore emerging communication technologies to link AAP’s bases in Ithaca, New York City and Rome to each other and to other professionals around the world; and, take steps toward securing an expanded and improved home to host the studios, seminars and events at the heart of the program. With a Cornell B.S. in urban and regional studies, Balder served as director of the Mayor’s Office of Lower Manhattan Development and executive vice president of the New York City Economic Development Corp.

Campaign/Major Gifts

\$10M gift creates canine genomics program

Sept. 16, 2010 — Cornell will establish the world’s first canine genomics program with a \$10 million gift — the single largest donation ever given to the College of Veterinary Medicine—from an anonymous donor. The

gift will support investments in three areas: endowed professorships and faculty startups; DNA sequencing; and the DNA Bank, which is an archive of DNA and medical information that defines inherited diseases. Research funded by the gift will further scientists’ ability to fight cancer and other diseases that attack animals and humans. The gift “will leverage the information embedded in canine genetics—available after hundreds of years of selective breeding—for the benefit of animals and humans,” said Michael I. Kotlikoff, the Austin O. Hooey Dean of Veterinary Medicine. “We know that each breed possesses a unique and highly similar collection of genes, which confer susceptibility to certain diseases and constitute a stunning opportunity for gene association studies that cannot be performed in people. These investigations can be done non-invasively in dogs and will inform our understanding of the specific genes that result in susceptibility to some of our most serious diseases.”

Historic gift will advance sustainability research

Oct. 28, 2010 — David R. Atkinson ’60 and his wife, Patricia Atkinson, have committed \$80 million to provide a permanent center on campus that will advance sustainability research, cultivate innovative collaborations within and beyond Cornell, and position the university to be a global leader in the effort to create a sustainable future. It is the single largest gift to the Ithaca campus from an individual. President David Skorton made the announcement Oct. 28 in Statler Auditorium following a panel discussion on sustainability. “David Atkinson’s historic gift provides a permanent Cornell base for stimulating and coordinating the university’s unfolding capabilities in sustainability,” Skorton said. “It represents a very significant investment in our most valued resource: people—faculty, staff and students—with the mission of achieving world impact and leadership in sustainability.” The gift builds on the success of the Cornell Center for a Sustainable Future, which was created in 2007 with initial support from the Atkinsons. The center has been renamed the David R. Atkinson Center for a Sustainable Future. David Atkinson said that new ideas and collaborations are vital in a time of exploding global population and dramatic economic growth. Cornell is a natural leader in the growing field of sustainability research, he said. “Cornell is the best-positioned university in America, and arguably the world, to develop solutions.” Atkinson said.

Alum commits \$11 million to Atacama telescope

Nov. 12, 2010 — Retired businessman Fred Young '64, M.Eng. '66, MBA '66, has committed \$11 million to CCAT, the Cerro Chajnantor Atacama Telescope, a proposed 25-meter aperture telescope that will be the largest, most precise and highest astronomical facility in the world. The Department of Astronomy announced the gift Nov. 12 at a workshop for CCAT scientists. Vice Provost for Research Robert Buhrman called it “a beautiful day in Ithaca, a great day for astronomy and a great day for Cornell.” The telescope, to be built 18,400 feet above sea level on the Cerro Chajnantor mountain in Chile’s Atacama desert, will give astronomers a new window into the epoch of star and galaxy formation to answer some of the most fundamental questions of cosmology. With an extremely wide field of view, it will also enable large-scale surveys of the sky and complement the international Atacama Large Millimeter Array (ALMA), now under construction. As CCAT discovers new sources, ALMA will follow up with images of those sources in unprecedented detail.

Cornell campaign reaches \$3 billion mark

Nov. 18, 2010 — Cornell has reached the \$3 billion mark in its university fundraising campaign. Campaign co-chairs Jan Rock Zubrow '77 and Stephen Ashley '62, MBA '64, announced the milestone Nov. 18 at “Cornell on the Charles,” an event attended by hundreds of Boston-area Cornellians. The record-breaking amount has been raised by only a handful of other universities. Since launching the \$4 billion campaign in 2006, Cornell has significantly increased its financial aid program for students as part of its commitment to need-blind admissions, established new professorships throughout its colleges and units, created funds to assist the graduate and professional schools and raised support for new medical institutes and professorships at Weill Cornell Medical College.

Sustainability

Cornell helps upstate cities plan green futures

Sept. 2, 2010 — Cornell faculty and students are working with the cities of Utica and Binghamton, N.Y., to promote green practices in their urban renewal plans

and create a model for viable sustainable growth in other cities. Rust to Green New York State, based in Cornell’s Department of Landscape Architecture, has been developing partnerships and networks within each city, while collecting data and disseminating information on how to grow resilient, vibrant, sustainable communities for the 21st century. “I want to make Utica one of the greenest cities in upstate New York, and our affiliation with Cornell University is going to do that,” said Mayor David Roefaro. The Rust to Green project is targeting the needs and potentials of seven upstate cities, including Buffalo, Rochester, Syracuse, Albany and Schenectady. Utica is “redesigning streets and infrastructure to address water quality, looking at land use in the city and remediation strategies for urban land” such as gardens for locally grown food, said Paula Horrigan, professor of landscape architecture. “We’re positioning the city to be very responsive to this process,” she said. “A lot of things have branched out from this initial concept into a network of ideas and projects.”

Cornell receives award for leadership in sustainability

Oct. 19, 2010 — Cornell was one of 12 colleges and universities to receive the Climate Leadership Award for Institutional Excellence in Climate Leadership, the first annual award from Second Nature, an organization that advocates sustainability in higher education. Kyu-Jung Whang, vice president for facilities services, accepted the award Oct. 12 at the fourth annual American College and University Presidents’ Climate Commitment Summit in Denver. The award cites sustainability-related efforts across campus including the new combined heat and power plant and plans to eliminate on-site coal combustion by July 2011; the formation of the President’s Sustainable Campus Committee; the allocation of more than \$6 million toward campus energy conservation projects for 2010-11; and active research through the Cornell Center for a Sustainable Future.

Cornell energy plant receives EPA award

Feb. 8, 2011 — Cornell has received a 2011 ENERGY STAR CHP (combined heat and power) Award from the Environmental Protection Agency for the campus’s highly efficient CHP system, which has been operating since December 2009. “Through the recovery of otherwise-wasted heat to produce steam for space heating and other campus uses, Cornell has demonstrated exceptional leadership in energy use and management,” the award states. “With an operating efficiency of nearly



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79 percent, the CHP system requires approximately 29 percent less fuel than the separate production of thermal energy and electricity. Based on this comparison, the CHP system prevents an estimated 89,300 tons per year of CO₂ emissions, equivalent to the emissions from more than 15,500 passenger vehicles." By generating electricity onsite for campus use, the citation notes, the system displaces grid-supplied power, increasing the reliability of the campus's energy supply while reducing demands on existing transmission and distribution infrastructure. The ENERGY STAR CHP award recognizes highly efficient CHP systems that reduce emissions and use at least 5 percent less fuel than comparable, state-of-the-art, separate heat and power generation. The EPA presented seven such awards in 2010.

Last lumps of coal head for energy plant

March 22, 2011 — Robert Bland called it "the end of an era" as facilities workers cleaned up what was left of Cornell's coal pile, the site where up to 15,000 tons of coal at a time were stored, waiting to fire boilers at the university's Central Energy Plant off Maple Avenue. Bland, senior director of Cornell's Department of Energy and Sustainability, and Tim Peer, energy plant manager, presided over an informal work party March 21, marking the success of the university's "Beyond Coal" initiative as Central Energy Plant employees scooped and shoveled the last truckload or two of coal off the outdoor site and into the plant. Cornell used to burn 65,000 tons of coal each year (though the amount had come down to less than 10 percent of that in recent years); on an average winter day, it would have been typical for the plant to burn 250-300 tons of coal. Once the last lumps of coal are burned at the plant this week, the coal-fired boilers will shut down and be decommissioned, Peer said. The coal plant is being replaced with Cornell's new 30-megawatt combined heat and power co-generation facility, which burns natural gas to generate electricity and heat. Hot exhaust from the gas burned to create electricity is used to produce steam for heating the campus.

Faculty achievements

Michal Lipson wins MacArthur 'Genius Award'

Sept. 28, 2010 — The John D. and Catherine T. MacArthur Foundation has named Michal Lipson, Cornell associate professor of electrical and computer engineering, one of 23 MacArthur Fellows for 2010, the

so-called "Genius Awards," which include \$500,000 in no-strings-attached support over the next five years. "I was completely stunned when they notified me," Lipson said. "It was very dramatic. They said, 'Are you sitting down?'" Lipson is a pioneer in the development of photonic circuits, in which beams of light flitting through tiny waveguides on a silicon chip replace electric currents. The MacArthur Foundation cites her as one of the first to work with such circuits on a silicon base, where they can be manufactured with the same technologies used to make electronic microchips. She demonstrated methods to guide, filter, bend and split light on silicon chips at much smaller dimensions than attained by previous researchers, offering the promise of photonic circuits as small as current electronic chips. "Michal Lipson's scientific rigor, coupled with her creative vision, has made her a pioneer in nanoscale photonics," said Provost Kent Fuchs. "We are very proud of all her achievements and delighted that the MacArthur Foundation has recognized her in this way."

Drs. Skorton, Fins elected to Institute of Medicine

Oct. 11, 2010 — Dr. David J. Skorton, president of Cornell, and Dr. Joseph J. Fins, chief of the Division of Medical Ethics at Weill Cornell Medical College, have been elected to the Institute of Medicine (IOM) of the National Academies. IOM membership is considered one of the highest honors in the fields of health and medicine. Announced Oct. 11 at the IOM's annual meeting in Washington, D.C., Skorton and Fins are among 65 new members and four foreign associates elected this year. "Each of these new members stands out as a professional whose research, knowledge and skills have significantly advanced health and medicine and who has served as a model for others," said IOM President Harvey Fineberg. "I am deeply honored to be a part of the Institute of Medicine, with its timely and critical focus on evidence-based advice to the nation on health and health care," said Skorton, also a professor of medicine and medicine in pediatrics at Weill Cornell and professor of biomedical engineering in the College of Engineering. "To be able to recognize at the same time the election of Dr. Joseph Fins, an esteemed colleague and friend at Weill Cornell Medical College, makes this a double honor."

Four Cornell faculty members elected AAAS fellows

Jan. 24, 2011 — Four Cornell faculty members have been elected fellows of the American Association for the Advancement of Science (AAAS), the world's largest

general scientific society and publisher of the journal *Science*:

- Steven Ealick, the William T. Miller Professor of Chemistry and Chemical Biology, uses X-ray crystallography to study the three-dimensional structures of proteins. The structural information is used for drug design, protein engineering, to understand catalytic mechanisms and to explore protein evolution.

- Thomas Fox, professor of genetics and a member of the graduate fields of genetics and development and of biochemistry, molecular and cell biology, joined Cornell in 1981 and specializes in mitochondrial molecular genetics and metabolism.

- Kent Fuchs, Cornell provost and professor of electrical and computer engineering, was recognized for his contributions to the field of computer engineering. His research interests include dependable computing and failure diagnosis of integrated circuits.

- Bruce Ganem, the Franz and Elisabeth Roessler Professor of Chemistry and Chemical Biology and the J. Thomas Clark Professor of Entrepreneurship and Personal Enterprise, joined the Cornell faculty in 1974 and specializes in synthetic organic chemistry.

Schneider elected to National Academy of Engineering

Feb. 9, 2011 — Fred Schneider, the Samuel B. Eckert Professor of Computer Science, has been elected to the National Academy of Engineering, among the highest professional distinctions accorded to an engineer. Academy membership honors those who have made outstanding contributions to “engineering research, practice or education, including, where appropriate, significant contributions to the engineering literature,” and to the “pioneering of new and developing fields of technology, making major advancements in traditional fields of engineering, or developing/implementing innovative approaches to engineering education.” In its announcement, the academy cited Schneider for his contributions to the design of trustworthy and secure computer systems. He is chief scientist of the National Science Foundation-funded TRUST Science and Technology Center, a collaboration involving researchers at five universities, including Cornell.

Hunter Rawlings named president of AAU

March 21, 2011 — Cornell President Emeritus Hunter R. Rawlings III has been named president of the Association of American Universities (AAU), effective June 1. He will succeed Robert M. Berdahl, who has

served as AAU president since 2006. Cornell’s president from 1995-2003, as well as interim president in 2005-06, Rawlings is a distinguished classicist. He will take the helm of the prestigious nonprofit organization of 63 leading public and private research universities in the United States and Canada. The organization works to advance issues ranging from research funding and policy to graduate and undergraduate education. “I feel enormously privileged and honored to have the opportunity to lead the [AAU], a great collection of research universities—in fact the best in the world and a remarkable national asset,” Rawlings said. “This is a challenging time in Washington, and it will be a demanding position. But, I look forward to serving these great universities at a time like this when education is more important than ever.”

Alice Fulton wins American Academy literature award

March 29, 2011 — Alice Fulton, M.F.A. '82, the Ann S. Bowers Professor of English at Cornell, is one of eight recipients of a 2011 American Academy of Arts and Letters Award in Literature. The \$7,500 award honors exceptional accomplishment in any genre. The awards honor established and emerging writers of fiction, nonfiction, poetry and drama. The winners were announced March 22 by the academy. “To be honored by such an eminent group of artists, musicians and writers means more than I can say,” Fulton said. “Given the current cultural emphasis on science and technology, there’s a real need for more awards like this one so that those in the arts and humanities can receive crucial encouragement at all stages of their careers.” Fulton is the author of eight books including the poetry collections *Felt* (2001), which received the Library of Congress’ prestigious Rebekah Johnson Bobbitt Poetry Prize, and *Cascade Experiment* (2004); a book of essays, *Feeling as a Foreign Language: The Good Strangeness of Poetry* (1999); and a collection of linked short stories, *The Nightingales of Troy: Stories of One Family’s Century* (2008).

Research

Balloon filled with ground coffee makes ideal robotic gripper

Oct. 25, 2010 — The human hand is an amazing machine that can pick up, move and place objects easily, but for a robot, this “gripping” mechanism is a vexing challenge. Opting for simple elegance,



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researchers from Cornell, the University of Chicago and iRobot Corp. have created a versatile gripper using everyday ground coffee and a latex party balloon, bypassing traditional designs based on the human hand and fingers. They call it a universal gripper, as it conforms to the object it's grabbing, rather than being designed for particular objects, said Hod Lipson, associate professor of mechanical engineering and computer science. The research is a collaboration between the groups of Lipson, Heinrich Jaeger at the University of Chicago, and Chris Jones at iRobot. It is published online Oct. 25 in Proceedings of the National Academy of Sciences. "This is one of the closest things we've ever done that could be on the market tomorrow," Lipson said. He noted that the universality of the gripper makes future applications seemingly limitless, from the military using it to dismantle explosive devices or to move potentially dangerous objects, robotic arms in factories, on the feet of a robot that could walk on walls, or on prosthetic limbs.

NSF grants \$109 million for accelerator physics

Sept. 29, 2010 — In a major boost for X-ray science and accelerator physics, the National Science Foundation (NSF) has committed about \$109 million to Cornell's continued operation of an X-ray synchrotron facility, as well as to develop a new kind of X-ray source that promises to revolutionize the field. The Cornell High Energy Synchrotron Source (CHESS), one of five national facilities for synchrotron X-ray research in the U.S., has received \$77 million from the NSF to continue operations through at least March 2014. This complements an additional \$7 million from the National Institutes of Health to provide support for biomedical research at CHESS. In addition, the NSF has also awarded Cornell \$32 million toward research and development of a next-generation X-ray source technology, called an Energy Recovery Linac. CHESS produces intense X-ray beams that serve an international community of researchers from academia, government and industry, in such fields as medicine, materials science, physics, engineering, chemistry and the humanities. The Cornell synchrotron activity is also among the world's most prolific training centers of accelerator- and X-ray-based scientists.

Grant from NFL funds spinal disc research

Dec. 22, 2010 — Scientists from Cornell and Weill Cornell Medical College have been awarded \$100,000 by NFL Charities, the charitable foundation of the National Football League owners, to research tissue engineering for spinal injuries. The research aims to create a living, bioengineered intervertebral disc (IVD) that can be implanted into patients with degenerated discs, either due to injury or chronic wearing with age. "We hope to create a living implant that is able to grow, adapt and integrate into the spine in order to completely repair the injury and restore function to the spine," said Larry Bonassar, principal investigator of the study and associate professor of biomedical engineering and mechanical and aerospace engineering. Bonassar and his lab are constructing engineered IVDs from sheep tissue and cells, molded into the shape and structure of naturally found discs. The IVDs consist of an inner nucleus surrounded by an outer annulus. The scientists grow the cells, which mature and multiply on a natural mold, to re-create a fully functional, implantable disc.

'Cornell Dots' get first trial in humans

Jan. 31, 2011 — "Cornell Dots" – brightly glowing nanoparticles – may soon be used to light up cancer cells to aid in diagnosing and treating cancer. The U.S. Food and Drug Administration (FDA) has approved the first clinical trial in humans of the new technology. It is the first time the FDA has approved using an inorganic material in the same fashion as a drug in humans. "The FDA approval finally puts a federal approval stamp on all the assumptions we have been working under for years. This is really, really nice," said Ulrich Wiesner, the Spencer T. Olin Professor of Materials Science and Engineering, who has devoted eight years of research to developing the nanoparticles. "Cancer is a terrible disease, and my family has a long history of it. I, thus, have a particular personal motivation to work in this area." The trial with five melanoma patients at Memorial Sloan-Kettering Cancer Center (MSKCC) in New York City will seek to verify that the dots, also known as C dots, are safe and effective in humans, and to provide data to guide future applications. "This is the first product of its kind. We want to make sure it does what we expect it to do," said Michelle Bradbury, M.D., radiologist at MSKCC and assistant professor of radiology at Weill Cornell Medical College.

Alumni news

Jane Lynch, 3 other Cornellians win at Emmys

Aug. 30, 2010 — Four Cornellians, including *Glee* star Jane Lynch, M.F.A. '84, were among the winners at the 2010 Emmy Awards, held Aug. 21 and 29 in Los Angeles. Lynch, who studied theater at Cornell, won the Emmy for Outstanding Supporting Actress for her role as cheerleading coach Sue Sylvester on the Fox series. Brent "Bucky" Gunts '72, director of the Vancouver 2010 Olympic Winter Games Opening Ceremony for NBC, won his fourth Primetime Emmy, for Outstanding Directing for a Variety, Music or Comedy Special. Gunts earned a degree in economics from the College of Arts and Sciences; he also played lacrosse for Cornell from 1970 to 1972 and helped the Big Red win an NCAA championship. Scott Ferguson '82 produced two multiple-Emmy-winning HBO films. Ferguson collected a statue Aug. 29 for *Temple Grandin*, which won five awards, including Outstanding Made for Television Movie. Ferguson's other HBO project, *You Don't Know Jack*, about Dr. Jack Kevorkian, won Emmys for actor Al Pacino and writer Alan Mazer. Marco Recuay '03 received his first Emmy Award for Visual Effects in a Miniseries or Movie, for his work on HBO's *The Pacific* at the Creative Arts Emmy Awards ceremony held Aug. 21. The 10-part series about World War II also won an Emmy for Outstanding Miniseries at the Primetime Emmys.

Two alumnae make Forbes list of 'most powerful women'

Oct. 8, 2010 — In its October 2010 issue, Forbes magazine has named Irene Rosenfeld '75, M.S. '77, Ph.D. '80, CEO and chairman of Kraft Foods, the second most powerful woman in the world (after Michelle Obama and just ahead of Oprah Winfrey). Supreme Court Justice Ruth Bader Ginsburg '54 is on the list at No. 31. A Cornell trustee, Rosenfeld's undergraduate degree is in psychology; her advanced degrees are in marketing and statistics from the Johnson School. Below her on the list of 100 women are Hillary Clinton at No. 5 and Lady Gaga at No. 7, trailed by Beyonce (9), Ellen DeGeneres (10), Nancy Pelosi (11) and Sarah Palin (16).

Alumnae U.S. Rep. Gabrielle Giffords, Susan Hileman shot

Jan. 9, 2011 — Two Cornell alumnae—U.S. Rep. Gabrielle Giffords and Susan Hileman '73—were shot and seriously wounded, six people were killed, and more than a dozen others were wounded Jan. 8 when a gunman opened fire outside a grocery store in Tucson as Giffords met with constituents. Jared Lee Loughner was arrested in the shooting. Giffords earned a master's degree in regional planning from the College of Architecture, Art and Planning in 1997 and serves on the President's Council of Cornell Women. Hileman, a graduate of the College of Human Ecology, is a retired social worker and active Cornell volunteer.

'The King's Speech' started at CU, says alumnus

April 13 2011 — The award-winning film *The King's Speech* has its roots at Cornell, said David Seidler '59, who addressed an audience before and after a showing of the film April 12 in Willard Straight Theatre. "Right here at Cornell was the beginning," said Seidler, who coped with stuttering as an adolescent. "When I was a student, I always thought vaguely about doing something about Bertie [King George VI], because he was a childhood hero." *The King's Speech* dramatizes how speech therapist Lionel Logue helped the king overcome his stutter, with the threat of a world war looming around the corner. Seidler, who won the Oscar for Best Original Screenplay for the film, said his parents would encourage him to listen to speeches that King George VI gave, because the king gave "wonderful, moving speeches that were uniting the free world," despite his stutter. "As I grew up a little bit, I vowed I would do something about Bertie, and it was at Cornell, probably during my sophomore or junior year, that I started reading about Bertie," said Seidler.

Big Red Athletic Teams

Two books highlight historic 2010 sports year

Nov. 3, 2010 — Two new commemorative books on Cornell's historic 2010 year in sports are now available; proceeds from the sale of the books will benefit Cornell athletics. The first book, *A Blueprint For Success: Cornell Men's Basketball 2009-10*, commemorates the





2009-10 Cornell men's basketball team winning its third straight Ivy League Championship and setting a record for most wins in one season by an Ivy League team. The team was the first Cornell team to win a game in the NCAA Tournament and to make it to the Sweet 16. The team made national headlines and earned the respect and admiration of college basketball fans and experts in the process. The second book, *Making History, March 18-21, 2010: The Greatest Cornell Sports Weekend Ever!* highlights the record-setting performances and game-changing moments for four Cornell winter sports teams—wrestling, men's basketball and men's and women's hockey—and goes behind the scenes to capture the passion and emotion surrounding these historic victories. Both books are published by Ithaca-based MomentumMedia and myTEAMBOOK.net, in conjunction with the Cornell Department of Athletics.

Wrestling, women's hockey, polo teams bask in national spotlight

The Big Red wrestlers finished second at the NCAA tournament in March, claiming its ninth straight Ivy title and winning EIWA's for the fifth consecutive season. Kyle Dake moved up a weight class to 149 pounds and won his second straight NCAA title. The team boasted five All-Americans: Dake, Cam Simaz, Mack Lewnes, Steve Bosak and Mike Grey.

The Cornell women's hockey team's magical season came to an end March 18 as the Big Red fell to Boston University in the national semifinals, 4-1, in Erie, Pa. With the loss, Cornell's season ended with a 31-3-1 overall record, setting a Cornell hockey record for most wins in a season. The team won back-to-back ECAC Hockey and Ivy League championships and had consecutive Frozen Four appearances.

A third chukker scoring flurry by the Cornell women's polo team sealed an unbeaten season, giving the Big Red the 13th national title in program history with an 18-10 triumph over the University of Virginia on April 23 at the Oxley Equestrian Center. Cornell ended the season undefeated, at 21-0.

The men's polo team fell in the national title game to the University of Virginia, 28-14, April 23. The Big Red's season ended with a 15-5 record.

Worth Noting

Robert Harrison elected next chair of Cornell's board

March 11, 2011 — Robert S. Harrison, a 1976 Cornell graduate and chief executive officer of the Clinton Global Initiative, was unanimously elected chair of the Cornell University Board of Trustees at its March 11 meeting in Ithaca. Harrison is a former student trustee, a Rhodes scholar, a lawyer and a retired managing director of The Goldman Sachs Group. Harrison's two-and-a-half-year term begins Jan. 1, 2012, when he will succeed Peter C. Meinig '61. The board also approved a six-month extension of Meinig's term as chair to the end of the year. President David Skorton called Harrison "an enormously capable leader whose expertise and mentorship have been invaluable to me personally and to Cornell." Skorton also thanked Meinig for his tireless two terms of service as chair and for the critical work yet to be done this year under his leadership.

Famed golf course designer's papers come to Cornell

Dec. 7, 2010 — Cornell University Library will offer scholars access to 70 years' worth of the collected plans and papers of Robert Trent Jones '30, who trained at Cornell to become one of the world's leading golf course designers. Born in England in 1906 and raised in East Rochester, N.Y., Jones was a skilled golfer as a youth. Entering the College of Agriculture in 1928, he designed his own course of study to prepare for his chosen career, with classes in landscape architecture, horticulture, surveying, agronomy and art. As a student, Jones designed the back nine of the university's golf course, between Warren and Pleasant Grove Roads. He completed the Robert Trent Jones Golf Course, which opened in 1941, in 1954. The collection was donated to Cornell in April 2009 by Jones' sons, Rees and Robert Jr., also golf course designers.

CU recognized as 'institution of community engagement'

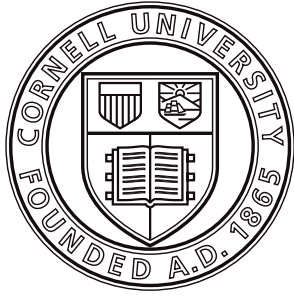
Jan. 5, 2011 — Cornell University has scores of programs that do everything from helping children avoid burns to educating men in prisons and supporting the sustainability of small farms. For its community engagement, the university has earned the nation's top recognition. The Carnegie Foundation for the Advancement of Teaching—whose classifications of

colleges and universities are considered the country's gold standard—has designated Cornell an “institution of community engagement,” Carnegie announced Jan. 5. Cornell is now one of only 311 U.S. colleges and universities to receive this classification. Vice President for Student and Academic Services Susan Murphy and Senior Vice Provost Ronald Seeber were the executive sponsors for the application to Carnegie. “In these times, community engagement is more important than ever,” Seeber said. “In the 21st century, it is essential for a university or college to demonstrate its value to society through its interactions with the communities its students and faculty members are trying to learn about and serve.”

Means Restriction

CU submits applications for nets under, on bridges

May 31, 2011 — Cornell University submitted site plan applications May 31 with Ithaca's planning department to install nets underneath six bridges on and adjacent to the Cornell campus. Cornell also has applied to replace the metal bars now lining a seventh bridge, the Suspension Bridge connecting Fall Creek Drive and University Avenue, with vertical nets. On all the bridges, the nets would be made of low-visibility tensile steel mesh. “We've taken care to submit designs that will preserve the aesthetic value of the bridges and vistas,” said Susan Murphy, vice president for student and academic services. “We believe the designs also will make vulnerable members of our community feel safer and reduce the incidence of a highly lethal and potentially contagious form of suicide.” If the Planning and Development Board approves the site plans, the proposed nets would replace the temporary fences now on the Cornell-owned bridges. The city's Common Council will decide whether the nets should be installed on city-owned bridges; its decision is unlikely before fall 2011.



Cornell University 2010-2011 Financial Report

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MESSAGE FROM THE VICE PRESIDENT FOR FINANCE AND CHIEF FINANCIAL OFFICER

In last year's financial report, I predicted ongoing challenges in fiscal year 2011 that would require continued innovation at all levels. The persistent volatility of financial markets and resulting reduced resources has required that we work even harder to maintain and build upon our world-class status. This year, thanks to the actions of our conscientious faculty, staff, and students, we have been largely successful in these efforts.

In fiscal year 2011, I am pleased to report that the University's financial position continued its upward trend, increasing net assets by \$814 million. This is mainly a result of our investment returns. We continue to be on target with our cost-reduction initiatives and remain strong in student demand, research and other revenue sources.

The total enrollment in fall 2010 was 22,024, up 7 percent from 20,198 five years ago, making Cornell one of the largest of the Ivy League institutions. During those same five years, Cornell has become more selective, with a mere 18 percent acceptance rate for fall 2010 freshman applicants, compared to 25 percent in the fall of 2006. The matriculation rate has remained stable during this time, at an average of 48 percent, consistent with other highly competitive peers. The number of freshman applications to Cornell increased a significant 29 percent to an institutional peak of 36,338 for fall 2010, up from 28,098 in the fall of 2006.

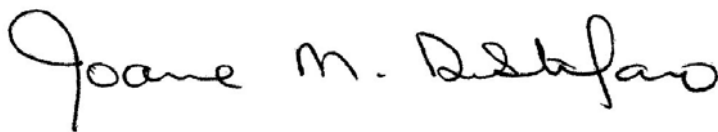
Students and their families have been affected by the economic times; over the past year we saw a resulting 12 percent increase in undergraduate student financial need. Even with this increase, the university remains unfaltering in its commitment to a need-blind admission policy.

The University continues to engage in a high level of sponsored research, bringing in over \$600 million in grants and contracts (including indirect cost recoveries) in fiscal year 2011, over 20 percent of the University's total operating revenues. These statistics are significant because it is largely due to our research programs that we are able to attract outstanding faculty members, enhancing the educational experience for both undergraduate and graduate students.

Operating costs at Cornell are less reliant than other highly endowed institutions on endowment (only 10.4 percent of the University's operating costs were funded from its endowment in fiscal year 2011), mostly due to its large operating budget and revenue diversity. The market value of Cornell's investments is \$6.3 billion as of June 30, 2011. The University had initially planned to reduce its endowment payout from fiscal year 2010 through fiscal year 2012, but decided instead, due to market recovery during the course of this year, to keep the payout flat for fiscal year 2012. University revenues have tripled in the past 20 years, with gross tuition and fees being the largest component of total operating revenue, at 27 percent. The largest growth area has been the Physician Organization, which now makes up 20 percent of the University's total operating revenue (compared to 14 percent in fiscal year 1991). At the same time, state and federal appropriations have gone from 13 percent of total revenue in fiscal year 1991 to only 5.5 percent today.

Cornell has a history of strong fundraising, with an estimated participation rate of 40 percent of its substantial alumni base of approximately 220,000 individuals. In fiscal year 2011 the university received \$340.9 million in contributions. As of fiscal year-end 2011, Cornell had approximately \$1.9 million of bonds and notes outstanding, including \$137.5 million of outstanding commercial paper as well as \$500 million in taxable notes issued in 2009. Management expects to retire \$250 million of this taxable debt upon its 2014 maturity. Our debt portfolio is currently 20 percent variable rate and 80 percent fixed rate.

Maintaining the fiscal rebalancing course we have set is difficult, given the continued economic truths. The challenges ahead of us remain great. But I am confident that through continued careful stewardship of its resources, Cornell University will remain a preeminent research university with world-class faculty and staff, serving the most outstanding students without regard to financial status.



Joanne M. DeStefano
Vice President for Finance and Chief Financial Officer

OVERVIEW

The University continues to focus its attention and resources on important strategic initiatives such as faculty renewal. At the same time, the University is strongly committed to the ultimate goal of managing resources so that operating revenues cover or exceed operating expenses.

Because an initial review of the University's current year operating loss of \$18.9 million might raise concerns, it is important to highlight that this year's operating loss was affected by several one-time factors that merit explanation and understanding. However, one-time factors are not structural problems that invite realignment decisions. Therefore, except for a brief description of these factors, this narrative will focus primarily on variances in specific line items on the Statement of Activities (i.e., income statement) and the Statement of Financial Position (i.e., balance sheet).

For the prior fiscal year, operating revenues included a one-time sum of \$95.7 million, primarily related to a litigation settlement and to certain New York State grants for major projects effectively completed in the prior year. In addition,

"The focus on both efficiency and effectiveness is important for achieving the general goal that operating revenues should cover or exceed operating expenses, and perhaps even more critical in an uncertain economy."

there were one-time operating expenses recorded in the current year at the Weill Cornell Medical College, totaling \$57.0 million, which were related to "catch up" depreciation for changes in useful lives, component depreciation based on shorter useful lives, increases to the bad debt reserves, and other one-time adjustments resulting from intensive reviews of certain accounts. These one-time events, in combination, account for a \$152.7 million change from the prior year's net operating income of \$133.8 million to the current year's net operating loss of \$18.9 million.

It is important to highlight that the University's total net income, which consists of operating income and non-operating income, increased by 30.4 percent from \$624.4 million for fiscal year 2010 to \$814.0 million for fiscal year 2011. This increase is based primarily on the increase in both realized and unrealized gains in the investment portfolio. The University's overall net worth increased by over 12.2 percent, also based primarily on the increase in the fair market value of its investment assets, measured as of June 30, 2011. But it is, perhaps, important to note that economic experts continue to remind us to be cautious about the near

future, citing a lack of strong economic indicators that would presage a return to economic growth.

NEW STANDARDS, EMERGING ISSUES, AND INITIATIVES

New Standards and the Regulatory Environment

In the current fiscal year, the Financial Accounting Standards Board (FASB) issued new requirements that, although not affecting the University's earnings, require enhanced footnote disclosure for the University's student loan receivables (Note 2C) and additional information on the disaggregation of asset classes of investments (Note 3A) and benefit plan assets (Note 6F).

In addition, the classification of net assets was significantly impacted by New York State's enacted version of the Uniform Prudent Management of Institutional Funds Act (NYPMIFA), signed by the governor on September 17, 2010. As a result of NYPMIFA and guidance by the FASB, the University reclassified its accumulated unrealized gain on the permanent endowment at July 1, 2010 from unrestricted net assets to temporarily restricted net assets. This created a cumulative adjustment of approximately \$1.1 billion, as disclosed on the income statement (Line 33). Although the reclassification has no impact on overall net assets, it does impact unrestricted net assets. But bond rating agencies have indicated that this reclassification does not affect their evaluation of credit worthiness because agencies focus on expendable resources, which comprise both unrestricted and temporarily restricted net assets.

Emerging Issues and Initiatives

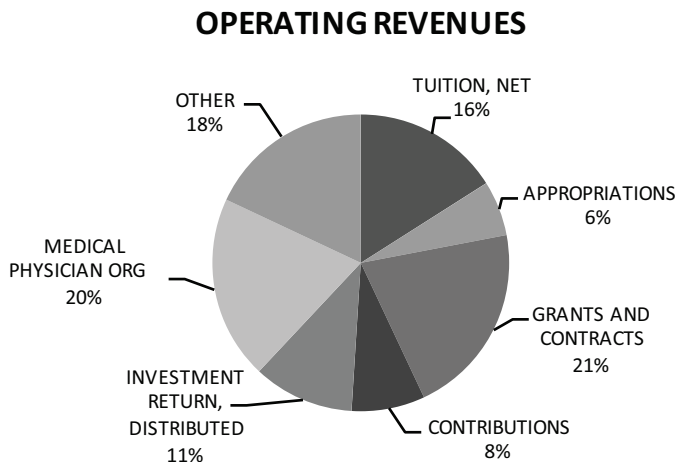
We expect the FASB to issue guidance in the near future that will require recording of operating leases on the balance sheet. The University currently discloses its future estimated lease payments by years and amounts (Note 9). If the FASB requires the change, the amount recorded will differ significantly from amounts disclosed in Note 9, primarily because of net present value calculations.

The University continues to implement its "reimagining" initiatives to help ensure effective and efficient administrative operations, particularly in the areas of financial transaction processing services, IT services, and facilities services. The focus on both efficiency and effectiveness is important for achieving the general goal that operating revenues should cover or exceed operating expenses, and perhaps even more critical in an uncertain economy.

FINANCIAL YEAR IN REVIEW

Operating Revenues

Total operating revenues increased by less than 1 percent for fiscal year 2011. The pie chart below reflects each component of operating revenue as a percentage of total revenue for this fiscal year.



Net tuition revenue consists of gross tuition charges less the scholarship allowance. Net revenues were \$481.1 million for fiscal year-ended June 30, 2011 compared to \$461.5 million for the prior fiscal year. Although gross tuition revenue increased by 6.2 percent, the scholarship allowance, an offset to gross tuition revenue, increased by 9.4 percent, resulting in an overall 4.2 percent increase for net tuition revenue.

Financial aid for tuition and mandatory fees must be reflected on the statement of activities as an offset to revenue, not as an operating expense. The University, however, also provides financial aid for living expenses, such as dormitory fees or meal plans, and these expenses are recorded in the supplies and general expense category, not the scholarship allowance category. The dollar amount of this additional financial aid was \$41.8 million for this fiscal year and \$40.6 million for the prior fiscal year, as disclosed in Note 10. It is sometimes difficult to correlate information disclosed in a footnote to a conceptual category such as financial aid and we are, therefore, summarizing information to aid the reader. Total grant aid for fiscal year 2011 was \$348.6 million (i.e., scholarship allowance of \$306.8 million and living expenses of \$41.8 million) compared to \$320.9 million for the prior fiscal year. In short, the University increased its overall aid by \$27.7 million, or 8.6 percent, excluding loans and student wages. Student wages, included in compensation and benefit expense, were \$77.6 million for the current fiscal year and \$76.5 million for the prior year.

State and federal appropriations continue to decline, with a 7.1 percent decline for the current fiscal year. Total appropriations for operations were \$164.0 million for fiscal year-ended June 30, 2011 and consisted of support from the state of \$146.0 million and from the federal

government of \$18.0 million. For the prior year, total appropriations were \$176.6 million, with \$159.5 million from the state and \$17.1 million from the federal government. We anticipate a continuation of this decline because government budgets are severely constrained.

Total grant and contract revenue (i.e., direct revenue plus indirect cost recoveries) declined by \$56.4 million. Because this revenue is exceedingly important for the University’s research, teaching, and public outreach missions and because this is the first year in at least five that there has been a decline, the variance requires careful review. Direct support declined by \$70.2 million but was offset by an increase in indirect cost recoveries of \$13.8 million. The net decrease in total revenue is the result of reductions in ARRA funding of approximately \$4.0 million, reductions in funding by private entities of \$17.4 million and reductions of \$18.7 million because of the completion in the prior year of certain major New York funded capital projects. The remaining reductions of \$16.3 million relate primarily to New York State funding.

Some readers are confused when they compare the “Highlights” section in the University’s annual report to the income statement. It is important to note that the income statement reports grant and contract revenue for instruction and public service as well as research. The Highlights section reports only expenditures, not revenues, and only in the area of research, not instruction or public service.

Revenues for the Physician Organization increased by \$20.4 million, or 3.7 percent, compared to a 10.5 percent growth in the prior fiscal year. The decline in the rate of growth was expected, corresponding to the maturation of certain departments’ strategic initiatives.

LONG-TERM INVESTMENT POOL

Source and applications (in millions)

- Beginning market value
- Gifts and other additions
- Withdrawals
- Realized and unrealized gain/(loss)
- Ending market value

Unit value at year-end (in dollars)

Contributions for operations from the University's donors were \$230.7 million for this fiscal year compared to \$189.9 million for the prior fiscal year—a significant increase. But contributions for endowments and capital projects, in the non-operating section of the statement of activities, were \$109.3 million compared to \$253.6 million for the prior fiscal year—a significant decrease. Total contributions for operations, endowment, and plant (i.e., operating and non-operating revenue) were \$340.0 million for this fiscal year. This represents approximately 9.0 percent of total operating and non-operating revenues, and again attests to the importance and commitment of the University's donors. Gift revenue, reported in the "Highlights" of the annual report, excludes pledges and, primarily for that reason, the amounts differ from the total of operating and non-operating contributions on the income statement.

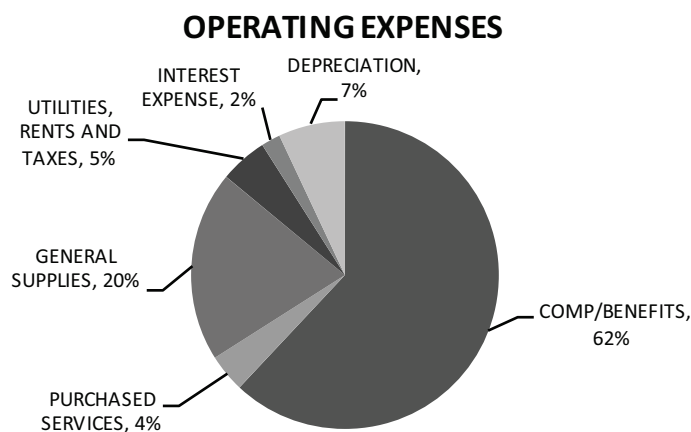
Investment return distributed increased by \$5.7 million to \$310.4 million. The payout for this fiscal year was \$2.20 per share compared to \$2.55 for the prior year. But other factors also affect total revenue, including management and stewardship fees, a component of investment return distributed.

There was no significant change in the revenue from auxiliary enterprises, which consists primarily of revenue from dormitory and meal plan fees, the Campus Store income, and income from other auxiliary operations. There was also no significant change in the revenue from educational activities and other sales and services. This category consists of many different activities including, but not limited to, revenues from non-sponsored agreements, royalty income, and miscellaneous fees including those from the New York Presbyterian Hospital.

Operating Expenses

Total operating expenses for the current fiscal year were \$3.0 billion, an increase of 6.1 percent from the prior year. Although we summarized in the Overview several one-time events contributing to the current year operating loss, it is also true that this 6.1 percent increase in operating expenses, when coupled with the less than 1.0 percent increase in operating revenues, affected the overall loss.

The pie chart below reflects each component of operating expenses as a percentage of total expenses for this fiscal year.



Compensation and benefits are 62 percent of total expenses for the current year and have been between 62 percent and 66 percent of total operating expenses over a five-year period. The \$72 million increase in compensation and benefits occurred primarily at the Weill Cornell Medical College: a \$30 million increase related to the salary improvement plan of 3 percent and the addition of many new employees;

2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
\$ 3,043.9	\$ 2,750.4	\$ 2,720.8	\$ 3,070.2	\$ 3,623.2	\$ 4,180.4	\$ 5,197.5	\$ 5,378.1	\$ 3,794.3	\$ 4,223.2
132.5	124.3	88.9	234.8	202.0	128.7	236.8	190.5	573.9	210.6
(110.5)	(128.1)	(116.4)	(37.1)	(33.7)	(125.1)	(130.1)	(340.9)	(578.7)	(286.9)
(315.5)	(25.8)	376.9	355.3	388.9	1013.5	73.9	(1433.4)	433.7	774.9
<u>\$ 2,750.4</u>	<u>\$ 2,720.8</u>	<u>\$ 3,070.2</u>	<u>\$ 3,623.2</u>	<u>\$ 4,180.4</u>	<u>\$ 5,197.5</u>	<u>\$ 5,378.1</u>	<u>\$ 3,794.3</u>	<u>\$ 4,223.2</u>	<u>\$ 4,921.8</u>
<u>\$ 44.95</u>	<u>\$ 42.65</u>	<u>\$ 46.51</u>	<u>\$ 50.11</u>	<u>\$ 55.42</u>	<u>\$ 66.62</u>	<u>\$ 65.37</u>	<u>\$ 45.12</u>	<u>\$ 47.38</u>	<u>\$ 53.58</u>

a \$20 million increase in supplemental compensation for physicians; and a \$9.4 million increase based on classifying the current portion of the pension and post-retirement medical benefit costs as an operating expense rather than a non-operating expense.

The \$9 million reduction in purchased services correlates to reductions in consulting fees at both the Weill and Ithaca campuses. The \$57 million increase in supplies and general consists of many factors: the Ithaca campus experienced a \$12.5 million increase related to subcontracts for international program initiatives, additional expenses for the synchrotron, and the energy and sustainability project; and there were additional expenses at the Weill Cornell Medical College of \$27 million for the expansion of programs in the Physician Organization, increased expenditures associated with support from the Qatar Foundation awards, expenditures associated with research consortium agreements, and an increase in information technology costs.

Interest expense for the fiscal year-ended June 30, 2011 was \$70.1 million compared to \$59.8 million for the prior year. The increase is directly related to the University's taxable

"Cornell's balance sheet continues to be strong. At June 30, 2011, net assets were \$7.5 billion compared to \$6.7 billion for the prior fiscal year, or a 12.2 percent increase."

and tax-exempt debt. In the prior year, certain debt was not outstanding for the full year. The total amount of interest paid, disclosed at the bottom of the cash flow statement, was \$93.9 million for the current fiscal year compared to \$67.6 million for the prior year. These amounts differ from the interest expense reported on the income statement primarily because of the requirement to capitalize interest as part of the cost of constructed assets that were financed with debt (i.e., buildings). The interest becomes a cost of the asset and is expensed over the life of the asset as depreciation.

Depreciation expense increased by \$35.6 million, of which \$12.5 million correlates to increased depreciation associated with projects recently capitalized. Approximately \$23.1 million results from additional "catch up" depreciation for a change in useful lives as well as "componentization" (i.e., using shorter useful lives for certain components of buildings).

Non-Operating Revenues and Expenses

The University receives New York State appropriations for capital projects that support the contract colleges. Unlike state support for operations, state funding for capital projects has been increasing. Current-year revenue is recognized only to the extent that expenditures have been incurred, which is the same recognition principle used for grant and contract revenue. Funding not yet expended is reported as deferred revenue on the balance sheet. Total state appropriations for capital projects for fiscal year 2011 were \$120

million; \$44.5 million was recognized in the non-operating section of the income statement and \$75.5 million was recognized as deferred revenue on the balance sheet. For the prior fiscal year, total state appropriations were \$64.5 million, of which \$25.8 million was recorded on the income statement as non-operating revenue and \$38.7 million was recorded on the balance sheet as deferred revenue. The significant increase in funding relates to the many capital projects under way for the contract colleges: Stocking Hall, Barton Hall, Martha Van Rensselaer Hall, and activity at the Geneva Experiment Station.

The University's donors continue to give generously for both the endowment and capital projects—total non-operating contributions were \$109.3 million. This is a decline from the prior year's contributions of \$253.5 million. The decline in the non-operating donations for endowment and capital is generally affected by the timing of major gifts and whether donors are supporting capital projects, true endowment, or current operations in any particular year.

The increased revenues for investment return net of amount distributed, split interest agreements, and the adjustment for pension and post-retirement revenue relate primarily to the increase in the fair market value of investments associated with these line items. The "income adjustment" for pension and post-retirement benefits is based primarily on the significant increase in fair market value of the plan assets as disclosed in the table in Note 6C. Although all of the benefit plans remain unfunded, there was a significant decrease in the "unfunded" portion for fiscal year 2011 and, therefore, the adjustment reflects \$40.2 million in income.

Non-operating "other" income for fiscal year 2011 is \$15.7 million compared to negative \$50.5 million for the prior fiscal year. The major component of the change is the fair market value adjustments on bond swaps.

Statement of Financial Position

Cornell's balance sheet continues to be strong. At June 30, 2011, net assets were \$7.5 billion compared to \$6.7 billion for the prior fiscal year, or a 12.2 percent increase. The most significant factor contributing to this increase is the fair market value of investments.

Assets

Cash and cash equivalents at June 30, 2011 and June 30, 2010 were \$146.1 million and \$100.1 million, respectively, or an increase of \$46.0 million from last year to this year. This increase relates to a \$19.9 million increase in cash equivalents (i.e., securities that, when purchased, have a maturity date of ninety days or less) and cash balances in central bank accounts due to timing.

In fiscal year 2009, the University decided to reduce and eventually eliminate the securities lending program, a goal fully achieved by June 30, 2011: both the assets and liabilities related to this program were zero at fiscal year-end.

Accounts receivable at June 30, 2011 was \$353.6 million compared to \$386.6 million at June 30, 2010. The various components of the receivable portfolio are disclosed in Note 2A. The overall decrease in the net receivables of \$33.0 million relates primarily to the decrease in the University's other receivables, grant and contract receivables, and patient receivables. The fluctuation in the receivable balances is primarily due to receipt of payment. However, the increase in the New York State receivable is due to the substantial rise in overall New York State funding, as described above.

Contributions receivable, referred to as pledges, was \$584.5 million at fiscal year-end compared to \$557.9 million for the prior fiscal year. The increase of \$26.6 million, or 4.8 percent, relates to new pledges of \$157.0 million, less payments on prior pledges of \$121.0 million, adjusted for the increase of \$9.4 million for the discount and reserve.

The value of the University's investment portfolio at June 30, 2011 was \$6.3 billion, representing a 12.7 percent increase over the prior year, due to exceptional returns, both realized and unrealized.

Land, buildings, and equipment constitutes approximately 30.0 percent of total assets. At June 30, 2011, the total land, buildings, and equipment, net of accumulated depreciation, was \$3.1 billion, an increase of approximately 3.0 percent from the prior year-end. The major projects that were capitalized in the current fiscal year were the Physical Sciences Building, major additions to Martha Van Rensselaer Hall, and the Energy Recovery Linear Accelerator at Wilson Lab.

Funds held in trust by others was \$112.0 million at fiscal year-end compared to \$97.3 million for the prior year. The increase consists of fair market value adjustments as well as \$5.3 million recognized for a new outside perpetual trust.

Liabilities

The University's total liabilities for fiscal-year-ended June 30, 2011 increased by less than 1 percent but, as the information on specific liabilities indicates, some obligations decreased significantly and others increased significantly.

Accounts payable and accrued expenses were \$367.2 million at fiscal year-end compared to \$421.4 million for the prior fiscal year—a decrease of \$54.2 million, or 12.9 percent. There was a decrease of \$43.7 million for the fair market value adjustment on debt swaps. Accounts payable decreased by \$10.5 million, primarily because the payable related to the aforementioned litigation settlement was fully paid in the current fiscal year.

Deferred revenue and other liabilities was \$294.0 million at June 30, 2010 compared to \$203.1 million at the end of the prior year. The increase of \$91.0 million represents a \$37.5 million increase in grant and contract deferred revenue, an increase in deferred revenue for the New York State support for capital projects of \$38.8 million, and an increase of \$14.6 million in deferred revenues recognized by the University's subsidiaries included in the consolidated financial statements.

The deferred benefit liability decreased by 3.6 percent from \$447.5 million for the prior fiscal year to \$431.6 million for the current fiscal year. Deferred benefits, as disclosed in the Table in Note 6A, includes post-employment benefits, pension and other post-retirement benefits, and other deferred benefits. The post-employment liability was \$24.0 million at June 30, 2011 compared to \$26.9 million at June 30, 2010. The major component of this liability is workers compensation claims accrued but not paid. Absent a significant increase or decrease in the number and/or nature of the claims, this liability does not change significantly from year to year.

Other deferred benefits was \$175.7 million at June 30, 2011 and \$161.5 million at the end of the prior year. The liability includes vacation accrual, medical claims incurred but not yet reported, and deferred compensation. The University maintains funds in the long-term investment pool for deferred compensation. As the value of these investments increases, the liability increases. The fair market value adjustment accounts for the \$14.2 million increase in this liability.

The total deferred benefit liability reflected on the balance sheet also includes post-retirement benefits for pension and post-retirement medical benefits. The liability for these benefit plans was \$231.9 million at fiscal year-end compared to \$259.0 million for the prior fiscal year. The decrease results

“...the University is well-prepared to meet the challenges of the competitive and ever-changing environment and to continue to deliver world renowned research, education, medical, and public services to a worldwide community.”

from an increase in the fair market value of plan assets in excess of the increase in the projected benefit obligations as disclosed on Note 6C.

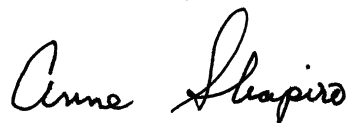
Note 6 is devoted almost entirely to the pension and post-retirement medical benefit plans. Because of the extensive information required to be disclosed, Note 6 is long. In addition, it is difficult, even for experienced accountants, to identify quickly the key components that affect the income statement and balance sheet for the current fiscal year. Therefore, I will seek to simplify the information: the total liability for post-retirement benefits must agree with the unfunded status at fiscal year-end. At June 30, 2011, the unfunded amount, as disclosed in Note 2C, was \$18.3 million for the pension plan and \$213.6 million for the post-retirement medical benefit plans, totaling \$231.9 million, (i.e., the amount reflected in Note 6A as the liability for the pension and post-retirement plans). This amount is one of the three components included in the total benefit liability on the balance sheet.

The current-year operating expense for the benefit plans of \$37.7 million is the sum of the net periodic benefit costs for both the pension and post-retirement medical benefit plans (Note 6D). This expense is not separately stated on the income statement, but included as part of the compensation and benefits expense. The non-operating income (expense), however, is separately stated on line 28 of the income statement. It represents the amount required to be recorded so that the fiscal year-end liability agrees with the unfunded status. For the current fiscal year, the amount is an income adjustment of \$40.2 million; the unfunded status decreased for the current fiscal year due primarily to the increase in the value of plan assets.

The increase in obligations under split-interest agreements and funds held in trust for others is directly related to the increase in the market value of the underlying investments. The small increase in the Bond and Note liability relates to increased liabilities in both taxable and nontaxable commercial paper net of the bonds that were fully paid in 2011.

Summary

Financial statements are stories told in numbers and a critical component in evaluating the financial strength of an organization. I identified one-time events so that these “outliers” were separately understood. The focus of this year’s financial review is, consistent with prior years, an analysis and explanation of fluctuations in certain line items on the income statement and balance sheet. It is designed to enhance the reader’s understanding of current year activities. The review also emphasizes that the University’s total net assets are over \$7.5 billion at June 30, 2011. It is this accumulated wealth that suggests that the University is well-prepared to meet the challenges of the competitive and ever-changing environment and to continue to deliver world renowned research, education, medical, and public services to a worldwide community.

A handwritten signature in black ink that reads "Anne Shapiro". The signature is written in a cursive, flowing style.

Anne Shapiro
University Controller

MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Cornell University is responsible for the preparation, integrity and fair presentation of the consolidated financial statements that have been prepared in conformity with generally accepted accounting principles and, as such, include amounts based on judgments and estimates by management. The University also prepared the other information in this annual report and is responsible for its accuracy and consistency with these consolidated financial statements.

The consolidated financial statements have been audited by the independent accounting firm PricewaterhouseCoopers LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of trustees. The University believes that all representations made to PricewaterhouseCoopers LLP during its audit were valid and appropriate. The independent auditors' report expresses an independent opinion on the fairness of presentation of these consolidated financial statements.

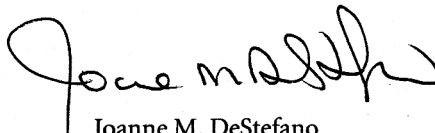
The University maintains a system of internal controls over financial reporting that is designed to provide reasonable assurance to the University's management and Board of Trustees regarding the preparation of reliable published financial statements. Such controls are maintained by the establishment and communication of accounting and financial policies and procedures, by the selection and training of qualified personnel, and by an internal audit program designed to identify internal control weaknesses in order to permit management to take appropriate, corrective action on a timely basis.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Furthermore, the effectiveness of the internal control system can change with circumstances.

The Board of Trustees of Cornell University, through its Audit Committee, is responsible for engaging independent accountants and meeting with management, internal auditors, and the independent accountants to ensure that all are carrying out their responsibilities. Both internal auditors and the independent accountants have full and free access to the Audit Committee.



David J. Skorton
President
Cornell University



Joanne M. DeStefano
Vice President for Finance
and Chief Financial Officer



Anne Shapiro
University Controller

Independent Auditors' Report

The Board of Trustees of Cornell University:

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of activities, and of cash flows, present fairly, in all material respects, the financial position of Cornell University ("the University") at June 30, 2011, and the changes in their net assets and their 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 University'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 Cornell University's June 30, 2010 financial statements, and in our report dated October 29, 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.

As discussed in Note 1P to the consolidated financial statements, the University changed the manner in which it classifies accumulated total investment returns within net assets as a result of the adoption of ASC 958, Not-for-Profit Entities (formerly FASB Staff Position No. 117-1).

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

September 27, 2011
Rochester, New York

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2011 (in thousands)

(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2010)

	2011	2010
Assets		
1 Cash and cash equivalents	\$ 146,070	\$ 100,168
2 Collateral for securities loaned	-	23,247
3 Accounts receivable, net (note 2-A)	353,568	386,554
4 Contributions receivable, net (note 2-B)	584,483	557,926
5 Inventories and prepaid expenses	47,727	48,556
6 Student loans receivable, net (note 2-C)	69,093	69,994
7 Investments (note 3)	6,348,227	5,633,184
8 Land, buildings, and equipment, net (note 4)	3,147,011	3,056,633
9 Funds held in trust by others (note 5)	112,035	97,270
10 Total assets	<u>\$ 10,808,214</u>	<u>\$ 9,973,532</u>
Liabilities		
11 Accounts payable and accrued expenses	\$ 367,160	\$ 421,385
12 Payable under securities loan agreements	-	25,685
13 Deferred revenue and other liabilities (note 8-D)	294,035	203,060
14 Obligations under split interest agreements (note 5)	114,077	108,703
15 Deferred benefits (note 6)	431,564	447,481
16 Funds held in trust for others (note 7)	111,153	92,325
17 Bonds and notes payable (note 8)	1,932,136	1,930,582
18 Government advances for student loans	47,094	47,353
19 Total liabilities	<u>3,297,219</u>	<u>3,276,574</u>
Net assets (note 11)		
20 Unrestricted	2,751,527	3,508,534
21 Temporarily restricted	2,432,376	971,503
22 Permanently restricted	2,327,092	2,216,921
23 Total net assets	<u>7,510,995</u>	<u>6,696,958</u>
24 Total liabilities and net assets	<u>\$ 10,808,214</u>	<u>\$ 9,973,532</u>

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR-ENDED JUNE 30, 2011 (in thousands)

(WITH SUMMARIZED INFORMATION FOR THE YEAR-ENDED JUNE 30, 2010)

	Unrestricted	Temporarily Restricted
Operating revenues		
1 Tuition and fees	\$ 787,882	\$ -
2 Scholarship allowance	(306,809)	-
3 Net tuition and fees	481,073	-
4 State and federal appropriations	164,013	-
5 Grants, contracts and similar agreements		
6 Direct	471,997	-
7 Indirect cost recoveries	151,039	-
8 Contributions	78,829	151,848
9 Investment return, distributed (note 3-A)	244,189	66,251
10 Medical Physician Organization	577,568	-
11 Auxiliary enterprises	154,354	-
12 Educational activities and other sales and services	414,653	-
13 Net assets released from restrictions	169,592	(169,592)
14 Total operating revenues	2,907,307	48,507
Operating expenses (note 10)		
15 Compensation and benefits	1,830,907	-
16 Purchased services	125,787	-
17 Supplies and general	587,730	-
18 Utilities, rents and taxes	145,376	-
19 Interest expense (note 8)	70,065	-
20 Depreciation	214,828	-
21 Total operating expenses	2,974,693	-
22 Change in net assets from operating activities	(67,386)	48,507
Nonoperating revenues and (expenses)		
23 State and federal appropriations for capital acquisitions	44,552	-
24 Grants, contracts and similar agreements for capital acquisitions	-	-
25 Contributions for capital acquisitions, trusts and endowments	27,762	8,093
26 Investment return, net of amount distributed (note 3-A)	266,495	316,192
27 Change in value of split interest agreements	388	12,095
28 Pension and postretirement changes other than net periodic costs (note 6-C)	40,158	-
29 Other	15,692	-
30 Net asset released for capital acquisitions and reclassifications	5,581	(14,263)
31 Change in net assets from nonoperating activities	400,628	322,117
32 Change in net assets before effect of change in accounting principle	333,242	370,624
33 Cumulative effect of change in accounting principle	(1,090,249)	1,090,249
34 Change in net assets	(757,007)	1,460,873
35 Net assets, beginning of the year	3,508,534	971,503
36 Net assets, end of the year	\$ 2,751,527	\$ 2,432,376

The accompanying notes are an integral part of the consolidated financial statements.

Permanently Restricted	2011 Total	2010 Total	
\$ -	\$ 787,882	\$ 741,836	1
-	(306,809)	(280,300)	2
-	481,073	461,536	3
-	164,013	176,559	4
-			5
-	471,997	542,234	6
-	151,039	137,258	7
-	230,677	189,937	8
-	310,440	304,749	9
-	577,568	557,179	10
-	154,354	152,440	11
-	414,653	416,223	12
-	-	-	13
-	2,955,814	2,938,115	14
-			
-	1,830,907	1,758,101	15
-	125,787	135,045	16
-	587,730	530,721	17
-	145,376	141,377	18
-	70,065	59,791	19
-	214,828	179,234	20
-	2,974,693	2,804,269	21
-			
-	(18,879)	133,846	22
-			
-	44,552	25,824	23
-	-	-	24
73,431	109,286	253,550	25
19,397	602,084	251,108	26
8,661	21,144	16,206	27
-	40,158	(5,608)	28
-	15,692	(50,478)	29
8,682	-	-	30
110,171	832,916	490,602	31
110,171	814,037	624,448	32
-	-	-	33
110,171	814,037	624,448	34
2,216,921	6,696,958	6,072,510	35
<u>\$ 2,327,092</u>	<u>\$ 7,510,995</u>	<u>\$ 6,696,958</u>	36

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR-ENDED JUNE 30, 2011 (in thousands)

(WITH COMPARATIVE INFORMATION FOR THE YEAR-ENDED JUNE 30, 2010)

	2011	2010
Cash flows from operating activities		
1 Change in net assets	\$ 814,037	\$ 624,448
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities		
2 Contributions for capital acquisitions, trusts and endowments	(105,411)	(251,687)
3 Depreciation	214,828	179,234
4 Net realized and unrealized (gain)/loss on investments	(800,514)	(463,047)
5 Pension and postretirement changes other than net periodic costs	(40,158)	5,608
6 Change in value of interest rate swaps	(25,198)	73,948
7 Other adjustments	2,557	3,132
Change in assets and liabilities		
8 Accounts receivable, net	32,986	(72,060)
9 Contributions receivable, net	(26,557)	(132,551)
10 Inventories and prepaid expenses	829	7,589
11 Accounts payable and accrued expenses	(29,026)	(22,662)
12 Deferred revenue and other liabilities	90,975	(39,349)
13 Change in obligations under split interest agreements	(9,391)	(2,529)
14 Deferred benefits	24,241	12,081
15 Net cash provided/(used) by operating activities	<u>144,198</u>	<u>(77,845)</u>
Cash flows from investing activities		
16 Proceeds from the sale and maturities of investments	19,289,490	21,438,356
17 Purchase of investments	(19,206,457)	(21,534,640)
18 Acquisition of land, buildings, and equipment (net)	(307,732)	(392,956)
19 Student loans granted	(9,811)	(8,507)
20 Student loans repaid	10,680	9,856
21 Change in funds held in trust for others	18,828	(1,327)
22 Net cash used by investing activities	<u>(205,002)</u>	<u>(489,218)</u>
Cash flows from financing activities		
Contributions restricted to		
23 Investment in endowments	85,753	155,383
24 Investment in physical plant	15,911	93,826
25 Investment subject to living trust agreements	3,747	2,478
26 Principal payments of bonds and notes payable	(37,291)	(74,156)
27 Proceeds from issuance of bonds and notes payable	38,845	299,360
28 Bond issuance costs incurred	-	(4,216)
29 Government advances for student loans	(259)	817
30 Net cash provided by financing activities	<u>106,706</u>	<u>473,492</u>
31 Net change in cash and cash equivalents	45,902	(93,571)
32 Cash and cash equivalents, beginning of year	100,168	193,739
33 Cash and cash equivalents, end of year	<u>\$ 146,070</u>	<u>\$ 100,168</u>
Supplemental disclosure of cash flow information		
34 Cash paid for interest	\$ 93,871	\$ 67,630

The accompanying notes are an integral part of the consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Organization

Cornell University (“the University”) consists of three major organizational units: Endowed Ithaca, which includes the endowed colleges, the central University administration, and the enterprise and service operations for the Ithaca campus; Contract Colleges at Ithaca (colleges operated by the University on behalf of New York State); and the Joan and Sanford I. Weill Medical College and Graduate School of Medical Sciences (“the Medical College”) in New York City. These three units are subject to the common administrative authority and control of the Cornell University Board of Trustees, but generally operate as financially discrete entities. The laws establishing the Contract Colleges at Ithaca prohibit other units of the University from using funds attributable to those colleges. Except as specifically required by law, the contract and endowed colleges at Ithaca are, to the extent practicable, governed by common management principles and policies determined at the private discretion of the University. In addition to the three major organizational units, the University’s subsidiaries and certain affiliated organizations are included in the consolidated financial statements. All significant intercompany transactions and balances are eliminated in the accompanying consolidated financial statements.

B. Basis of Presentation

In accordance with the guidance provided in the New York Prudent Management of Institutional Funds Act (NYPMIFA), the University’s Board of Trustees, with consideration of the actions, reports, information, advice and counsel provided by its duly constituted committees and appointed officers of the University, including University Counsel, has instructed the University to preserve the historical dollar value of donor-restricted (true) endowment funds, absent explicit donor direction to the contrary. As a result, the University classifies as permanently restricted net assets the original gift value of true endowments, plus any subsequent gifts and accumulations made in accordance with the directions of the applicable gift instruments. The portion of the true endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets in accordance with accounting standards.

Temporarily restricted net assets also include gifts and appropriations from the endowment that can be expended, but for which the donors’ purpose restrictions have not yet been met, as well as net assets with explicit or implied time restrictions such as pledges and split interest agreements. Expiration of donor restrictions is reported in the consolidated statement of activities as a reclassification from temporarily restricted net assets to unrestricted net assets on the net assets released from restriction lines.

Unrestricted net assets are the remaining net assets of the University.

C. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in bank accounts, money market funds and other temporary investments held for working capital purposes with an original maturity term of ninety days or less. The carrying amount of cash equivalents approximates fair value because of their short terms of maturity. Cash that is part of the University’s investment portfolio and awaiting investment is reported as investments and included in Note 3.

D. Collateral for Securities Loaned

As of June 30, 2011, the University has discontinued its securities lending program. The program was operative during most of the fiscal year-ended June 30, 2011 based on the University's long-standing agreement with its investment custodian. Under the agreement, the University lent securities to approved brokers for a fee. The securities on loan were returnable on demand and were collateralized by cash deposits that were adjusted daily based on the market value of the securities loaned. The collateral was invested in short-term securities with the goal of preserving capital, and the earnings were recorded as additional income to the investment pools. Collateral was reported as both an asset and liability of the University.

E. Contributions

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the appropriate categories of net assets in the period received. A pledge is recorded at present value of estimated future cash flows, based on an appropriate discount rate determined by management at the time of the contribution. Amortization of this discount in subsequent years is included in contribution revenue. A contribution of assets other than cash is recorded at its estimated fair value on the date of the contribution. Contributions for capital projects, endowments, and similar funds are reported as nonoperating revenues. Conditional promises to donate to the University are not recognized until the conditions are substantially met.

Temporarily restricted net assets include contributions to the University and to the Cornell University Foundation, an affiliated entity that is included in the consolidated financial statements. The Foundation maintains a donor-advised fund for which the donors can make recommendations to the fund's trustees regarding distributions to the University or other charitable organizations. Distributions from the Foundation to external charitable organizations are recorded as nonoperating expenses.

F. Investments

The University's investments are recorded in the consolidated financial statements at fair value. The values of publicly traded securities are based on quoted market prices and exchange rates, if applicable. The fair value of nonmarketable securities is based on valuations provided by external investment managers. These investments are generally less liquid than other investments, and the values reported by the general partner or investment manager may differ from the values that would have been reported had a ready market for these securities existed. The University exercises due diligence in assessing the policies, procedures, and controls implemented by its external investment managers, and believes the carrying amount of these assets is a reasonable estimate of fair value.

Investment income is recorded on an accrual basis, and purchases and sales of investment securities are reflected on a trade-date basis. Realized gains and losses are calculated using average cost for securities sold.

G. Derivative Instruments

The University has approved the use of derivatives by outside investment managers, based on investment guidelines negotiated at the time of a manager's appointment. The derivatives are used to adjust fixed income durations and rates, to create "synthetic exposures" to certain types of investments, and to hedge foreign currency fluctuations. The University records the fair value of a derivative instrument within the applicable portfolio. The change in the fair value of a derivative instrument held for investment is included in nonoperating investment return in the consolidated statement of activities.

In addition, the University holds other derivatives to manage its current and/or future long-term debt. These instruments are recorded at fair value as either prepaid or accrued expenses in the consolidated statement of financial position, and the change in fair value is recorded as other nonoperating activity in the consolidated statement of activities.

Derivatives involve counterparty credit exposure. To minimize this exposure, the University carefully monitors counterparty credit risk and requires that investment managers use only those counterparties with strong credit ratings for these derivatives.

H. Land, Buildings, and Equipment

Land, buildings, and equipment are stated in the consolidated statement of financial position at cost on the date of acquisition or at fair value on the date of donation, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the asset, and is reflected as an operating expense. Expenditures associated with the construction of new facilities are recorded as construction in progress until the projects are completed.

The University's collections, whether paintings, rare books, or other property, have been acquired through purchases and contributions since the University's inception. They are recognized as capital assets and are reflected, net of accumulated depreciation, in the consolidated statement of financial position. A collection received as a gift is recorded at fair value as an increase in net assets in the year in which it is received.

I. Funds Held in Trust by Others

Funds held in trust by others represent resources that are not in the possession or under the control of the University. These funds are administered by outside trustees, with the University receiving income or residual interest. Funds held in trust by others are recognized at the estimated fair value of the assets or the present value of the future cash flows due to the University when the irrevocable trust is established or the University is notified of its existence. Gains or losses resulting from changes in fair value are recorded as nonoperating activities in the consolidated statement of activities.

J. Split Interest Agreements

The University's split interest agreements with donors consist primarily of charitable gift annuities, pooled income funds, and charitable trusts for which the University serves as trustee. Assets held in trust are either separately invested or included in the University's investment pools in accordance with the agreements. Contribution revenue and the assets related to split interest agreements, net of related liabilities, are classified as increases in temporarily restricted net assets or permanently restricted net assets. Liabilities associated with charitable gift annuities and charitable remainder trusts represent the present value of the expected payments to the beneficiaries based on the terms of the agreements. Pooled income funds are recognized at the net present value of the net assets expected at a future date. Gains or losses resulting from changes in fair value, changes in assumptions and amortization of the discount are recorded as changes in value of split interest agreements in the appropriate restriction categories in the nonoperating section of the consolidated statement of activities.

K. Endowments

To ensure full compliance with NYPMIFA, a supplemental statement to the University's investment policy was adopted and approved by the Board in September, 2010. The responsibility for accepting, preserving and managing the funds entrusted to Cornell rests, by law, with the Board of Trustees, however, the Trustees have delegated authority for investment decisions to the Investment Committee of the Board of Trustees. The Committee determines investment policy, objectives and guidelines including allocation of assets between classes of investments.

The University's investment objective for its endowment assets is to maximize total return within reasonable risk parameters, specifically to achieve a total return, net of expenses, of at least five percent in excess of inflation, as measured by the Consumer Price Index over rolling five-year periods. The achievement of favorable investment returns enables the University to distribute increasing amounts from the endowment over time so that present and future needs can be treated equitably in inflation-adjusted terms. Diversification is a key component of the University's standard for managing and investing endowment funds and asset allocation targets are subject to ongoing reviews by the Investment Committee of the Board of Trustees.

The University applies the "prudent person" standard when making its decision whether to appropriate or accumulate endowment funds considering the following factors, in accordance with NYPMIFA: the duration and preservation of the endowment fund, the purposes of the institution and the endowment fund, general economic conditions including potential effect of inflation or deflation, the expected total return of the fund, other resources of the University, the needs of the University and the fund to make distributions and preserve capital, and the University's investment policy.

The Board authorizes an annual distribution, or payout, from endowment funds that is five percent greater than the prior fiscal year, as long as that increase allows the payout to remain within a defined target percentage range of a 12-quarter rolling average of the unit fair value. The Trustees may occasionally make step adjustments, either incremental or decremental, based on prior investment performance, current market conditions, or any of the factors for prudent judgment described above.

Total distributions or spending reflected on the consolidated statement of activities includes payout, investment expenses, and service charges that support the general and stewardship costs of the University endowment.

The University, in compliance with NYPMIFA, notified available donors who had established endowments prior to September 17, 2010 of the new law, and offered these donors the option of requiring the University to maintain historical

dollar value for their endowment funds. A minority of donors requested this option; for those who did, the University has designed procedures to ensure that the University maintains historical dollar value by not expending the payout on any fund whose fair value is less than its historical dollar value (i.e., “underwater”).

L. Sponsored Agreements

Revenues under grants, contracts, and similar agreements are recognized at the time expenditures are incurred. These revenues include the recovery of facilities and administrative costs, which are recognized according to negotiated predetermined rates. Amounts received in advance in excess of incurred expenditures are recorded as deferred revenues.

M. Medical Physician Organization

The Medical Physician Organization provides the management structure for the practice of medicine in an academic medical center. In addition to conducting instructional and research activities, physician members generate clinical practice income from their professional services to patients. Also reflected as University revenues are Medical Physician Organization fees. Expenses of the clinical practice, including physician compensation, administrative operations, and provision for uncollectible accounts, are reflected as University expenses. Net assets resulting from the activities of the Medical Physician Organization are designated for the respective clinical departments of the Medical College.

N. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period. Management’s assumptions are primarily related to the appropriate discount rate for the purposes of fair value calculations, to allowances for doubtful accounts, and to self-insured risks. Actual results may differ from those estimates.

O. Comparative Financial Information

The consolidated statement of activities includes prior-year information in summary form, rather than by restriction class. Such information does not include sufficient detail to constitute a presentation of prior-year data in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University’s consolidated financial statements for the prior fiscal year, from which the summarized information was derived.

P. Accounting Pronouncements

Effective for the fiscal year-ended June 30, 2011, the University has included disclosures required by ASU 2010-20: *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. The new disclosures provide enhanced information about credit quality and losses, primarily of student loans receivable (see Note 2C).

On September 17, 2010, New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), its version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, the University expanded its disclosures for fiscal year-ended June 30, 2011 under the provisions of ASC 958, *Not-for-Profit Entities* (formerly FASB Staff Position No. 117-1). In addition, the University reclassified unrestricted net assets related to accumulated earnings on endowment funds as of July 1, 2010 to temporarily restricted net assets in the amount of \$1,090,249, reflected in the consolidated statement of activities as a cumulative effect of change in accounting principle.

Q. Reclassifications

Certain prior-year amounts have been reclassified to conform to the current-year presentation.

R. Income Taxes

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate sections of the Internal Revenue Code. In accordance with the accounting standards, the University evaluates its income tax positions each fiscal year to determine whether the University’s tax position is more likely than not to be sustained if examined by the applicable taxing authority. This review had no material impact on the University’s consolidated financial statements.

2. RECEIVABLES

A. Accounts Receivable

The University's receivables from the sources identified in the table below are reviewed and monitored for aging and other factors that affect collectability. There is a corresponding allowance account for amounts outstanding at June 30, 2011, with the exception of the New York State receivable which is deemed fully collectible.

Accounts receivable from the following sources were outstanding as of June 30:

SUMMARY OF ACCOUNTS RECEIVABLE		
	2011	2010
Grants and contracts	\$ 125,727	\$ 137,902
Collateral related to interest rate swap agreements	26,461	29,048
New York Presbyterian Hospital and other affiliates	57,758	53,818
Patients (net of contractual allowances)	76,327	81,094
State of New York for capital projects	75,549	38,717
Student accounts	3,561	6,225
Other	41,916	91,458
Gross accounts receivable	\$ 407,299	\$ 438,262
Less: allowance for doubtful accounts	(53,731)	(51,708)
Net accounts receivable	\$ 353,568	\$ 386,554

The patient accounts receivable for medical services was comprised of the following at June 30, 2011 and 2010, respectively: commercial third parties 61.6 percent and 56.1 percent; federal/state government 15.4 percent and 18.2 percent; and patients 23.0 percent and 25.7 percent.

Other accounts receivable include receivables from other government agencies, matured bequests, and receivables from other operating activities.

B. Contributions Receivable

Unconditional promises to give, or pledges, are recorded in the consolidated financial statements at present value using discount rates ranging from 1.9 percent to 7 percent. Contributions are expected to be realized as follows:

SUMMARY OF CONTRIBUTIONS RECEIVABLE		
	2011	2010
Less than one year	\$ 227,267	\$ 235,438
Between one and five years	339,625	294,494
More than five years	182,164	210,195
Gross contributions receivable	\$ 749,056	\$ 740,127
Less: unamortized discount	(93,110)	(123,562)
Less: allowance for uncollectible amounts	(71,463)	(58,639)
Net contributions receivable	\$ 584,483	\$ 557,926

Contributions receivable as of June 30 are intended for the following purposes:

EXPECTED PURPOSE OF CONTRIBUTIONS RECEIVABLE		
	2011	2010
Support of University operations	\$ 227,233	\$ 163,662
Capital purposes	174,887	188,837
Endowments and similar funds	182,363	205,427
Net contributions receivable	\$ 584,483	\$ 557,926

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

At June 30, 2011 and 2010, conditional promises not reflected in the consolidated financial statements, which consist primarily of bequest intentions, were approximately \$207,252 and \$208,005, respectively.

C. Student Loans Receivable

In keeping with Ezra Cornell’s vision, the University has a “need-blind” policy of admission. Many students receive financial aid that consists of scholarship/fellowship grants, work-study opportunities and, when appropriate, student loans. The University participates in various federal revolving loan programs, in addition to administering institutional loan programs.

Student loan programs are funded by donor contributions, other institutional sources, and governmental programs, primarily the Federal Perkins Loan Program. The amounts received from the federal government’s portion of the Perkins program are ultimately refundable to the federal government and are reported as a liability on the University’s consolidated statement of financial position as government advances for student loans.

Credit worthiness is not a factor when granting a student a loan from institutional or federal resources; it is based on financial need. However, once the loan is in repayment status, the University monitors, no less than quarterly, the aging of the student loans receivable. If a loan is 75 days past due, the University generally will not release a transcript and/or diploma. If the loan is 180 days past due, the University evaluates whether to assign the account to an external agency for collection.

The University Bursar is required to authorize any write-off of a student loan receivable; such write-offs are based primarily on the aging report and an evaluation of any recent activity in the account. Overall default rates and an evaluation of general economic conditions are reviewed at least annually. The University, because of its close and continuing relationship with its students and graduates, seeks to work closely with the students to help ensure repayment. At June 30, 2011, the average overall default rate approximates 6 percent, with a rate of approximately 2.2 percent on the federal revolving loan portfolio.

Student loans are often subject to unique restrictions and conditions and, therefore, it is not practical to determine their fair values. The allowance for doubtful accounts is for all loans, whether in repayment status or not.

The two tables below provide enhanced disclosures about the student loan receivables and the allowances associated with federal and institutional loan programs.

SUMMARY OF STUDENT LOANS RECEIVABLE

	2011			2010		
	Receivable	Allowance	Net receivable	Receivable	Allowance	Net receivable
Federal revolving loans	\$ 43,472	\$ (2,156)	\$ 41,316	\$ 44,731	\$ (1,817)	\$ 42,914
Institutional loans	30,813	(3,036)	27,777	30,431	(3,351)	27,080
Total student loans receivable	\$ 74,285	\$ (5,192)	\$ 69,093	\$ 75,162	\$ (5,168)	\$ 69,994

CHANGE IN STUDENT LOAN ALLOWANCE

	2011		
	Federal revolving	Institutional	Total allowance
Allowance at beginning of year	\$ (1,817)	\$ (3,351)	\$ (5,168)
Current year provisions	(339)	315	(24)
Current year write-offs	-	-	-
Current year recoveries	-	-	-
Allowance at end of year	\$ (2,156)	\$ (3,036)	\$ (5,192)

3. INVESTMENTS

A. General Information

The University's investments are overseen by the Investment Committee of the Board of Trustees. The University's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the movements of the world equity, fixed income, commodities, real estate, and private equity markets. Based on guidelines established by the Investment Committee, the University's Investment Office directs the investment of endowment and trust assets, certain working capital, and temporarily invested expendable funds.

The University has categorized its investment assets in accordance with the fair value measurement hierarchy. The following describes the hierarchy of inputs used to measure fair value; it also describes the primary valuation methodologies used by the University for investment assets measured at fair value on a recurring basis.

Fair value for Level 1 is based upon quoted prices in accessible active markets for identical assets. Market price data is generally obtained from exchange or dealer markets. The University does not adjust the quoted price for such assets.

Fair value for Level 2 is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data. Inputs are obtained from various sources, including market participants, dealers, and brokers. In determining fair value of financial instruments, the University considers factors such as interest rate yield curves, duration of the instrument, and counterparty credit risk. The fair value of Level 2 instruments is determined using multiple valuation techniques including the market approach, income approach or cost approach.

Fair value for Level 3 is based upon valuation techniques that use significant inputs that are unobservable.

Investments included in Level 3 consist primarily of the University's ownership in alternative investments (principally limited partnership interests in hedge, private equity, real estate, and other similar funds). The fair value of certain alternative investments represents the ownership interest in the net asset value (NAV) of the respective partnership. The NAV of these investments is determined by the general partner, and is based upon appraisal or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The University has performed significant due diligence around these investments to ensure that NAV is an appropriate measure of fair value as of June 30.

The University uses the NAV to determine the fair value of all alternative investments that do not have a readily determinable fair value and that have financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Investments that can be redeemed at NAV by the University on the measurement date or in the near term, 90 days or less, are classified as Level 2. Investments that cannot be redeemed on the measurement date or in the near term are classified as Level 3.

The methods described above may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

The University's investment holdings as of June 30, categorized in accordance with the fair value measurement hierarchy, are summarized in the following table:

INVESTMENTS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	2011 Total	2010 Total
Cash and cash equivalents	\$ 194,869	\$ 63,481	\$ -	\$ 258,350	\$ 331,803
Derivatives	(7,982)	10,702	-	2,720	528
Equity					
Domestic equity	295,912	193,021	144	489,077	349,694
Foreign equity	444,012	50,873	62,280	557,165	372,231
Hedged equity	-	320,994	218,549	539,543	464,960
Private equity	-	-	1,063,722	1,063,722	860,788
Fixed income					
Asset backed fixed income	-	40,399	1,750	42,149	67,832
Corporate bonds	321,339	233,210	-	554,549	735,513
Equity partnership	-	13,532	308,275	321,807	374,095
International	159,545	96,824	-	256,369	85,983
Municipals	5,950	27,911	-	33,861	13,878
Mutual funds (non-equity)	293	50,635	-	50,928	51,495
Preferred/convertible	-	-	8,415	8,415	8,390
Other fixed income	-	105	-	105	1,229
US government	290,997	134,008	-	425,005	598,597
Marketable alternatives	209	120,603	644,267	765,079	607,077
Real assets	-	-	921,506	921,506	721,732
Receivable for investments sold	26,631	-	-	26,631	2,977
Payable for investments purchased	(35,933)	-	-	(35,933)	(73,539)
Other	-	-	67,179	\$ 67,179	\$ 57,921
Total investments	\$ 1,695,842	\$ 1,356,298	\$ 3,296,087	\$ 6,348,227	\$ 5,633,184
Securities not included in investment portfolio					
Cash and cash equivalents	\$ 78,075	\$ -	\$ -	\$ 78,075	\$ 58,156
Collateral for securities loaned	\$ -	\$ -	\$ -	\$ -	\$ 23,247

The following table is a rollforward of the investments classified by the University within Level 3 of the fair value hierarchy defined above:

SUMMARY OF LEVEL 3 INVESTMENT ACTIVITY

	Fair value at June 30, 2010	Realized gain/(loss)	Unrealized gain/(loss)	Net purchases, sales, settlements	Transfers in/(out) of Level 3	Fair value at June 30, 2011
Equity						
Domestic equity	\$ 1,634	\$ 2,090	\$ (2,335)	\$ (1,229)	\$ (16)	\$ 144
Foreign equity	25,152	233	7,451	29,444	-	62,280
Hedged equity	167,522	54,792	(22,228)	18,463	-	218,549
Private equity	860,788	83,113	143,830	(24,009)	-	1,063,722
Fixed income						
Asset backed fixed income	1,750	-	-	-	-	1,750
Equity partnership	349,455	13,125	47,348	(101,653)	-	308,275
Preferred/convertible	8,325	3	66	21	-	8,415
Marketable alternatives	524,654	12,358	35,180	72,075	-	644,267
Real assets	721,732	34,311	148,416	17,047	-	921,506
Other	57,921	-	9,812	206	(760)	67,179
Total level 3 investments	\$ 2,718,933	\$ 200,025	\$ 367,540	\$ 10,365	\$ (776)	\$ 3,296,087

All net realized and unrealized gains/(losses) in the table above are reflected in the accompanying consolidated statement of activities. Net unrealized gains/(losses) relate to those financial instruments held by the University at June 30, 2011.

Under the terms of certain limited partnership agreements, the University is obligated to make additional capital contributions up to contractual levels. At June 30, 2011 and 2010, the University had commitments of \$681,614 and \$840,144, respectively, for which capital calls had not been exercised (Note 1-E). Such commitments generally have fixed expiration dates or other termination clauses.

Under terms of certain options contracts on interest rate swaps, the University is obligated to make future premium payments. At June 30, 2011 and 2010, the University had premium payment commitments of \$27,440 and \$27,674, respectively. The University's premium payment schedule is as follows: \$7,735 annually for the years ended June 30, 2012, and 2013; \$6,735 for the year-ended June 30, 2014; \$3,785 for the year-ended June 30, 2015; \$1,160 for the year-ended June 30, 2016 and \$290 thereafter.

The University maintains a number of investment pools or categories for specified purposes, the most significant of which are the Long-Term Investment Pool (LTIP), described below, and several funds established to maximize total return derived from the investment of intermediate-term cash balances. The fair values as of June 30 were as follows:

INVESTMENTS POOLS/CATEGORIES AT FAIR VALUE

	2011	2010
Working capital	\$ -	\$ -
Intermediate-term	653,496	605,794
Long-term investment pool (LTIP)	4,921,840	4,223,208
Separately invested portfolio	506,437	477,033
Pooled life income funds	11,817	12,048
DASNY holdings	227,609	296,563
Other	27,028	18,538
Total investments	<u>\$ 6,348,227</u>	<u>\$ 5,633,184</u>

Additional information about the University's investment return for the fiscal years ended June 30 is presented in the following table:

SUMMARY OF INVESTMENT RETURN

	2011	2010
Interest and dividends, net of investment fees	\$ 112,010	\$ 92,810
Net realized gain/(loss)	360,510	217,096
Net unrealized gain/(loss)	440,004	245,951
Total investment return	<u>\$ 912,524</u>	<u>\$ 555,857</u>
LTIP distributions for operations	\$ 248,445	\$ 267,535
PBIF distributions for operations	2,645	3,202
Trust and other income for operations	59,350	34,012
Investment return, distributed	<u>\$ 310,440</u>	<u>\$ 304,749</u>
Investment return, undistributed	602,084	251,108
Total investment return	<u>\$ 912,524</u>	<u>\$ 555,857</u>

B. Long-Term Investment Pool

The LTIP is a mutual fund-like vehicle used for investing the University's true endowment funds, funds functioning as endowment, and other funds that are not expected to be expended for at least three years. The University employs a unit method of accounting for the LTIP. Each participating fund enters into and withdraws from the pooled investment account based on monthly unit fair values. At June 30, 2011 and 2010, the fair values per unit were \$53.58 and \$47.38, respectively. The total return on the University's long-term investments, of which the LTIP is the major component, was 19.9 percent

for the fiscal year-ended June 30, 2011. The changes in the fair value and cost of the LTIP and information about its participating units as of June 30, 2011 and 2010 are as follows:

SUMMARY INFORMATION - LONG-TERM INVESTMENT POOL

	Fair value	Cost	Appreciation/ (depreciation)	Fair value per unit	Number of units
End of year	\$ 4,921,840	\$ 4,103,292	\$ 818,548	\$ 53.58	91,861,708
Beginning of year	\$ 4,223,208	\$ 3,865,716	\$ 357,492	\$ 47.38	89,137,470
Unrealized net gain/(loss) for year			\$ 461,056		
Realized net gain/(loss) for year			\$ 313,859		
Net gain/(loss) for year			\$ 774,915		

For the fiscal year-ended June 30, 2011, investment payout to participating funds totaled \$198,751 (\$2.20 per unit) of which \$170,603 was paid out for the University's operations, with the balance in the amount of \$28,148 either returned to principal or distributed to funds held for others. The payout for the fiscal year-ended June 30, 2011 was comprised of \$30,977 in net investment income and \$167,774 paid from accumulated gains. For the fiscal year-ended June 30, 2010, the investment payout was \$217,152 (\$2.55 per unit), and was comprised of \$18,882 in net investment income and \$198,270 paid from accumulated gains.

C. Separately Invested Portfolio, Pooled Life Income Funds, and DASNY Holdings

The University maintains a category of assets referred to as the separately invested portfolio. This category consists of assets that, for legal or other reasons, or by request of the donor, could not participate in any of the investment pools.

Life income fund pools consist of donated funds, the income from which is payable to one or more beneficiaries during their lifetime. On the termination of life interests, the principal is available for University purposes, which may or may not be restricted by the donors.

University funds on deposit at DASNY consist of reserves for retirement of debt and bond proceeds not yet expended. The total funds on deposit are \$227,609 and \$296,563 as of June 30, 2011 and 2010, respectively. The amount of bond proceeds not yet expended included in the total reserves at DASNY are \$213,336 and \$266,704 as of June 30, 2011 and 2010, respectively.

D. Derivative Holdings

The use of certain financial derivative instruments is governed by either the University's written investment policy, specific manager guidelines, or partnership/fund agreement documents. Specifically, financial derivative instruments may be used to manage foreign currency exposure, to obtain commodity exposure, to create synthetic exposures, and to obtain protection against increases in interest rates. These derivatives, based on definitions in GAAP, are not designated as hedging instruments.

The University allocates a percentage of its assets to investment managers specializing in securities whose prices are denominated in foreign currencies as part of its overall diversification strategy. The investment guidelines provide discretion to these managers to adjust the foreign currency exposure of their investment portfolio by using derivative instruments. The derivatives are used for buying or selling foreign currency under a short-term contract to lock in the dollar cost of a specific pending purchase or sale of a foreign security, and selling foreign currency under a longer-term contract to hedge against a general decline in the dollar value of foreign security holdings.

As part of its overall investment strategy, the University's investment managers manage a diversified portfolio of commodity futures under strict investment guidelines. These commodity futures are fully collateralized and are denominated in U.S. dollars.

Some investment managers have discretion, limited by overall investment guidelines, to use derivative instruments to create investment exposures that could not be created as efficiently with other types of investments. These synthetic exposures in the University's portfolio as of June 30, 2011 are of four types: 1) forward contracts used to increase exposure to a foreign currency beyond the level of underlying security investments in that currency; 2) futures contracts used to create exposures to assets where the futures market provides a more efficient investment than the underlying securities; 3) swap contracts, also used to provide a more efficient means to gain exposure than the underlying securities; and 4) option contracts used to adjust the exposure of the fixed-income portfolio to interest rate volatility.

The University entered into option contracts on interest rates swaps as a way to mitigate the impact of a significant rise in interest rates in the future.

The following table provides detailed information on the derivatives included in the investment portfolio as of June 30. All the derivatives have been deemed Level 2 in the fair value hierarchy.

FAIR VALUE OF DERIVATIVE HOLDINGS IN STATEMENT OF FINANCIAL POSITION

Location	Derivative type	2011			2010		
		Notional amount	# of contracts	Level 2 fair value	Notional amount	# of contracts	Level 2 fair value
Investments							
	Foreign currency	\$ -	51	\$ (1,126)	\$ -	78	\$ 6,052
	Commodity	257,239	50	(7,015)	195,587	53	(3,581)
	Synthetic	68,043	46	115	49,914	41	(195)
	Interest rate	2,067,903	5	10,746	1,937,668	4	(1,748)
	Total fair value	\$ 2,393,185	152	\$ 2,720	\$ 2,183,169	176	\$ 528

EFFECT OF DERIVATIVE HOLDINGS ON STATEMENT OF ACTIVITIES

Location	Derivative Type	2011	2010
		Unrealized gain/(loss)	Unrealized gain/(loss)
Investment return, net of amount distributed			
	Foreign currency	\$ (1,126)	\$ 6,052
	Commodity	(7,015)	(3,581)
	Synthetic	255	(36)
	Interest rate	(2,808)	(7,567)
	Total unrealized gain/(loss)	\$ (10,694)	\$ (5,132)

The unrealized gain/ loss from derivative holdings affects temporarily restricted net assets for LTIP shares in the permanent endowment; otherwise, the gain/loss affects unrestricted net assets. The net unrealized gain/loss is reported in the operating section of the consolidated statement of cash flow as net realized and unrealized gain/loss on investments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

E. Alternative Investments Measured Using Net Asset Value

The University uses NAV to determine the fair value of all alternative investments which do not have a readily determinable fair value, and have financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following tables list investments in investment companies (in partnership or equivalent format) by major category:

SUMMARY OF ALTERNATIVE INVESTMENTS MEASURED USING NET ASSET VALUE

Asset class	Strategy	NAV in funds	Remaining life	Unfunded commitments	Timing to draw commitments
Private equity	Buyout	\$ 379,651		\$ 126,964	
	Special situation	296,643		115,395	
	Venture capital	363,961		96,492	
	Total private equity	\$ 1,040,255	1 to 10 years	\$ 338,851	1 to 10 years
Real assets	Real estate	638,327		153,080	
	Natural resource	264,104		102,699	
	Total real assets	\$ 902,431	1 to 8 years	\$ 255,779	1 to 8 years
Fixed income	Distressed	142,880		7,310	
	Leveraged loans	21,513		-	
	Mezzanine	74,052		61,695	
	Multi-strategy	83,362		9,000	
	Total fixed income	\$ 321,807	1 to 10 years	\$ 78,005	1 to 10 years
Foreign equity	Emerging markets	93,589			
	Global equity	5,380			
	Total foreign equity	\$ 98,969			
Hedged equity	Global equity long/short	174,248			
	U.S. equity long/short	365,295			
	Total hedged equity	\$ 539,543			
Marketable alternatives	Event driven	94,553			
	Global macro	52,479			
	Multi-strategy	200,743			
	Relative value	116,610			
	Special opportunity	300,484		8,979	
	Total marketable alternatives	\$ 764,869		\$ 8,979	3 years
Domestic equity	Indexed	113,769			
	Total domestic equity	\$ 113,769			
Total for alternative investments using NAV		\$ 3,781,643		\$ 681,614	

REDEMPTION INFORMATION FOR ALTERNATIVE INVESTMENTS MEASURED USING NET ASSET VALUE

Asset class	Redemption terms	Redemption restrictions*
Private equity	n/a **	n/a
Real assets	n/a **	n/a
Fixed income	Ranges between quarterly redemption with 45 days notice, to annual redemption with 90 days notice***	No lock up provisions
Foreign equity	Ranges between monthly redemption with 30 days notice, to triennial redemption with 30 days notice	33% of NAV has remaining lock up provisions of 27 months
Hedged equity	Ranges between monthly redemption with 10 days notice, to triennial redemption with 45 days notice	26% of NAV has remaining lock up provisions ranging from 3 months to 33 months
Marketable alternatives	Ranges between quarterly redemption with 30 days notice, to triennial redemption with 90 days notice	17% of NAV has remaining lock up provisions ranging from 6 months to 30 months
Domestic equity	Daily redemption with 2 days notice	No lock up provisions

* Represents initial investment lock up restriction. No other material redemption restrictions, such as redemption gates, were in place at June 30, 2011.

**These funds are in private equity structure, with no ability to be redeemed.

***92% of NAV is in private equity structure, with no ability to be redeemed. Redemption provisions for the remaining 8% are shown above.

4. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are detailed as follows:

LAND, BUILDINGS, AND EQUIPMENT

	Book value at June 30, 2010	Additions	Disposals and closed projects	Book value at June 30, 2011
Land, buildings, and equipment	\$ 3,389,824	\$ 340,791	\$ (5,384)	\$ 3,725,231
Furniture, equipment, books, and collections	1,072,201	82,969	(20,504)	1,134,666
Construction in progress	506,951	184,442	(296,763)	394,630
Total before accumulated depreciation	\$ 4,968,976	\$ 608,202	\$ (322,651)	\$ 5,254,527
Accumulated depreciation	(1,912,343)			(2,107,516)
Net land, buildings, and equipment	\$ 3,056,633			\$ 3,147,011

Certain properties to which the University does not have title are included in physical assets at net book values, as follows: (1) land, buildings, and equipment of the Contract Colleges aggregating \$558,410 and \$478,424 at June 30, 2011 and 2010, respectively, the acquisition cost of which was borne primarily by New York State and (2) land, buildings, and equipment for which titles rest with government and corporate agencies aggregating \$13,422 and \$18,100 at June 30, 2011 and 2010, respectively.

The future commitments on capital projects in progress, excluding projects funded by New York State, for the fiscal years ended June 30, 2011 and 2010, is \$94,441 and \$172,468, respectively.

5. OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS AND FUNDS HELD IN TRUST BY OTHERS

The University reports its obligations under split-interest agreements at fair value. The fair value of the obligation is calculated annually and considered Level 3 in the fair value hierarchy. The discount rate is based on average return of investment grade corporate bonds, weighted using a schedule of actuarial estimates of the lives of the income beneficiaries and the relative value of the agreements.

The University's interest in funds held in trust by others is considered Level 3, based on unobservable inputs, in the fair value hierarchy. Trusts in which the University has an income interest are valued annually using estimated cash flows based on average actual income over three years. Remainder interests are based on annual valuation reports received from the funds' trustees. The discount rates used to estimate present value are based on the average return of investment grade corporate bonds, weighted according to a schedule of actuarial estimates.

The tables below summarize the fair values and activity of funds held in trust by others and obligations under split-interest agreements.

SPLIT-INTEREST AGREEMENTS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	2011 Total	2010 Total
Funds held in trust by others					
Remainder	\$ -	\$ -	\$ 70,966	\$ 70,966	\$ 62,735
Lead and perpetual	-	-	41,069	41,069	34,535
Total funds held in trust by others	\$ -	\$ -	\$ 112,035	\$ 112,035	\$ 97,270
Obligations under split-interest agreements	\$ -	\$ -	\$ 114,077	\$ 114,077	\$ 108,703

SUMMARY OF LEVEL 3 SPLIT-INTEREST AGREEMENT ACTIVITY

	Fair value at June 30, 2010	Realized gain/(loss)	Unrealized gain/(loss)	Net purchases, sales, settlements	Transfers in/(out) of Level 3	Fair value at June 30, 2011
Funds held in trust by others						
Remainder	\$ 62,735	\$ -	\$ 6,609	\$ 1,622	\$ -	\$ 70,966
Lead and perpetual	34,535	853	226	5,455	-	41,069
Total funds held in trust by others	\$ 97,270	\$ 853	\$ 6,835	\$ 7,077	\$ -	\$ 112,035
Obligations under split-interest agreements	\$ 108,703	\$ -	\$ 5,374	\$ -	\$ -	\$ 114,077

6. DEFERRED BENEFITS**A. General Information**

Accrued employee benefit obligations as of June 30 include:

SUMMARY OF DEFERRED BENEFITS

	2011	2010
Postemployment benefits	\$ 24,027	\$ 26,916
Pension and other postretirement benefits	231,854	259,038
Other deferred benefits	175,683	161,527
Total deferred benefits	\$ 431,564	\$ 447,481

Other deferred benefits include primarily vacation accruals, deferred compensation, and medical benefit claims incurred but not yet reported. Accrued postemployment benefits include workers' compensation and medical continuation benefits for those on long-term disability. The University also provides various benefits to former or inactive employees after employment, but before retirement, that are recognized when they are earned.

B. Pension and Postretirement Plans

The University's employee pension plan coverage is provided by two basic types of plan: one based on a predetermined level of funding (defined contribution), and the other based on a level of benefit to be provided (defined benefit).

The primary defined contribution plans for Endowed Ithaca and for exempt employees (those not subject to the overtime provisions of the Fair Labor Standards Act) at the Medical College are carried by the Teachers Insurance and Annuity Association, the College Retirement Equities Fund, the Vanguard Group (Medical College only), and Fidelity Investments (Endowed Ithaca only), all of which permit employee contributions. Total pension costs of the Endowed Ithaca and Medical College plans for the fiscal years ended June 30, 2011 and 2010 amounted to \$84,107 and \$81,328, respectively.

The Medical College maintains the University's only defined benefit plan. The participants include non-exempt employees at the Medical College who meet the eligibility requirements for participation. The plan was frozen in 1976 for exempt employees at the Medical College and the accrued benefits were merged with the active non-exempt retirement plan in 1989. In accordance with Employee Retirement Income Security Act (ERISA) requirements for the defined benefit plans, the University must fund annually with an independent trustee an actuarially determined amount that represents normal costs plus amortization of prior service costs over a forty-year period that began on July 1, 1976.

The University also provides health and life insurance benefits for eligible retired employees and their dependents. Although there is no legal obligation for future benefits, the cost of postretirement benefits must be accrued during the service lives of employees. The University elected the prospective transition approach and is amortizing the transition obligation over 20 years, through fiscal year 2012-13.

C. Obligations and Funded Status

The following table sets forth the pension and postretirement plans' obligations and funded status as of June 30:

SUMMARY OF OBLIGATIONS AND FUNDED STATUS

	Pension benefits		Other postretirement	
	2011	2010	2011	2010
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 42,277	\$ 35,086	\$ 132,237	\$ 110,544
Actual return on plan assets	9,646	4,748	29,859	15,838
Employer contribution	6,052	5,320	8,632	8,027
Benefits paid	(2,361)	(2,877)	(2,499)	(2,172)
Fair value of plan assets at end of year	\$ 55,614	\$ 42,277	\$ 168,229	\$ 132,237
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 76,100	\$ 61,536	\$ 357,452	\$ 335,827
Service cost (benefits earned during the period)	5,151	4,660	15,698	13,469
Interest cost	4,172	4,038	20,900	19,777
Plan amendments	(967)	-	-	-
Actuarial (gain)/loss	(8,183)	8,743	(20)	1,593
Gross benefits paid	(2,361)	(2,877)	(13,657)	(14,542)
Less: federal subsidy on benefits paid	-	-	1,412	1,328
Projected benefit obligation at end of year	\$ 73,912	\$ 76,100	\$ 381,785	\$ 357,452
Funded status	\$ (18,298)	\$ (33,823)	\$ (213,556)	\$ (225,215)
Amounts recognized in the consolidated				
Statement of financial position	\$ (18,298)	\$ (33,823)	\$ (213,556)	\$ (225,215)
Amounts recorded in unrestricted net assets not yet amortized as components of net periodic benefit cost				
Net transition obligation	\$ -	\$ -	\$ 7,289	\$ 10,933
Prior service cost	(967)	-	(290)	(366)
Net actuarial (gain)/loss	7,481	22,394	34,606	55,571
Amount recognized as reduction in unrestricted net assets	\$ 6,514	\$ 22,394	\$ 41,605	\$ 66,138

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

The accumulated benefit obligation for the pension plans was \$56,358 and \$55,988 at June 30, 2011 and 2010, respectively. The accumulated benefit obligation differs from the projected benefit obligation in the table above in that it includes no assumptions about future compensation levels. It represents the actuarial present value of future payments to plan participants using current and past compensation levels. For postretirement plans other than pensions, the accumulated benefit obligation is the same as the projected benefit obligations because the liabilities are not compensation-related.

D. Net Periodic Benefit Cost

Net benefit expense related to the pension and postretirement plans for the fiscal years ended June 30 includes the following components:

NET PERIODIC BENEFIT COST

	Pension benefits		Other postretirement	
	2011	2010	2011	2010
Service cost (benefits earned during the period)	\$ 5,151	\$ 4,660	\$ 15,698	\$ 13,469
Interest cost	4,172	4,038	20,901	19,777
Expected return on plan assets	(3,505)	(2,467)	(10,580)	(9,028)
Amortization of initial transition obligation	-	-	3,644	3,644
Amortization of prior service cost	-	-	(76)	(76)
Amortization of net (gain)/loss	589	1,573	1,665	359
Net periodic benefit cost	\$ 6,407	\$ 7,804	\$ 31,252	\$ 28,145

The amounts of transition obligation, prior service costs, and actuarial gains/losses that will be amortized into net periodic benefit cost for the year-ended June 30, 2012 are estimated as follows:

ESTIMATED COMPONENTS OF NET PERIODIC BENEFIT COST

	Pension benefits	Other postretirement
Transition obligation	\$ -	\$ 3,645
Prior service cost	(92)	(76)
Net actuarial (gain)/loss	9	489
Total	\$ (83)	\$ 4,058

E. Actuarial Assumptions

Assumptions used in determining the pension and postretirement plans benefit obligations and net periodic costs are:

SUMMARY OF ACTUARIAL ASSUMPTIONS

	Pension benefits		Other postretirement	
	2011	2010	2011	2010
Used to calculate benefit obligations at June 30				
Discount rate	5.90%	5.90%	5.75% / 5.60%	5.75% / 5.60%
Rate of compensation increase	6.10%	6.10%		
Used to calculate net periodic cost at July 1				
Discount rate	5.90%	6.10%	5.75% / 5.60%	6.25% / 6.20%
Expected return on plan assets	8.00%	8.00%	8.00%	8.00%
Rate of compensation increase	6.10%	6.10%		
Assumed health care cost trend rates				
Health care cost trend rate assumed for next year	n/a	n/a	7.00%	7.50%
Ultimate trend rate	n/a	n/a	5.00%	5.00%
Years to reach ultimate trend rate	n/a	n/a	4	5

The health care cost trend rate assumption has a significant effect on the amounts reported for other postretirement (health care) plans. Increasing the health care cost trend rate by 1 percent in each future year would increase the benefit obligation by \$75,882 and the annual service and interest cost by \$8,031. Decreasing the health care cost trend rate by 1 percent in each future year would decrease the benefit obligation by \$52,506 and the annual service and interest cost by \$5,830.

F. Plan Assets

The University's overall investment objectives for the pension plan and postretirement medical benefit plan assets are broadly defined to include an inflation-adjusted rate of return that seeks growth commensurate with a prudent level of risk. To achieve this objective, the University has established fully discretionary trusts with JP Morgan as trustee and investment manager for the Medical College's defined benefit pension plan and the postretirement medical benefit plan for the University's endowed employees on the Ithaca campus. Under those trust agreements, JP Morgan establishes investment allocations and implements those allocations through various investment funds in order to carry out the investment objectives. JP Morgan has also been appointed as investment manager for the Medical College's postretirement medical benefit plan with full discretion as to investment allocations in specific named funds managed by JP Morgan.

The University, through its Investment Office, conducts reviews of the targeted investment allocations and investment management of the assets to ensure that they are consistent with the investment objectives. Typically, those allocations include a substantial and diversified allocation to equity and equity-oriented asset classes in order to provide real growth per the objectives. The University reviews the trustee's long-term rate of return assumptions for the various asset classes for reasonableness by comparing them to assumptions generated internally for the purposes of investing the University endowment and to assumptions by other outside experts. The Investment Office reviews the trustee's success in managing assets within each targeted asset class by comparisons to standard benchmarks for those asset classes and measures the overall effectiveness of the plan investment results by comparison to benchmarks derived from the individual plan asset class allocations and to universes of plan performance maintained by its endowment custodian.

In the next fiscal year, and no less than annually thereafter, the University committee that provides guidance and oversight for the University's defined contribution pension plans will, in addition, review the asset allocation and performance in the University's defined benefit pension plan and the post-retirement medical benefit plans. This committee, rather than the Investment Committee of the Board of Trustees, will offer suggestions to the trustee and investment manager regarding possible changes to the long-term strategic allocations that the committee believes would better meet the overall objectives of growth coupled with a prudent level of risk.

Risk mitigation is achieved by diversifying investments across multiple asset classes, investing in high quality securities and permitting flexibility in the balance of investments in the recommended asset classes. Market risk inheres in any portfolio but the investment policies and strategies are designed to avoid concentration of risk in any one entity, industry, country or commodity. The funds in which the plan assets are invested are well diversified and managed to avoid concentration of risk.

The expected rate of return assumptions are based on information provided by external experts, including but not limited to, investment managers at the trustee bank and the expertise within the University's Investment Office. The factors that impact the expected rates of return for various asset types includes assumptions about inflation, historically based real returns, anticipated value added by investment managers and expected average asset allocations. The expected return on plan assets by category for the fiscal year-ended June 30, 2011 are somewhat lower than in the prior fiscal year: 7.9 percent on equity securities, 4.5 percent on fixed income securities and 7 percent on real estate compared to 8 percent, 5 percent and 8 percent, respectively.

SUMMARY OF PLAN ASSETS

	Target allocation	Pension benefits		Other postretirement	
		2011	2010	2011	2010
Percentage of plan assets					
Equity securities	39-85%	66.0%	62.0%	72.0%	68.0%
Fixed income securities	15-55%	30.0%	37.0%	28.0%	32.0%
Real estate	0-5%	4.0%	1.0%	0.0%	0.0%
Total		100.0%	100.0%	100.0%	100.0%

The fair value of the pension plan assets and postretirement medical benefit plan assets as of June 30, 2011 and the roll-forward for Level 3 assets are disclosed in the tables below.

The relevant levels are based on the methodology for determining fair value: Level 1: valuation based on active markets for identical assets; Level 2: valuation based on significant observable inputs and Level 3: valuation based on unobservable inputs. Both the pension plan and postretirement medical benefit plans invest in funds to meet their investment objectives. The asset allocation is based on the underlying assets of the various funds. The leveling is based upon each fund as the unit of measure.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

PENSION PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	2011 Total	2010 Total
Cash and cash equivalents					
Cash	\$ 227	\$ -	\$ -	\$ 227	\$ 41
Money market	107	-	-	107	129
Equity securities					
U.S. small cap	-	4,237	-	4,237	1,821
U.S. large cap	-	18,759	-	18,759	20,014
U.S. REITS	-	1,389	-	1,389	-
Emerging markets	-	4,479	-	4,479	-
International equity	-	7,676	-	7,676	4,350
Fixed income securities					
U.S. high yield bonds	-	3,097	-	3,097	-
Corporate bonds	-	9,925	17	9,942	13,118
Mortgage-backed securities	-	1,520	941	2,461	2,252
International fixed income	-	1,158	-	1,158	-
Other types of investments					
Real estate	-	-	2,082	2,082	552
Total assets	\$ 334	\$ 52,240	\$ 3,040	\$ 55,614	\$ 42,277

SUMMARY OF LEVEL 3 PENSION PLAN ACTIVITY

	Fair value, June 30, 2010	Realized gain/(loss)	Unrealized gain/(loss)	Net purchases, sales, settlements	Transfers in/(out) of Level 3	Fair value, June 30, 2011
Mortgage-backed securities	\$ 864	\$ -	\$ 77	\$ -	\$ -	\$ 941
Corporate bonds	31	7	(3)	(18)	-	17
Real estate	552	110	208	1,212	-	2,082
Total Level 3 assets	\$ 1,447	\$ 117	\$ 282	\$ 1,194	\$ -	\$ 3,040

POSTRETIREMENT PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	2011 Total	2010 Total
Cash and cash equivalents					
Money market	\$ 8,182	\$ 1,270	\$ -	\$ 9,452	\$ 9,584
Equity securities					
U.S. small cap	-	15,109	-	15,109	12,573
U.S. large cap	-	45,723	-	45,723	35,668
Emerging markets	-	27,422	-	27,422	18,344
International equity	-	30,114	-	30,114	21,448
U.S. REITS	-	2,153	-	2,153	1,807
Fixed income securities					
U.S. high yield bonds	-	6,494	-	6,494	4,946
Corporate bonds	-	27,926	-	27,926	12,555
Emerging markets debt	-	3,836	-	3,836	2,187
Mortgage-backed securities	-	-	-	-	13,125
Total assets	\$ 8,182	\$ 160,047	\$ -	\$ 168,229	\$ 132,237

G. Expected Contributions and Benefit Payments

The expected annual contributions and benefit payments that reflect anticipated service are as follows:

EXPECTED CONTRIBUTIONS AND BENEFIT PAYMENTS

	Pension benefits	Other postretirement	
		Employer paid	Government subsidy
University contributions			
2012	\$ 4,400	\$ 10,335	n/a
Future benefit payments			
2012	\$ 2,904	\$ 16,947	\$ 1,866
2013	3,000	18,225	2,053
2014	3,514	19,463	2,253
2015	3,429	20,998	2,446
2016	3,771	22,422	2,674
2017-2021	24,926	140,716	17,439

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established a prescription drug benefit known as “Medicare Part D” that also established a federal subsidy to sponsors of retiree healthcare benefit plans. The estimated future government subsidy amounts are reflected in the table above.

H. Contract College Employees

Employees of the Contract Colleges are covered under the New York State pension plans. Contributions to the state retirement system and other employee benefit costs are paid directly by the state. The amounts of the direct payments applicable to the University as revenue and expenditures are not currently determinable and are not included in the consolidated financial statements. The University reimburses the state for employee benefit costs on certain salaries, principally those associated with externally sponsored programs. The amounts reimbursed to the state during the fiscal years ended June 30, 2011 and 2010 were \$20,510 and \$20,140, respectively, and were included in operating expenses.

7. FUNDS HELD IN TRUST FOR OTHERS

The University, in limited instances, invests funds as a custodian for other closely related parties. Independent trustees are responsible for the funds and for the designation of income distribution. The New York Hospital-Cornell Medical Center Fund, Inc., which benefits the Weill Cornell Medical Center of the New York-Presbyterian Hospital, is the major external organization invested in the University’s long-term investment portfolio with assets having market values of \$160,501 and \$139,233 at June 30, 2011 and 2010, respectively. Of these investments, a portion of the future income stream has been directed in perpetuity to benefit the Medical College. The present value of this income stream, calculated to be \$91,766 and \$85,280 at June 30, 2011 and 2010, respectively, are recorded as reductions in the funds held in trust for others liability.

8. BONDS AND NOTES PAYABLE**A. General Information**

Bonds and notes payable as of June 30 are summarized as follows:

SUMMARY OF BONDS AND NOTES PAYABLE

	<u>2011</u>	<u>2010</u>	<u>Interest rates</u>	<u>Final maturity</u>
Dormitory Authority of the State of New York (DASNY)				
Revenue Bond Series				
1990B-fixed rate	\$ 47,980	\$ 50,450	3.00 to 5.00	2025
2000A-variable rate/weekly	51,090	53,005	2.99*	2029
2000B-variable rate/weekly	68,460	70,680	4.63*	2030
2004-variable rate/weekly	81,600	83,900	3.51*	2033
2006-fixed rate	196,120	207,660	4.00 to 5.00	2035
2008B&C-fixed rate	125,420	127,785	3.00 to 5.00	2037
2009-fixed rate	305,000	305,000	3.00 to 5.00	2039
2010-fixed rate	285,000	285,000	4.00 to 5.00	2040
Tax-exempt commercial paper	59,000	6,155	0.21 to 2.99*	2037
Industrial Development Agency				
2000-fixed rate	-	1,165	5.25	2011
2002A-variable rate/weekly	41,940	42,145	4.52*	2030
2002B-variable rate/weekly	15,390	15,390	0.07 to 0.32	2015
2008A-fixed rate	68,630	70,000	2.00 to 5.00	2037
Bond Series 1987B-fixed rate	3,080	5,200	11.11	2013
Student Loan Marketing Association-fixed rate	-	4,355	6.50	2011
Urban Development Corporation	2,250	2,375	-	2029
2009 Taxable-fixed rate	500,000	500,000	4.35 to 5.45	2019
Taxable commercial paper	78,500	97,500	0.18 to 0.35	-
Other	2,676	2,817	6.63 to 7.00	2011-2029
Total bonds and notes payable	<u>\$1,932,136</u>	<u>\$ 1,930,582</u>		

* Rates presented are the swap interest rates as noted in the Fair Value of Interest Rate Swaps in Statement of Financial Position table.

The University's bonds and notes payable had carrying amounts of \$1,932,136 and \$1,930,582 at June 30, 2011 and 2010, respectively, compared to estimated fair values of approximately \$2,053,009 and \$2,071,298 at June 30, 2011 and 2010, respectively. Estimated fair value of bonds is based on quoted market prices for the same or similar issues. The market prices utilized reflect the amounts a third party would pay to purchase the bonds and are not considered an additional liability to the University.

Interest expense during the fiscal year-ended June 30, 2011 was \$70,065, of which \$69,730 was related to the bonds and notes payable displayed in the table above. During the fiscal year-ended June 30, 2010, interest expense was \$59,791, of which \$59,198 was related to the bonds and notes payable. The University capitalized the interest on self-constructed assets, such as buildings, in the amounts of \$19,313 and \$7,042 for the fiscal years ended June 30, 2011 and 2010, respectively.

Debt and debt service related to borrowings by New York State for the construction and renovation of facilities of the Contract Colleges are not included in the consolidated financial statements because they are not liabilities of the University.

Under the agreement with DASNY, the bonds are a general obligation of the University and are secured by a pledge of revenue.

During fiscal year-ended June 30, 2011, the University refinanced the SLMA loan with taxable commercial paper and terminated an interest rate swap. The University continues to issue both tax-exempt and taxable commercial paper. Tax-exempt commercial paper is used to finance capital projects and equipment purchases for the Ithaca and Medical College

campuses. Taxable commercial paper is also used for these purposes, as well as to finance short-term working capital needs. The maximum amount outstanding at any one time under each program is \$200,000.

Scheduled principal and interest payments on bonds and notes for the next five fiscal years and thereafter are shown below:

<u>ANNUAL DEBT SERVICE REQUIREMENTS</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 39,077	\$ 102,710	\$ 141,787
2013	38,043	99,587	137,630
2014	288,040	95,507	383,547
2015	47,852	80,044	127,896
2016	33,639	76,253	109,892
Thereafter	1,485,485	876,453	2,361,938
Total	\$ 1,932,136	\$ 1,330,554	\$ 3,262,690

In estimating future interest payments, the University uses the interest rate associated with the swap agreement until the termination date. For unhedged tax-exempt debt, the University estimates the future interest payments based on the 5 year Securities Industry and Financial Markets Association rate (SIFMA). For taxable commercial paper debt, estimates are based on the 5-year average London Interbank Offered Rates (LIBOR).

B. Interest Rate Swaps

The University approved the use of interest rate swaps to mitigate interest rate risk for its variable rate debt portfolio. The swap agreements cover current variable rate debt as well as future debt exposure. Interest rate swaps are derivative instruments; however, their use by the University is not considered to be hedging activity, based on definitions in generally accepted accounting principles.

Although the use of swap agreements mitigates interest rate risk, the University, through the use of these agreements, is exposed to the risk that counterparties will fail to meet their contractual obligations. To mitigate the counterparty credit risk, the University entered into contracts with carefully selected major financial institutions based upon their credit ratings and other factors, and maintains dollar limits for each institution. Master agreements with counterparties include master netting arrangements as further mitigation of credit exposure to counterparties. These arrangements permit the University to net amounts due to the counterparty with amounts due from the counterparty, which reduces the maximum loss from credit risk in the event of counterparty default.

The University's swap agreements contain a credit-risk contingent feature in which the counterparties can request collateralization on agreements in net liability positions. At June 30, 2011, the University had collateral on deposit with counterparties in the amount of \$26,461 compared to \$29,048 at June 30, 2010. The University could be required to post additional collateral if the University's credit rating falls below A1/A+.

The University follows accounting guidance that defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements, including derivatives. The University's interest rate swaps are valued by an external swap consultant that uses the mid-market levels, as of the close of business, to value the agreements. The valuations provided are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions and the University's credit worthiness. The University's interest rate swap arrangements have inputs that can generally be corroborated by market data and are classified as Level 2 in the fair value hierarchy.

At June 30, 2011, the University has eight interest rate swap agreements to exchange variable-rate debt for fixed-rate obligations without the exchange of the underlying principal amount. Net payments or receipts under the swap agreements are recorded as adjustments to interest expense and the incremental interest expense is disclosed in the table below. In all agreements in effect at June 30, 2011, the counterparty pays a variable interest rate equal to a percentage of the one month London Interbank Offered Rates (LIBOR).

The following table provides detailed information on the interest rate swaps at June 30, 2011, with comparative fair values for June 30, 2010. The number of swaps is reported based on notional amount.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

FAIR VALUE OF INTEREST RATE SWAPS IN STATEMENT OF FINANCIAL POSITION

Location	Notional amount	Interest rate	Commencement	Termination date	Basis	2011 Level 2 fair value	2010 Level 2 fair value
Accounts payable and accrued expenses							
	\$ 15,390	4.33%		July 1, 2010	SIFMA	\$ -	\$ (52)
	104,845	2.99%		October 1, 2012*	LIBOR	(8,003)	(8,824)
	42,340	4.52%		July 1, 2030	LIBOR	(8,702)	(10,083)
	72,200	4.63%		July 1, 2030	LIBOR	(15,255)	(17,677)
	86,075	3.51%		July 1, 2033	LIBOR	(9,648)	(11,953)
	200,000	3.45%		December 15, 2010	LIBOR	-	(28,555)
	100,000	3.92%	July 1, 2011	July 1, 2038	LIBOR	(16,303)	(15,988)
	275,000	3.88%	July 1, 2011	July 1, 2040	LIBOR	(51,905)	(54,653)
	200,000	3.48%	July 1, 2012	July 1, 2041	LIBOR	(17,272)	(18,641)
	200,000	3.77%	July 1, 2014	July 1, 2044	LIBOR	(13,497)	(17,857)
Total fair value						\$ (140,585)	\$ (184,283)

* Counterparty has the option to extend termination date to October 1, 2015

During the year-ended June 30, 2011, the University terminated an interest rate swap agreement with a notional amount of \$200,000 and an interest rate of 3.45 percent, resulting in a realized loss. The following table provides the amounts of the income, expenses, gains and losses recorded for the years ended June 30.

EFFECT OF INTEREST RATE SWAPS ON STATEMENT OF ACTIVITIES

Location	2011		2010	
	Income/(expense)	Gain/(loss)	Income/(expense)	Gain/(loss)
Operating expense				
Interest expense	\$ (12,025)	\$ -	\$ (15,872)	\$ -
Nonoperating activity - other				
Realized gain/(loss)	\$ -	\$ (18,500)	\$ -	\$ (14,330)
Unrealized gain/(loss)	-	43,698	-	(59,618)
	\$ (12,025)	\$ 25,198	\$ (15,872)	\$ (73,948)

Activity related to interest rate swaps affect unrestricted net assets, and in the consolidated statement of cash flows, are presented on the change in value of interest rate swaps line in the operating activities section.

C. Standby Purchase Agreements

The University has standby purchase agreements with various financial institutions to purchase all of the University's variable-rate demand bonds in the event that they cannot be remarketed. In the event that the bonds covered by these standby purchase agreements are not remarketable and the agreements are not otherwise renewed, the University would be required to refund the bonds or refinance in a different interest rate mode. If all solutions failed and the University had to refund the bonds, the Annual Debt Service Requirements table would be \$131,790 for fiscal year 2012 and \$237,763 for fiscal year 2013. Detailed information about the standby purchase agreements is shown in the following table:

SUMMARY OF STANDBY PURCHASE AGREEMENTS

Series	Provider	Expiration
2000A	JP Morgan Chase	Nov-12
2000B	JP Morgan Chase	Nov-12
2002A	JP Morgan Chase	Nov-12
2002B	JP Morgan Chase	Nov-12
2004	HSBC	Apr-12

D. Lines of Credit

The University records its working capital lines of credit as other liabilities in the consolidated statement of financial position. At June 30, 2011, the interest rates for its two lines of credit were .87 percent and 1.00 percent. The two \$100 million lines of credit have annual expiration dates of December 31 and April 1. As of June 30, 2011 and 2010, the University did not borrow against the lines of credit.

9. OPERATING LEASES

Although the University generally purchases, rather than leases, machinery and equipment, the University does enter operating lease agreements for the use of real property. Total lease expenses were \$26,249 and \$24,441 for the fiscal years ended June 30, 2011 and 2010, respectively. The future annual minimum lease payments in the following table are payments under operating leases expiring at various dates through September 1, 2043.

ANNUAL MINIMUM OPERATING LEASE PAYMENTS	
Year	Payments
2012	\$ 19,970
2013	17,868
2014	9,184
2015	7,656
2016	7,279
Thereafter	104,991
Total minimum operating lease payments	\$ 166,948

10. FUNCTIONAL EXPENSES AND STUDENT AID

Total expenses by functional categories for the fiscal years ended June 30 are as follows:

FUNCTIONAL EXPENSES		
	2011	2010
Instruction	\$ 652,651	\$ 594,366
Research	593,005	558,142
Public service	109,479	110,459
Academic support	261,856	252,431
Student services	126,104	118,733
Medical services	649,746	625,039
Institutional support	371,733	347,826
Enterprises and subsidiaries	210,119	197,273
Total expenses	\$ 2,974,693	\$ 2,804,269

The expenses for operations and maintenance of facilities, depreciation, and interest related to capital projects are allocated to functional categories based on square footage. The amounts allocated for operations and maintenance were approximately \$163,558 and \$159,265 for the fiscal years ended June 30, 2011 and 2010, respectively.

Student financial assistance is shown as a component of instruction expense unless the assistance is for tuition and mandatory fees. If the assistance is for tuition and mandatory fees, the amounts are recorded as scholarship allowance which reduces tuition revenue. Total financial assistance amounts classified as instruction expense were \$41,851 and \$40,662 for the fiscal years ended June 30, 2011 and 2010, respectively.

11. NET ASSETS**A. General Information**

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

SUMMARY OF NET ASSETS

	Unrestricted	Temporarily restricted	Permanently restricted	2011 Total	2010 Total
Endowment					
True endowment	\$ (27,312)	\$ 1,396,968	\$ 1,904,970	\$ 3,274,626	\$ 2,795,950
Funds functioning as endowment (FFE)	1,322,508	330,936	-	1,653,444	1,464,000
Total true endowment and FFE	\$ 1,295,196	\$ 1,727,904	\$ 1,904,970	\$ 4,928,070	\$ 4,259,950
Funds held by others, perpetual	-	-	131,336	131,336	118,637
Total University endowment	\$ 1,295,196	\$ 1,727,904	\$ 2,036,306	\$ 5,059,406	\$ 4,378,587
Other net assets					
Operations	(337,236)	163,572	-	(173,664)	(128,685)
Student loans	11,155	-	38,187	49,342	47,406
Facilities and equipment	1,782,412	31,658	-	1,814,070	1,691,420
Split interest agreements	-	64,656	40,236	104,892	86,391
Funds held by others, other than perpetual	-	42,466	30,000	72,466	63,913
Contributions receivable, net	-	402,120	182,363	584,483	557,926
Total net assets	\$ 2,751,527	\$ 2,432,376	\$ 2,327,092	\$ 7,510,995	\$ 6,696,958

Unrestricted net asset balances for operations are primarily affected by operating activities and strategic decisions to invest expendable balances in funds functioning as endowment and capital projects.

B. Endowment

Of the endowment assets held at the University, 96 percent and 95 percent were invested in the LTIP at June 30, 2011 and 2010, respectively. At June 30, 2011, 735 of 6,088 true endowment funds invested in the LTIP had a total historic dollar value of \$328,811 and a fair value of \$301,499, resulting in these endowments being underwater by a total of \$27,312. The University holds significant appreciation on endowments to offset these temporary decreases in value. The University has maintained these true endowment funds at their historical book value.

Changes in the endowment net assets, exclusive of funds held in trust by others, for the fiscal years ended June 30 are presented below:

SUMMARY OF ENDOWMENT ACTIVITY

	Unrestricted	Temporarily restricted	Permanently restricted	2011 Total	2010 Total
True endowment and FFE, beginning of year	\$ 2,152,174	\$ 311,716	\$ 1,796,060	\$ 4,259,950	\$ 3,836,289
Cumulative effect of change in accounting principle	(1,090,249)	1,090,249	-	-	-
True endowment and FFE, after change	1,061,925	1,401,965	1,796,060	4,259,950	3,836,289
Investment return					
Net investment income	24,736	15,586	2,656	42,978	21,677
Net realized and unrealized gain/(loss)	328,733	357,620	5,231	691,584	372,230
Total investment return	\$ 353,469	\$ 373,206	\$ 7,887	\$ 734,562	\$ 393,907
New gifts	8,009	14,104	89,145	111,258	107,304
Net transfers to/(from) FFE	(18,366)	2,616	9	(15,741)	107,650
Distribution of endowment return to other funds	(108,425)	(62,178)	(2,511)	(173,114)	(195,525)
Other changes	4,314	(69)	5,890	10,135	8,574
Reclassifications	(5,730)	(1,740)	8,490	1,020	1,751
Total true endowment and FFE, end of year	\$ 1,295,196	\$ 1,727,904	\$ 1,904,970	\$ 4,928,070	\$ 4,259,950

12. CONTINGENT LIABILITIES

The University is a defendant in various legal actions, some of which are for substantial monetary amounts, that arise out of the normal course of its operations. Although the final outcome of the actions cannot be foreseen, the University's administration is of the opinion that eventual liability, if any, will not have a material effect on the University's financial position.

The University retains self-insurance for property, general liability, and certain health benefits, and has an equity interest in a multi-provider captive insurance company.

13. SUBSEQUENT EVENTS

The University has performed an evaluation of subsequent events through September 27, 2011, the date on which the consolidated financial statements were issued.

UNIVERSITY ADMINISTRATION

David J. Skorton, *President*
 W. Kent Fuchs, *Provost*
 Antonio M. Gotto, Jr., *Provost for Medical Affairs and Stephen and Suzanne Weiss Dean of the Joan and Sanford I. Weill Medical College*

Glenn C. Altschuler, *Vice President for University Relations*
 Laura S. Brown, *Vice Provost for Undergraduate Education*
 Thomas W. Bruce, *Vice President for University Communications*
 Robert A. Buhrman, *Senior Vice Provost for Research*
 Joanne M. DeStefano, *Vice President for Finance and Chief Financial Officer*
 Michael B. Dickinson, *University Auditor*
 Ted Dodds, *Vice President for Information Technologies and Chief Information Officer*
 A.J. Edwards, *Interim Chief Investment Officer*
 William E. Fry, *Dean of the University Faculty*
 Kent L. Hubbell, *Robert W. and Elizabeth C. Staley Dean of Students*
 Stephen Philip Johnson, *Vice President for Government and Community Relations*
 Barbara A. Knuth, *Vice Provost*
 Melvin H. Lee, *Associate Provost for Admissions and Enrollment*
 Elmira Mangum, *Vice President for Planning and Budget*
 James J. Mingle, *University Counsel and Secretary of the Corporation*
 Susan H. Murphy, *Vice President for Student and Academic Services*
 Mary G. Opperman, *Vice President for Human Resources and Safety Services*
 Alan S. Paau, *Vice Provost for Technology Transfer and Economic Development*
 Alice N. Pell, *Vice Provost for International Relations*
 Charles D. Phlegar, *Vice President for Alumni Affairs and Development*
 Ronald Seeber, *Senior Vice Provost*
 John A. Siliciano, *Senior Vice Provost for Academic Affairs*
 Kyu-Jung Whang, *Vice President for Facilities Services*

ACADEMIC UNITS

College of Agriculture and Life Sciences
 Kathryn J. Boor, *Ronald P. Lynch Dean*
 College of Architecture, Art, and Planning
 Kent Kleinman, *Gail and Ira Drukier Dean*
 College of Arts and Sciences
 G. Peter Lepage, *Harold Tanner Dean*
 College of Engineering
 Lance R. Collins, *Joseph Silbert Dean*
 College of Human Ecology
 Alan D. Mathios, *Rebecca Q. and James C. Morgan Dean*
 College of Veterinary Medicine
 Michael I. Kotlikoff, *Austin O. Hooey Dean of Veterinary Medicine*
 Cornell University Library
 Anne R. Kenney, *Carl A. Kroch University Librarian*
 Faculty of Computing and Information Science, Daniel P. Huttenlocher, *Dean*
 Graduate School
 Barbara A. Knuth, *Dean*
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