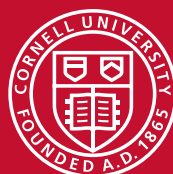


# Annual Report

2012–2013



Cornell University







## CORNELL UNIVERSITY HIGHLIGHTS

	2012-13	2011-12	2010-11
Fall enrollment (excluding in absentia)			
Undergraduate	14,261	14,167	13,935
Graduate	5,648	5,580	5,661
Professional	2,518	2,450	2,428
Total fall enrollment	22,427	22,197	22,024
Degrees granted			
Baccalaureate degrees	3,577	3,596	3,542
Masters degrees	2,359	2,197	2,253
PhD degrees	563	556	555
Other doctoral degrees (JD, MD, DVM)	374	386	380
Total degrees granted	6,873	6,735	6,730
Tuition rates			
Endowed Ithaca	\$43,185	\$41,325	\$39,450
Contract colleges			
Resident	\$27,045	\$25,185	\$23,310
Nonresident	\$43,185	\$41,325	\$39,450
Medical campus	\$47,150	\$46,000	\$45,545
Business	\$53,796	\$51,480	\$49,272
Law	\$55,220	\$53,150	\$51,150
Veterinary medicine	\$29,400	\$28,400	\$27,700
Volumes in library (in thousands)	7,942	7,876	7,803
Academic workforce			
Full-time employees			
Faculty	3,314	3,277*	3,150*
Non faculty	864	886	901
Part-time employees			
Faculty	271	255*	237*
Non faculty	209	211	210
Total academic workforce	4,658	4,629	4,498
Nonacademic workforce			
Full-time employees	9,866	9,593*	9,428*
Part-time employees	574	588	612
Total nonacademic workforce	10,440	10,181	10,040
University endowment			
Market value of total university endowment (in millions)	\$5,272.2	\$4,947.0	\$5,059.4
Unit value of Long Term Investment Pool	\$53.30	\$50.67	\$53.58
Gifts received, excluding pledges (in millions)	\$426.0	\$333.8	\$318.2
New York State appropriations through SUNY (in millions)	\$133.1	\$131.5	\$146.0
Medical Physicians' Organization fees (in millions)	\$752.0	\$679.9	\$577.6
Sponsored research volume (in millions)			
Direct expenditures	\$448.0	\$463.3	\$464.1*
Indirect-cost recovery	\$124.4	\$137.2	\$139.8*
Selected land, buildings, and equipment items and related debt (in millions)			
Additions to land, buildings, and equipment	\$692.0	\$573.4	\$608.2
Cost of land, buildings, and equipment	\$5,990.7	\$5,590.7	\$5,254.5
Outstanding bonds, mortgages, and notes payable	\$1,855.4	\$1,896.6	\$1,932.1

\* Restated from previously reported number

## President's Message

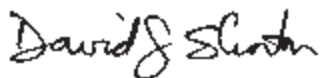
Dear Cornellians, Colleagues, and Friends of the University:

I hope you will enjoy our 2012–2013 annual report.

This year we have chosen to use a section of the report to tell stories—the stories of some of the thousands of talented individuals who make up the Cornell community. What did they accomplish in 2012–2013? How did they overcome setbacks? What are the secrets to their success?

In A Year in the Life of the University—the third section of this report, following an overview of the year's progress and a selection of news highlights—you will be introduced to staff members, faculty, and students, some of whose work may be less visible, yet represents the collective devotion to excellence that makes Cornell's most newsworthy achievements possible.

By presenting this essay together with accounts of major Cornell events and achievements, as well as a detailed financial statement, the annual report for 2012–2013 offers an opportunity to get to know Cornell even better than many of us already do. I hope you enjoy the report and will share my pride in our university and the people whose ideas, skills, and everyday efforts make it truly great.



David J. Skorton



## Cornell University in 2012–2013

### An Overview

#### Why We're Here: Student Success

Cornell began the 2012–2013 academic year with 3,270 new first-year students in the Class of 2016, just over half of them female, from 47 states and 46 countries. The total student body (in Ithaca) of more than 21,000 included a record 19 percent international students, as well as about 16 percent underrepresented minorities, slightly more than in the previous year.

In late 2012 and early 2013, admissions officers handled approximately 40,000 applications for the following year, a new record that resulted in the university's lowest acceptance rate ever, 15.6 percent.

Among the many accomplishments of our students, Cornell celebrated several national scholarship winners, including two Rhodes Scholars, two Truman Scholars, and two Goldwater Scholars, as well as a record 28 Fulbright U.S. Student Program awards. Cornell athletic teams won seven Ivy League titles, and 31 student athletes earned All-America honors.

The university continued to support a diverse and talented student body with need-blind admissions and need-based financial aid, although loan caps for all but the lowest-income group were raised slightly to keep the program sustainable. More than 50 percent of undergraduates receive need-based grants.

As a major priority of the Cornell Now campaign, scholarships continued to grow through the generosity of alumni and friends. By the end of the year, the campaign had raised \$306 million for undergraduate scholarships; the overall campaign total had exceeded \$4 billion.

Cornell continues to lead nationally in the evolution of Greek life. In answer to President David Skorton's 2011 call to "end pledging as we know it," a transformative plan was created. By spring 2013 a new recruitment model was in place, with a shorter new-member orientation period, additional efforts to prevent hazing, and greater alumni involvement. This year nearly one-third of undergraduates participated in 64 Greek organizations.

In commencement ceremonies in Ithaca, the university conferred about 3,600 undergraduate degrees, 1,700 graduate degrees, and 878 professional degrees.

At Weill Cornell Medical College, two students earned coveted spots in the Howard Hughes Medical Institute's Medical Research Fellows Program, allowing them a year away from school to conduct original research. In May 2013, Weill Cornell conferred 94 MDs, 71 PhDs, and 59 MS degrees. Of the 94 MD or MD-PhD graduates, 88 received residencies in the top 50 institutions as ranked by *US News & World Report*.



FROM TOP TO BOTTOM: President David Skorton at the Cornell Now: Celebrating Our Land-Grant Mission campaign event at TCAM 2012; Veterinary student Aziza Glass working the College of Veterinary Medicine's Healthy Pet Clinic at Southside Community Center in Ithaca; Best-selling author Susie Bright speaks at an event commemorating the 25th anniversary of Cornell University Library's Human Sexuality Collection; A moment of relaxation on a sunny day.

Weill Cornell Medical College–Qatar awarded 35 MD degrees in May 2013, its largest graduating class ever. The class of 15 men and 20 women, representing 19 countries, will provide much-needed medical care in many parts of the world.

## The Heart of Cornell's Excellence: Faculty and Staff

Faculty renewal is a critical priority as we prepare for the retirement of a large proportion of our current faculty over the next several years. Other universities are confronting the same demographic issue, and competition for the most outstanding new faculty talent is extraordinarily keen. In the last two years alone, Cornell has hired approximately 150 new faculty members in Ithaca and 170 at Weill Cornell Medical College.

Helping the university meet its goals is the Faculty Renewal Sesquicentennial Challenge, which by the end of 2012–2013 had received \$41.5 million, from nearly 100 donors, toward its \$50 million goal. (Each dollar donated is matched by a dollar from the colleges and schools.)

By this point, 38 Sesquicentennial Fellowships had been established to help us recruit and retain exceptional new faculty members. In addition, there were 54 new endowed professorships, which are critical to the recruitment and retention of extraordinary thought leaders across the university.

Among senior faculty recruited this year were three deans taking up their posts at the start of 2013–2014. Gretchen Ritter '83 succeeds Peter Lepage as the Harold Tanner Dean of the College of Arts and Sciences. She was previously professor of government and vice provost for undergraduate education and faculty governance at the University of Texas at Austin. She is the college's first female dean and its first externally hired dean.

In the Samuel Curtis Johnson Graduate School of Management, Soumitra Dutta succeeds Joe Thomas as the Anne and Elmer Lindseth Dean, coming to Cornell from INSEAD, a top-ranked graduate business school in Fontainebleau, France. He is an authority on the impact of new technology on the business world, and on strategies for driving growth and innovation by embracing the digital economy.

Cornell also recruited Haym Hirsh, professor and chair of computer science at Rutgers University, to be the new dean of Computing and Information Science. An expert in artificial intelligence and data mining, he succeeds Dan Huttenlocher, now vice provost and founding dean of Cornell Tech in New York City. Dean Hirsh leads Computing and Information Science, a college-level unit comprising computer science, information science, and statistical science that engages all Cornell schools and colleges.

Another significant hire was Lewis Cantley, one of the world's top cancer researchers and a Cornell PhD, who joined Weill Cornell Medical College in fall 2012 as the Margaret and Herman Sokol Professor and director of the



FROM TOP TO BOTTOM: Students enjoying themselves at the 2013 Duff Ball during Senior Week; Food preparation at the Statler Hotel for the 2013 annual meeting of the President's Council of Cornell Women; Native American Students at Cornell, other student affinity groups, and the American Indian Program presented a socially conscious hip-hop concert in the Biotechnology Building in April; Greg Pass '97, former chief technology officer for Twitter and a leading tech entrepreneur, is the founding entrepreneurial officer for Cornell NYC Tech.





LEFT: "Race, Activism, and Art: A Conversation with Danny Glover" brought the actor, director, producer, and political activist to the Africana Studies and Research Center.

newly established Cancer Center at Weill Cornell and NewYork-Presbyterian Hospital. Dr. Cantley, who came to us from Harvard, is leading efforts to employ precision medicine for cancer diagnosis and treatment. In February he was named a winner of the inaugural \$3 million Breakthrough Prize in the Life Sciences, designed to recognize excellence in research focused on curing intractable diseases and extending human life.

Among other accomplishments, seven faculty were elected to distinguished national academies: two to the Institute of Medicine, two to the National Academy of Sciences, and three to the American Academy of Arts and Sciences. Professor Fredrik Logevall won the Pulitzer Prize in history for his study of Vietnam, *Embers of War*. He was also named Cornell's new vice provost for international affairs. President Obama appointed Peter Lepage, professor of physics and dean of the College of Arts and Sciences, to the National Science Board. And Kaushik Basu, professor of international studies and chair of the Department of Economics, was named chief economist of the World Bank.

Cornell's staff members continued to provide skilled support to the university's mission of education, research, and public engagement. Follow-up continued on a staff survey in late 2011, which found 80 percent of employees were satisfied but also identified areas of concern. A review team analyzed the findings and submitted recommendations in May 2013; the university responded with specific actions.

The university was recognized with four employer awards. Cornell ranked second on AARP's list of best employers for workers over 50 and was named to three other lists: 100 Top Adoption-Friendly Workplaces (Dave Thomas Foundation for Adoption), 100 Best Employers for Working Mothers (*Working Mother* magazine), and top 10 nonprofit employers for female executives and working mothers (National Association for Female Executives).

## Results That Matter: Research

Cornell is home to more than 100 interdisciplinary research centers that bring faculty and students together to focus on topics ranging from nanotechnology, life sciences, and environmental sustainability to human development, literature, and international issues.

The university encourages cross-campus collaboration, which yielded an especially notable example this year. Biomedical engineers in Ithaca worked with physicians at Weill Cornell Medical College to create a functional artificial ear, using 3-D printing and injectable gels made of living cells. Over a three-month period, these flexible ears grew cartilage to replace the collagen that was used to mold them. The innovation promises great benefit to children with a congenital deformity called microtia. Leading the project were Dr. Jason Spector, director of Weill Cornell's Laboratory for Bioregenerative Medicine and Surgery, and Professor Lawrence Bonassar of the Department of Biomedical Engineering in Ithaca.

Other specific research results appear in the News Highlights section of this report.



FROM TOP TO BOTTOM: The 2013 Cornell Alumni Leadership Conference included a panel discussion, Health Care Today, Implications for Tomorrow, that featured several prominent alumni representing different sectors of the healthcare industry; At Commencement 2013 ceremonies, Deveney Pula (Engineering graduate) wearing money leis, a gift honoring her accomplishments and wishing her good luck; James Brown (left), president of the United Way of Tompkins County, receiving a donation from a representative of M&T Bank during a Homecoming event; Colleen Kearns, assistant director for research in the Office of Undergraduate Biology, attends a Soup and Hope event in Sage Chapel.



FROM TOP TO BOTTOM: President Emeritus Frank H.T. Rhodes signs copies of his new book *Earth: A Tenant's Manual* during Homecoming 2012; A scene from the Homecoming 2012 Family Fun Zone outside Lynah Hall; A quintet of students who turned out to watch the Big Red rout Yale, 45-6; Sim Redmond of the Sim Redmond Band performs at the Big Red Tailgate Zone event at Homecoming.

Weill Cornell Medical College received a gift of \$28 million from the family of Gertrude and Louis Feil to establish the Feil Family Brain and Mind Research Institute. Working with Weill Cornell's Appel Alzheimer's Disease Research Institute, the new research hub will focus on accelerating the translation of discoveries into therapies. Dr. Costantino Iadecola, a leading neuroscientist in the field of cerebrovascular diseases, stroke, and dementia, directs the Feil Institute.

In addition to the Feil Institute and the new Cancer Center, another institute took shape early in 2013. The Institute for Precision Medicine at Weill Cornell and NewYork-Presbyterian/Weill Cornell Medical Center was established in January 2013 to offer optimal targeted, individualized treatment based on each patient's genetic profile. The institute is directed by Dr. Mark Rubin, a renowned pathologist and prostate cancer expert.

#### Selected major grants

Funding for the Clinical and Translational Science Center (CTSC) at Weill Cornell Medical College was renewed in August 2012 with a five-year grant of \$49.6 million. The CTSC is a consortium of institutions focusing on translating research into new treatments and preventive measures. (See story in News Highlights.)

Cornell continues to be among the top U.S. universities in National Science Foundation funding. Among NSF awards this year was a five-year, \$7 million grant to plant biologist Michael J. Scanlon for a project to further the understanding of the growth of maize.

The Gates Foundation and a United Kingdom agency awarded a major grant to the International Agriculture Program in the College of Agriculture and Life Sciences: \$25 million to host the Next Generation Cassava Project, aimed at improving the productivity of one of the staple crops of Africa. (See story in News Highlights.)

The National Endowment for the Humanities awarded the Cornell University Library one of its largest grants, \$300,000 to develop a means of keeping complex digital media objects accessible as technology changes. The new framework will be tested with items in the Rose Goldsen Archive of New Media Art and will be applicable to other historical collections as well.

## Clinical Care: Human and Animal Health

Clinical care is an important part of the work of Cornell University. In New York City, Weill Cornell Medical College and its faculty practice, the Weill Cornell Physician Organization, expanded their clinical footprint in 2013 by opening a new comprehensive medical practice on Broadway at West 84th Street. The practice offers imaging, primary care, and the most in-demand specialty services for children and adults.

At the close of the fiscal year, a merger brought Weill Cornell Physicians into affiliation with New York-Presbyterian/Lower Manhattan Hospital (formerly New York Downtown Hospital). To complement care delivered at the hospital, Weill Cornell Physicians opened a multispecialty practice on nearby William Street. Weill Cornell Physicians also continues to provide primary care services at 40 Worth Street. This expansion has led to more than 140,755 additional patient visits and the recruitment of nearly 50 more clinicians.

At the College of Veterinary Medicine, thousands of animals receive care in five hospitals each year. The Companion Animal Hospital cares for more than 18,000 dogs, cats, and other small mammals and birds annually. Other units offer healthcare for horses, farm animals, and wildlife.

Off campus, the college operates Cornell University Veterinary Specialists (CUVS) in Stamford, Connecticut, an emergency and specialty referral hospital. Launched in 2011, CUVS receives referrals of complex cases from veterinarians across the region and also offers continuing education and opportunities for veterinary students and residents to observe specialists at work.

In addition to high-quality routine care, the faculty and staff of the College of Veterinary Medicine are advancing new and promising therapies. A 730-pound Hampshire pig received new chemotherapy combinations for the treatment of lymphoma; although his long-term prognosis is unknown, his health improved greatly and the successful treatments suggest ways to combat cancer in other large animals.

Cornell veterinarians are also conducting a clinical study using a new computer-guided brain biopsy device for the delicate work of diagnosing causes of encephalitis in dogs. The Equine Hospital is using transesophageal ultrasound to evaluate a horse's airway muscles during rest and exercise, aiding early diagnosis and treatment of recurrent laryngeal paralysis (roaring).

Research at the College of Veterinary Medicine is the foundation for other advances in clinical care. Cornell virologists in 2013 discovered the long-sought mutation that transforms a harmless virus into the cause of the deadliest infectious disease in cats, feline infectious peritonitis. The discovery reveals a path to the development of effective vaccines and treatments.



FROM TOP TO BOTTOM: Cynthia Johnston Turner, associate professor of music, conducts the Cornell Orchestra during Commencement 2013; An alumnus of the Big Red football team holds aloft a potential Cornellian; Sociology graduate students during a classroom discussion; Raymond Glahn, associate professor of food science and nutritional science, and Elad Tako, assistant professor of food science, have produced a new maize variety that has more iron bioavailability for farm animal diets.



## Public Engagement: Land-Grant University to the World

Public engagement—catalyzing positive change by working with community partners for mutual benefit—is an essential component of Cornell’s mission and one that is enacted daily in Ithaca and in many locations around the world.

A key international project is the Tata-Cornell Agriculture and Nutrition Initiative (TCi), a long-term research and outreach initiative with a comprehensive focus on agriculture, food systems, nutrition, and poverty in India. Established with an endowment from the Tata Education and Development Trust, through the vision of Ratan Tata ’62, TCi this year welcomed a new director, former World Bank economist Prabhu Pingali. He is working to advance TCi research and intervention projects, including ones aimed at reducing childhood stunting and safeguarding children’s cognitive and physical development.

On campus, Stocking Hall, home of the top-ranked Department of Food Science, is another center of public engagement. A major renovation of Stocking was completed this year. Cornell faculty and staff provide key expertise and technical support to the dairy industry, whose booming yogurt business is making significant contributions to the New York State economy. A \$500,000 grant received in spring 2013 will equip a specialized manufacturing facility for testing new products.

Cornell’s Public Service Center, which connects students, faculty, and staff with volunteer opportunities, now interacts with more than 6,000 student volunteers annually. A new center, Engaged Learning + Research, focuses on community involvement through the curriculum, supporting service-learning pedagogy and engaged research. The two centers together this year relaunched the Cornell Urban Scholars Program, which matches students with New York City nonprofits serving low-income families for summer internships.

Cornell Cooperative Extension, which has a presence in every county in New York State and in New York City, this year became co-leader of a national, U.S. Department of Agriculture–supported pilot project examining the effects of school gardens on fruit and vegetable consumption and other outcomes.

## Cornell Tech: Expanding Education, Connecting to Industry

Cornell’s initiative to create a new graduate campus in New York City centered on applied sciences, technology, and entrepreneurship marked several milestones this year. In spring 2013 Cornell Tech’s first students completed their first semester and presented projects to nearly 100 guests from industry affiliates including Google, Betaworks, Qualcomm, and Bloomberg. Two students, having transferred from the computer science program in Ithaca, graduated with master’s degrees.

FROM TOP TO BOTTOM: Christopher J. Miller, lecturer in music and member of the Cornell Avant Garde Ensemble, plays the Bertoia sound sculptures at the Johnson Museum of Art as part of the residency of composer-artist Ellen Fullman; Members of the Ithaca community and several relatives of the late educator-diplomat Jerome “Brud” Holland ’39 gather at Southside Community Center in February to unveil a memorial plaque in his honor at the dedication of the center’s gymnasium; Biomedical engineering equipment in the lab of Associate Professor Lawrence Bonassar used with a 3-D printer to deposit hydrogel to develop into new ear tissue; Abena Sackey Ojetayo ’07, MEng ’09, named one of the 2013 New Faces of Civil Engineering by the American Society of Civil Engineers, works with her supervisor, Steve Beyers, on Cornell NYC Tech site development.





LEFT: Mark Bittman, *New York Times* food columnist and best-selling cookbook author, discusses his new book *Food Matters* with students at Hans Bethe House.

Joan and Irwin Jacobs, both Class of 1954, made a transformative gift of \$133 million to Cornell and the Technion-Israel Institute of Technology to create the Joan and Irwin Jacobs Technion-Cornell Innovation Institute (JTCII). The institute is a centerpiece of Cornell Tech and will help support dual master's degree programs, faculty, graduate students, and industry interactions.

Philanthropy also enabled Cornell Tech to create its first endowed professorship, the Robert V. Tishman Founder's Chair, and its first fellowship, the James H. and Marilyn H. Simons Graduate Fellowship.

The university announced a partnership with the U.S. Department of Commerce: a senior member of the Patent and Trademark Office, serving as innovation and outreach coordinator for the New York region, is based at Cornell Tech and connects students, faculty, and community to early-stage investors, intellectual property strategies, export assistance tools, government grants, and academic partners.

While Cornell Tech operates in the Manhattan space donated by Google, design of the Roosevelt Island campus is advancing, with groundbreaking expected in 2014. The university announced plans for a corporate co-location building with flexible office space to house both start-ups and established companies. Common spaces will facilitate interactions between students and company employees.

Business and industry continue to be intrigued by Cornell Tech. The project is bringing high-level attention to the Ithaca campus as well, which is experiencing a surge in inquiries about recruiting new graduates and supporting research and programs.

## Essential Foundations: Infrastructure

In addition to the development of Cornell Tech, the university made substantial progress on new facilities on other campuses. In Ithaca, Bill & Melinda Gates Hall for computing and information science was near completion by the end of the year. Construction had begun in spring 2012, with complete funding for the building already in place.

In spring 2013 the university broke ground for Klarman Hall, a new humanities building scheduled for completion in 2015. Located between Goldwin Smith Hall and East Avenue, Klarman Hall is Cornell's first capital project solely for the humanities in more than a century and is being funded entirely through philanthropy.

Another important facility was completed in summer 2013, also through the generosity of alumni and friends. The new home of the Big Red Bands, Fischell Band Center, is located on Kite Hill.

At Weill Cornell Medical College, work continued on the Belfer Research Building, scheduled to open in January 2014. The 18-story, \$650 million building will more than double Weill Cornell's existing research space and will be devoted to research targeting such daunting challenges as cancer, cardiovascular disease, children's health issues, and neurodegenerative diseases. The building was a priority in Weill Cornell's Discoveries That Make a Difference campaign, which concluded this year after reaching its \$1.3 billion goal. At the heart of this success was a gift of \$250 million in 2007 from Sanford I. Weill, chair of the Weill Cornell Board of Overseers, and his wife Joan—believed to be the single largest gift ever given to a medical school.

# News Highlights

*Excerpts from the Chronicle Online and other university news sources*

## Curriculum

### University-wide business minor launches in spring 2013

**October 18, 2012**—Four Cornell colleges have created Business@Cornell to offer students across campus a minor in business beginning in spring 2013. The minor is intended to give students majoring in other subject areas exposure to business concepts and methods applicable to a variety of careers. The university-wide minor is offered by the members of Business@Cornell: the College of Agriculture and Life Science through its Charles H. Dyson School of Applied Economics and Management, the ILR School, the Samuel Curtis Johnson Graduate School of Management, and the School of Hotel Administration.

### New climate change minor covers science and solutions

**January 9, 2013**—Climate change is one of the most pressing issues of our time, and dozens of courses at Cornell explore the many facets of a warming world—from impacts on farming and food, to sustainable energy to replace fossil fuels, to the slow response of governments worldwide. Now a new climate change minor, launched this academic year, gives all undergraduates the opportunity to explore climate change from varied disciplinary perspectives, while getting a firm grounding in the basic physical, ecological, and social science of the planetary crisis.

### Cornell to offer MOOCs through edX partnership

**May 21, 2013**—A number of “CornellX” courses will soon be available online, now that the university has joined edX, a nonprofit online learning enterprise. By joining edX, Cornell has formalized its commitment to help faculty start offering MOOCs—massive open online courses—which are burgeoning in popularity and have been called the democratization of education as they offer university-level courses in a wide range of disciplines to a worldwide audience at no charge.

Questions of administration, intellectual property, faculty support, and course selection will be guided by recommendations from an ad-hoc committee recently commissioned by the University Faculty Committee and by Provost Kent Fuchs and Dean of Faculty Joe Burns.

## Campus

### Mike Abrams, Roald Hoffmann celebrate milestones

**July 23, 2012**—Class of 1916 Professor Emeritus M. H. “Mike” Abrams reflected on his long career and a life in letters during a two-day public celebration organized by the Department of English in honor of his 100th birthday. Abrams spoke with his trademark wit and candor in “A Conversation with M. H. Abrams,” held before a full house in Goldwin Smith Hall’s Hollis E. Cornell Auditorium the afternoon of July 21.

**July 24, 2012**—When Roald Hoffmann, the Frank H.T. Rhodes Professor of Humane Letters Emeritus, received a Nobel Prize in 1981, he spoke of himself as a child from war-torn Europe, of Jewish heritage, and of American dreams, said Cornell President Emeritus Frank H.T. Rhodes. “How richly he has fulfilled that dream,” said Rhodes in his video lecture as a guest speaker at a special symposium on chemistry in celebration of Hoffmann’s 75th birthday, July 21–22 in Baker Laboratory, before some 160 guests.

### Provost approves revisions to academic calendar

**September 12, 2012**—Provost Kent Fuchs has approved the recommendations for a revised academic calendar proposed by the university’s Calendar Committee, which was charged with proposing changes that would address concerns about student stress and mental health related to prolonged periods of instruction without multi-day breaks; enhance educational opportunities; and comply with state requirements. Beginning in the spring semester of 2014, a two-day break during Presidents Week will be added, and spring break will be moved to late March. In the fall semester,





FROM TOP TO BOTTOM: Cory Booker, then mayor of Newark, New Jersey (now a U.S. Senator), and President David Skorton enter Schoellkopf Stadium prior to Booker's address at the 2013 Senior Convocation; The Cornell Glee Club performing at the annual Senior Week concert; A wintry view of Weill Hall from Minn's Garden; A member of the Dryden LEGO Snowy Owls arranges pieces for his team during the LEGO League Expo in Duffield Hall.

FROM TOP TO BOTTOM: Dancers perform at the annual Pao Bhangra show in April, which featured 21st-century versions of the traditional folk dance and music of northern India and Pakistan; Nobel Laureate Toni Morrison attends a private luncheon at the Africana Studies and Research Center before her talk at Alice Statler Hall in March; Cornell Police Chief Kathy Zoner gets a pie in the face during the Alpha Epsilon Pi benefit pie toss on Ho Plaza April 16; One of four wolves brought to campus from Mission: Wolf last October. The visit marked the 25th year handlers from the Colorado-based sanctuary and animal education center have brought wolves to share with Cornell and the greater Ithaca community.



a two-day break will occur near Columbus Day, and the day before Thanksgiving will be a full day without classes, rather than a half-day.

### **Skorton OKs new anti-hazing recommendations**

**November 29, 2012**—Saying Cornell has “no tolerance for coercive behavior,” President David Skorton has accepted recommendations that address his August 2011 call to “end pledging as we know it.” The recommendations focus on prevention, intervention, and response, and will be implemented in three phases. Immediately, fraternities and sororities must remove the “power differential” between members and initiates; transition from a pledge model to a membership development model; secure preapproval for orientation events; shorten orientation to four weeks; communicate transparently; and increase alumni involvement.

### **Skorton gives update on sexual assault, bias prevention**

**February 28, 2013**—In a message to the Cornell community this week, President David Skorton drew on the recommendations of a team of staff and students who began meeting last fall following a series of reported sexual assaults and bias incidents on campus. Skorton said as a first priority, he has asked the newly named Executive Committee on Campus Climate, Health, and Safety to develop clear response protocols for bias incidents, complementing the university’s current crisis management protocols. This action-oriented committee is charged with developing a campus-wide framework for the delivery of services, educational outreach, and training to promote a positive campus climate and prevent sexual misconduct and all forms of bias.

### **President of Panama, Alan Alda, Toni Morrison among campus visitors**

**March 11, 2013**—Toni Morrison, the Nobel Prize-winning author and Cornell alumna, returned to campus March 7 for a conversation about literature, politics, and especially language. She answered questions posed by her longtime friend and colleague Claudia Brodsky, a professor of comparative literature at Princeton University, and recalled her days as a graduate student at Cornell.

**April 15, 2013**—Part motivational speech, part socioeconomic update, Panama President Ricardo Martinelli’s April 11 talk wove personal anecdotes with statistics, demonstrating the positive changes

his administration has effected. In addition to his campus lecture, Martinelli signed a memorandum of understanding between Panama and the Cornell Institute for Public Affairs for sponsorship of master of public administration students at Cornell.

**May 23, 2013**—Visiting campus May 21–24 to offer science communication workshops hosted by the Kavli Institute at Cornell for Nanoscale Science, actor, director, and writer Alan Alda implored Cornell scientists to skip the jargon and instead tell stories and make personal, emotional connections. He and staff from the Alan Alda Center for Communicating Science at Stony Brook University led two workshop tracks for about 50 Cornell faculty members on helping the public understand science.

### **Remembering Dale Corson, Robert Richardson**

**September 11, 2012**—From his commitment to protect Cornell’s intellectual and academic integrity, to his accomplishments as a physicist, researcher, and administrator, to his deep devotion to his family, Dale Corson was celebrated September 8. A service to honor Corson, Cornell’s eighth president, who died March 31 at age 97, took place in Sage Chapel. With the doors open to steady rain, the chapel swelled with warm remembrances of Corson and music from the Cornell University Chorus and Glee Club. President David Skorton welcomed those in attendance, including Corson’s wife of 73 years, Nellie Corson.

**February 20, 2013**—Nobel laureate Robert C. Richardson, an experimental low-temperature physicist and one of Cornell’s most influential administrators, died February 19 in Ithaca from complications related to a heart attack. He was 75. Richardson joined the Cornell faculty in 1968 and was named the Floyd R. Newman Professor of Physics in 1987. In 1996 he was awarded the Nobel Prize, with then Cornell colleague David Lee and former student Douglas Osheroff, PhD ’73, for their 1971 discovery that the helium isotope helium-3 can be made to flow without resistance—a state called superfluidity—at about 0.002 of a degree above absolute zero.

## Diversity

### **Class of 2016 is more diverse, with a female majority**

**August 14, 2012**—Women make up 52.7 percent of Cornell's incoming Class of 2016, a diverse group of 3,270 freshmen from 47 states and 46 countries. The female majority is the highest number (1,723) and percentage ever of women in Cornell's first-year class. Overall, there was an increase in students of color—39.8 percent of the class identified themselves as non-Caucasian, compared with 36.4 percent in 2011. Cornell received 37,808 applications for admission in 2012, a 3.9 percent increase over the previous year and the most received by any school in the Ivy League. Admissions were more selective, with offers made to 16.6 percent of applicants, compared with 18 percent in 2011.

### **Posse Foundation to bring top students to Cornell**

**September 17, 2012**—The College of Arts and Sciences announced it will host a “posse” of highly motivated urban students through an agreement with the Posse Foundation, beginning in fall 2013. The foundation identifies students from urban public high schools with extraordinary academic and leadership potential who might have been overlooked by traditional college selection processes. Students attend college in posses of 10, and these groups serve as a support community for the students both on campus and in their studies.

### **Cornell leadership shares diversity initiatives**

**October 11, 2012**—At a diversity retreat September 27, Cornell's senior leadership—including the president, provost, deans, vice presidents, and vice provosts—shared the diversity initiatives that their colleges and units would pursue this academic year. Posted on the university's new diversity website, the initiatives not only reflect the big picture of the university's commitment to diversity and inclusion but also detail the efforts that each college and major unit on campus will undertake.

### **Muslim students gain a cultural center in Willard Straight**

**March 14, 2013**—A student group's efforts to establish a Muslim Cultural Center on campus has resulted in a space in 208 Willard Straight Hall. The cultural center initiative was spearheaded by the Committee for the Advancement of Muslim Culture, a student-led organization seeking to foster cooperation between communities of different faiths and backgrounds. The center's focus will be cultural Islam, with activities to include outreach to non-Muslim constituencies, fostering mentorship, and making connections with Muslim alumni.

## Athletics

Cornell teams won seven Ivy League titles in 2012–2013 (men's soccer, lacrosse, indoor track and field, wrestling; women's ice hockey, cross country, outdoor track and field), while 31 student-athletes earned All-America honors. Cornell student-athletes posted a cumulative grade point average of more than 3.0 and also volunteered several thousand hours of public service.

### **Women's ice hockey reaches NCAA quarterfinals**

**March 16, 2013**—For the fourth consecutive year, the Cornell women's ice hockey team reached the NCAA quarterfinals after a season highlighted by its fourth straight ECAC and Ivy League titles. The Big Red lost to Mercyhurst in overtime.

Soon after, senior forward Lauriane Rougeau was named a Second Team All-American, and Brianne Jenner claimed a First-Team All-America nod after also being named the ECAC Hockey and Ivy League Player of the Year.

### **Sports Illustrated names Dake College Athlete of the Year**

**May 22, 2013**—Cornell wrestler Kyle Dake has been named the inaugural *Sports Illustrated* male College Athlete of the Year, chosen among five finalists by *Sports Illustrated* editors. A four-time Academic All-American, Dake became the first NCAA wrestler to win national titles in four different weight classes, the first to win four national titles without taking a redshirt season, and just the third athlete to claim four national titles. The Outstanding Wrestler of the NCAA tournament in 2013, Dake is the third Cornell wrestler to capture the award



FROM TOP TO BOTTOM: Newly commissioned Reserve Officers' Training Corps (ROTC) graduates celebrate after their commissioning ceremony; Kendrick Coq '15 and Thaddeus Talbot '15, co-presidents of the student-run, peer-mentoring group Scholars Working Ambitiously to Graduate; Students watch a "shark tank," based on the television show in which aspiring entrepreneurs pitch their ideas to potential investors; The ribbon cutting for the Marriott Student Learning Center at the School of Hotel Administration, with Bill Marriott Jr. and Dean Michael Johnson.

FROM TOP TO BOTTOM: The first annual Homecoming Fireworks and Laser Light Show lights up Schoellkopf Stadium; Business executive, Tea Party activist, and former Republican presidential candidate Herman Cain, invited to campus to speak by the Cornell Republicans, broadcasts his radio show from the WVBR studios in April; A stop in the milking center of the new Cornell Teaching Dairy Barn; Mechanical engineering student Stephanie Locks '14 with a robot she helped to design.



and the first since Dave Auble in 1960. He wrapped up his amazing career with a 137-4 record, including winning his final 79 collegiate matches.

## **Pannell punctuates epic career with Tewaaraton Trophy**

**May 31, 2013**—Rob Pannell was named winner of the 2013 Tewaaraton Trophy, the premier award in collegiate lacrosse, in a ceremony held May 30 at the Smithsonian Institution's National Museum of the American Indian in Washington, D.C. He is the Big Red's second recipient of the award, joining Max Seibald '09. Pannell is the first-ever three-time Ivy League Player of the Year in men's lacrosse and just the fourth player in the history of Division I college lacrosse to be named conference player of the year three times during his career. The all-time NCAA Division I career points leader (354), Pannell became one of just four Cornell players to earn All-American honors four times during their career when the teams were announced last week.

The Big Red made it to the NCAA semifinal in 2013, bowing out after a ferocious comeback fell short in a 16-14 loss to no. 7 Duke. Cornell's season ended with a 14-4 overall record.

## **Achievements and Recognitions**

### **Dr. Lewis Cantley awarded \$3M Breakthrough Prize in Life Sciences**

**Feb. 21, 2013**—Dr. Lewis Cantley, a leading cancer researcher credited with discovering a family of enzymes fundamental to understanding cancer, was named a winner of the inaugural Breakthrough Prize in Life Sciences, the world's richest academic prize for medicine and biology. The prize, which carries a \$3 million cash award, recognizes excellence in research aimed at curing intractable diseases and extending human life. Cantley, director of the recently established Cancer Center at Weill Cornell Medical College and NewYork-Presbyterian Hospital, is the Margaret and Herman Sokol Professor in Oncology Research and professor of cancer biology at Weill Cornell.

Among other achievements of the year:

- Professor Fredrik Logevall won a Pulitzer Prize in history for his 2012 book *Embers of War: The Fall of an Empire and the Making of America's Vietnam*.
- Fiction writer Junot Diaz, MFA '95, was awarded a John D. and Catherine T. MacArthur Foundation Fellowship, popularly known as a "genius award."

- Gannett Health Services counseling director Gregory Eells received a lifetime achievement award from the Association for University and College Counseling Center Directors.
- Peter Lepage, dean of the College of Arts and Sciences and professor of physics, was appointed to the National Science Board by President Barack Obama.
- The World Bank appointed Professor Kaushik Basu as chief economist.
- Dr. Laurie H. Glimcher, dean of Weill Cornell Medical College and provost for medical affairs of Cornell University, won the 2012 Ernst W. Bertner Memorial Award from the University of Texas M.D. Anderson Cancer Center for her distinguished contributions to cancer research.
- A research group including computer science Professor Doug James and alumnus Theodore Kim '01 shared an Academy Award for developing software that simulates fire and smoke.
- Students Christopher "Kit" Dobyms and Daniel Young were named Rhodes scholars; juniors Simon Boehme and Samuel Ritholtz were named Truman scholars; and juniors Jon Carter Loftus and Devin McMahon were awarded Goldwater scholarships.
- Iqbal El-Assaad, 20, became the youngest-ever graduate of Weill Cornell Medical College—Qatar and one of the youngest doctors in the world. After a residency in pediatrics at the Cleveland Clinic, she hopes to return to the Middle East to work.
- Professors Juris Hartmanis and Eva Tardos were elected to the National Academy of Sciences; Dr. Andrew I. Schafer and Dr. Lisa DeAngelis to the Institute of Medicine; and Professors Kenneth Kemphues, John Lis, and Sandra Vehrencamp to the American Academy of Arts and Sciences.
- Two architecture faculty members were chosen to design pavilions in New York City. Jenny Sabin designed an innovative textile pavilion for Nike, and Caroline O'Donnell's steel and wood design was selected by the Museum of Modern Art/P.S.1's 14th annual Young Architects Program.
- Creator of the Internet e-Print Archive familiarly known as arXiv, Paul Ginsparg, professor of physics and of information science, was one of 13 people honored by the White House as a Champion of Change for promoting and using open scientific data and publications to accelerate progress.
- Two Cornell student teams—a cookstove fuel/biochar group and the AguaClara water filtration project team—won the U.S. Environmental Protection Agency's prestigious People, Prosperity, and the Planet (P3) Award on June 19. With about 45 teams in the competition, Cornell was the only school with two of the seven winning teams.

## Workplace Recognition

### Staff recognition efforts increase in response to survey

**December 5, 2012**—In response to feedback from last year's Employee Survey, an Employee Recognition Team has developed a suite of programs to give Cornell staff more recognition for their good work. The new programs—created by staff, for staff—range from new awards and ways of thanking each other to grassroots gatherings across campus, called Cornell Recognition Event Days (RED). New awards in 2013 are the Individual Excellence Award, Management Award, and a presidential award, "Far Above Cayuga's Waters." An Innovations in Diversity and Inclusion Award is planned for 2014.

### Cornell named a top employer for women executives

**February 5, 2013**—Cornell has been named one of the nation's top nonprofit employers for executive women by the National Association for Female Executives for its hiring and retention of women; programs that support women's issues and advancement; and the presence of women among Cornell executives. Also noted in the recognition were aspects of its organizational culture that support all Cornell employees: work/life and educational programs; managerial training and accountability; and use of the Employee Survey and other mechanisms to identify areas for improvement.

### Cornell recognized for support of veterans

**May 2, 2013**—The Families and Work Institute has named Cornell University one of four 2013 Work Life Legacy Military Award recipients. Cornell is the first institution of higher education to be recognized. The Work Life Legacy Military Awards were created in 2012 to help increase the number of service men and women hired into civilian jobs and help them build long-term careers.

## Rankings

### U.S. News ranks engineering physics no. 1 in country

**September 12, 2012**—In its 2013 rankings, *U.S. News & World Report* rates Cornell first in the country among undergraduate engineering science/engineering physics programs at doctorate-granting schools, up from second in 2012. Cornell also ranked no. 6, overall, in academic reputation.

In other *U.S. News* categories, Cornell ranks:

- 4th for undergraduate agricultural engineering
- 8th for "Best in Undergraduate Engineering"
- 10th for "Best in Undergraduate Business"
- 10th for economic diversity among national universities
- 12th in the "best value" category
- 15th on the list of "Best National Universities," for a fourth year in a row

### Johnson jumps to no. 7 on Bloomberg Businessweek's B-school ranking

**November 15, 2013**—The Samuel Curtis Johnson Graduate School of Management has leapt into the top ranks of American business schools. *Bloomberg Businessweek* ranks Johnson no. 7 in the nation. In 2010, the last year the magazine ranked business schools, Johnson came in at no. 13. According to the magazine's methodology, Johnson improved its ranking with high scores in student satisfaction and faculty research.

### Engineering, English graduate programs ranked in Top 10

**March 12, 2013**—Cornell's English PhD programs and six of its graduate engineering fields are ranked in the top 10 in *U.S. News & World Report's* 2014 report on "Best Graduate Schools."

Computer engineering showed the most significant rise in the rankings, from no. 9 last year to no. 5 in the new report, released March 12. The other Cornell engineering programs ranked as follows: biological/agricultural engineering, 3; electrical/electronic, 7; industrial/manufacturing/systems, 7; materials, 7; and mechanical engineering, 9. The university was ranked no. 13 overall for graduate engineering.

Among professional schools, Cornell Law School was ranked no. 13; Weill Cornell Medical College retained





FROM TOP TO BOTTOM: Two students chat at the 2013 Students of Color Banquet, sponsored by the Black Graduate and Professional Students Association; Howard Evans, professor emeritus of veterinary biomedical sciences, teaching students at Ithaca's Northeast Elementary about reptiles; A Tyrolean traverse zip line set up by Cornell Outdoor Education near the Sackett Footbridge over Beebe Lake; Members of the Frozen Assets, a women's hockey team at the Samuel Curtis Johnson Graduate School of Management, cheer on their team against the Johnson faculty in a friendly game.

FROM TOP TO BOTTOM: British comedian John Oliver, seen on *The Daily Show* and *Community*, performs in Bailey Hall; Last-minute preparations for a Cornell Recognition Event Day, which celebrates employee excellence; Signs near plants at the Cornell Plantations instruct visitors how to use their smartphones to hear poetry inspired by each plant; Audience members at The Spirit of '31: Passing It Forward ceremony at the Statler Ballroom during Reunion 2013.



its no. 16 ranking; and Johnson's professional MBA program ranked at no. 16.

The university's PhD programs in English language and literature are ranked no. 8 overall. The concentration of literary criticism and theory is no. 3.

### **Dyson School ranked no. 3 by Bloomberg Businessweek**

**March 21, 2013**—Cornell's Charles H. Dyson School of Applied Economics and Management has been ranked no. 3 for the second year in a row in *Bloomberg Businessweek's* annual ranking of "Best Undergraduate Business Schools." The Dyson School held its third spot thanks to a second-place finish in both student satisfaction and a measure of how many graduates enroll in top-ranked MBA programs, according to *Businessweek*.

## Research

### **Weill Cornell receives \$49.6 million NIH renewal grant for Clinical and Translational Science Center**

**August 1, 2012**—Weill Cornell Medical College has received \$49.6 million from the National Center for Advancing Translational Sciences, of the National Institutes of Health (NIH), to fund its Clinical and Translational Science Center (CTSC). The award is a five-year renewal of the largest NIH grant ever awarded to the medical college; received in 2007, it supported the establishment of the CTSC, a multi-institutional consortium with the goal of accelerating new preventive interventions and treatments through translational research. The CTSC also includes Weill Cornell Graduate School of Medical Sciences, NewYork-Presbyterian Hospital/Weill Cornell Medical Center, Cornell University and its Cooperative Extension units in New York City, and several other institutions.

### **New discoveries in leukemia and lymphoma**

**October 29, 2012**—A team of national and international researchers, led by Dr. Ari Melnick and other Weill Cornell Medical College scientists, have decoded the key "software" instructions that drive three of the most virulent forms of acute lymphoblastic leukemia (ALL). They discovered ALL's "software" is encoded with epigenetic marks, chemical modifications of DNA, and surrounding proteins, allowing the research team

to identify new potential biomarkers and therapeutic targets. Published in *Cancer Discovery*, the study is the first to show how these three different forms of white-blood-cell cancer are epigenetically programmed by several different molecules controlling cascading biological networks that manipulate normal gene function, directing cancer development and growth.

### **New \$25 million grant will improve cassava breeding**

**November 30, 2012**—To improve the productivity of cassava—a rough and ready root crop that has long been the foundation of food security in Africa—and plant breeding in sub-Saharan Africa, the Bill & Melinda Gates Foundation and the Department for International Development of the United Kingdom have awarded Cornell \$25.2 million to host a five-year research project. Project partners will use the latest genomic information from cassava sequencing to improve productivity and yield, train the next generation of plant breeders, and improve infrastructure at African institutions. They will also hold awareness-building workshops for farmers, scholars, researchers, and policymakers. Ronnie Coffman, professor of plant breeding and genetics and director of International Programs, leads the project, coordinating work with institutes in Uganda, Nigeria, and California.

### **Scientists discover genetic key to efficient crops**

**January 23, 2013**—With projections of 9.5 billion people by 2050, humankind faces the challenge of feeding modern diets to additional mouths while using the same amounts of water, fertilizer, and arable land as today. Cornell researchers in the lab of Professor Robert Turgeon have taken a leap toward meeting those needs by discovering a gene that could lead to new varieties of staple crops with 50 percent higher yields. The gene, called Scarecrow, is the first discovered to control a special leaf structure, known as Kranz anatomy, which leads to more efficient photosynthesis.

### **Link found between inflammation and spread of breast cancer**

**January 24, 2013**—Cancer is lethal because it spreads, or metastasizes, and curing cancer depends on knowing just how this process works. Cornell biomedical engineers in the lab of Professor Michael King have uncovered a groundbreaking link between the body's natural inflammatory response and how malignant breast

cancer cells use the bloodstream to metastasize. Their work contends that pro-inflammatory signaling molecules in blood, called cytokines, constitute a switch that induces the mechanism by which breast cancer cells roll and adhere to the blood vessel surface. The cancer cells eventually stick to and infiltrate the vessel.

### Study: Preferences, incentives matter for capital tax levels

**January 29, 2013**—Against the backdrop of a nation obsessed with the debate on taxes, Cornell assistant professor of economics Maxim Troshkin and colleagues have completed a study that could help determine the ideal capital tax policy by showing why current theories result in particular levels and types of taxes.

### Think ahead: Robots anticipate human actions

**April 29, 2013**—A robot in Cornell's Personal Robotics Lab has learned to foresee human action and adjust accordingly. From a database of 120 3-D videos of people performing common household activities, the robot has been trained to identify human activities by tracking the movements of the body—reduced to a symbolic skeleton for easy calculation—breaking them down into sub-activities like reaching, carrying, pouring, or drinking, and to associate the activities with objects. Since each person performs tasks a little differently, the robot can build a model that is general enough to match new events.

### Cocaine vaccine passes key testing hurdle

**May 10, 2013**—Researchers at Weill Cornell Medical College have successfully tested a new anti-cocaine vaccine in primates, bringing the therapy closer to human clinical trials. Their study, published by the journal *Neuropsychopharmacology*, used a radiological technique to demonstrate that the anti-cocaine vaccine prevented the drug from reaching the brain and producing a dopamine-induced high. Dr. Ronald G. Crystal says he expects to begin human testing of the anti-cocaine vaccine within a year.

### TB bacteria's trash-eating inspires search for new drugs

**June 10, 2013**—When hijacking a garbage truck, one might as well make use of the trash. That logic drives how tuberculosis-causing bacteria feed, say scientists led by microbiologist David Russell in the

College of Veterinary Medicine. They report that bacteria-infecting macrophages, garbage truck-like immune cells, slow their hosts' trash-processing abilities to snack on trash they pick up. The study, selected as Editor's Choice in the journal *Cellular Microbiology*, opens a new road in the search for better drugs to fight tuberculosis.

## Public Engagement

### Weill Cornell protests cuts to biomedical research funding at D.C. rally

**April 8, 2013**—Nearly two dozen faculty, students, and postdoctoral associates from Weill Cornell Medical College joined thousands in Washington, D.C., urging Congress to restore more than \$2 billion in funding for the National Institutes of Health—without which medical advances and discoveries could be negatively affected for decades. Weill Cornell's contingent traveled with a group from Columbia University College of Physicians and Surgeons to march with people from nearly 200 organizations at the steps of the Carnegie Library for the Rally for Medical Research.

### Land-grant legacy and evolution extolled in Albany

**April 11, 2013**—A century and a half ago, the Morrill Land Grant Act made higher education possible and practical for all citizens, and in that context, Cornell was founded in 1865 as New York's land-grant institution. Reflecting on that rich history, university and state leaders, alumni, and friends gathered in Albany on April 9 to celebrate Cornell's land-grant legacy. The event included the reading of a letter from Governor Andrew Cuomo praising Cornell's "central role in shaping New York's economy and quality of life, encouraging outreach, engagement, and public service."

## Sustainability

### Cornell is first Ivy to be certified for sustainable seafood

**August 16, 2012**—This month Cornell became the first Ivy League university to be certified by the Marine Stewardship Council for its use of sustainable seafood in its dining halls. The program begins with two facilities and will be expanded to all campus dining outlets by 2015.



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LEFT: Pierre Patie, associate professor of operations research and information engineering, reviews a concept written on the glass wall of his office in Rhodes Hall.

## Sustainability summit touts Cornell as living laboratory

**November 29, 2012**—The announcement of a new sustainability advisory committee, as well as student and staff sustainability awards, were highlights of the annual summit of the President’s Sustainable Campus Committee November 28. The third annual meeting, celebrating Cornell as a living laboratory for sustainability, brought together committee members and focus teams of faculty, staff, and students who help implement projects across 10 areas: people, water, food, land, energy, purchasing, transportation, waste, climate, and buildings.

## Cornell reduces emissions by 7 percent since 2010

**February 18, 2013**—Cornell reduced its greenhouse gas emissions by 7 percent between fiscal years 2010 and 2012, according to an energy inventory the university submitted to the American College and University Presidents Climate Commitment January 14. The drop was partly due to the elimination of coal as a fuel source. The Campus Sustainability Office and Facilities Services submit an energy inventory to the ACUPCC every two years. In 2007 President David Skorton pledged Cornell to climate neutrality by 2050.

## International

### Weill Cornell neurosurgical team performs training in Tanzania

**July 2012**—A neurosurgical team from Weill Cornell Medical College traveled to Africa this summer on an annual training visit to the Bugando Medical Center in Mwanza, Tanzania. Weill Cornell has a longstanding mission to strengthen medical education at the center and at Weill Bugando University College of Health Sciences. Dr. Roger Härtl, associate professor of neurological surgery and chief of spinal surgery and neurotrauma, led the team, which trained local surgeons to perform basic neurosurgical procedures using locally available equipment and resources. The World Health Organization recommends that all countries have one neurosurgeon for each 100,000 residents. In Tanzania the ratio is 1:13 million.

## Faculty task force offers plan for internationalization

**October 25, 2012**—Building on its existing strengths, coordinating resources, and making additional investments will help Cornell enhance and solidify its status as a top school for international studies and engagement, says a new report by the Cornell University Task Force on Internationalization. The report—which expands on President David Skorton’s March 2012 white paper “Bringing Cornell to the World and the World to Cornell”—includes 27 sweeping recommendations focused on three primary efforts:

- Expand and enhance the number and quality of student opportunities for meaningful international experiences linked to their curriculum.
- Realize the original vision of the Einaudi Center “to stimulate, support, and coordinate the university’s efforts in all facets of international studies and activities.”
- Ensure international education, research, and engagement are woven into academic life structures.

## “Engaged and excited” Brazilian students arrive on campus

**January 17, 2013**—Luisa Zigmantas is anticipating an exciting year at Cornell. “Everything here is spectacular,” the electrical engineering student from Brazil said. “I’m amazed at the natural beauty here.” She is one of 27 newly arrived students from Brazil, here under the auspices of Academia do Brazil em Cornell. The Brazilian government’s Ciência sem Fronteiras scientific mobility program is funding the initiative and all student expenses for two semesters at about 40 schools across the United States. About half of the students are in engineering fields; others are in science and technology, biological sciences, information science, urban planning, and film.

## Cornell among top schools for Peace Corps recruits

**February 5, 2013**—Cornell ranks no. 4 in producing Peace Corps volunteers among medium-sized colleges and universities nationwide, according to the Peace Corps’s annual ranking of schools. Cornell has 40 alumni serving overseas, making it the top Ivy League institution producing Peace Corps volunteers. Since the agency’s founding in 1961, 1,595 Cornell alumni have served in the Peace Corps.

## Logevall named vice provost for international affairs

**March 7, 2013**—Fredrik Logevall, the John S. Knight Professor of International Studies and director of the Mario Einaudi Center for International Studies, has been appointed Cornell's vice provost for international affairs, effective July 1 for a five-year term. "Fred Logevall is a first-rate scholar of U.S. foreign relations, as well as a proven skilled leader in shaping the international dimensions of curriculum and interdisciplinary scholarship at the Einaudi Center," said Provost Kent Fuchs. "He will build on the solid foundation built by Alice Pell, whom we thank for her wisdom, leadership, and service."

## Cornell NYC Tech

### Cornell Tech welcomes its first class of students

**January 22, 2013**—Many months of planning have brought Cornell NYC Tech to perhaps its most significant milestone yet: the arrival of its first class of students. On Jan. 21, Cornell Tech began instruction for its beta class of eight full-time students pursuing a one-year master of engineering degree in computer science. The highly selective class comprises students with a wide range of technical experience and backgrounds who share an entrepreneurial spirit and outstanding academic credentials, said Cornell Tech officials.

### Bloomberg, Jacobs, and Schmidt to guide growth of Cornell Tech

**September 19, 2012**—Cornell NYC Tech today announced that New York City Mayor Michael R. Bloomberg, Qualcomm Founder Irwin Jacobs, and Google Executive Chairman Eric Schmidt will provide ongoing guidance on the programmatic and physical development of the new tech campus in New York City, including the Technion-Cornell Innovation Institute. This senior group brings together three of the world's leading tech entrepreneurs to lend unparalleled expertise to the campus in this critical early stage.

### Cornell Tech and Department of Commerce partner to spur job creation

**October 4, 2012**—Cornell University and the U.S. Department of Commerce announced a groundbreaking partnership in New York City to speed commercialization of ideas generated at Cornell NYC Tech. It is the first

time a U.S. government agency has joined forces with a university to give students and researchers direct access to resources to bring ideas—and the companies and jobs they create—to market. A senior member of the Patent and Trademark Office will be based at the tech campus and serve as the innovation and outreach coordinator for the greater New York region.

## Facilities

### Human Ecology Building earns LEED Platinum rating

**September 6, 2012**—The U.S. Green Building Council has certified the Human Ecology Building as LEED Platinum—its highest rating for sustainable structures—making it the first building on the Cornell campus to achieve the distinction. Opened in 2011, the building earned high marks for being developed on a sustainable site, for limiting energy use and emissions, and for ensuring indoor environmental quality.

### Fences come down, nets go up on bridges

**May 17, 2013**—Cornell has begun removing the temporary fencing that has been on seven bridges on and around campus since 2010. This follows the university's installation of horizontal nets made of tensile steel mesh underneath six bridges; a seventh, the Suspension Bridge, will be fitted with a vertical mesh sock. Means restriction systems on the bridges are an important element in Cornell's comprehensive approach to promoting mental health and preventing suicide.

### Klarman Hall project begins; scheduled to open in 2015

**May 23, 2013**—Cornell administrators and donors broke ground May 23 for Klarman Hall, the first new building for the humanities on central campus since Goldwin Smith Hall opened in 1905. The building will address space needs in humanities departments of the College of Arts and Sciences. Seth '79 and Beth Klarman, who supported the project, attended the groundbreaking ceremony, which was led by President David Skorton and Peter Lepage, the college's Harold Tanner Dean.







## Philanthropy

### **Cornell Now campaign tops \$4 billion**

**April 25, 2013**—Cornell has surpassed an important fundraising-campaign milestone—\$4 billion—making it only the fourth institution in all of higher education to have accomplished such a feat. Since its public launch in 2006, Cornell Now has raised \$4.03 billion toward its goal of \$4.75 billion by 2015, Cornell's sesquicentennial. The campaign has received 617,618 gifts from 154,751 alumni, parents, and friends—ranging from a contribution of a single penny to multimillion-dollar gifts. The funds support both the Ithaca campus and Weill Cornell Medical College and include the medical college's recently completed \$1.3 billion Discoveries That Make a Difference campaign.

### **\$20 million boosts competitive edge for aid initiative**

**September 10, 2012**—Competition is a driving force not only in business but also in higher education, believes Arthur Wolcott '49, founder and chairman of Seneca Foods Corp. This year he and his wife, Audrey, and the Seneca Foods Foundation made a \$20 million commitment in support of Cornell's Award Match Initiative, which matches need-based financial aid offers from any of the seven peer schools in the Ivy League (as well as Duke, MIT, or Stanford).

### **Joan and Irwin Jacobs give \$133 million to name Cornell Tech institute**

**April 22, 2013**—Irwin Mark Jacobs '54, founding chairman and CEO emeritus of Qualcomm, and his wife, Joan Klein Jacobs '54, have made a \$133 million gift to Cornell and the Technion-Israel Institute of Technology to create the Joan and Irwin Jacobs Technion-Cornell Innovation Institute (JTCII). The JTCII is a centerpiece of Cornell NYC Tech, whose permanent campus will be located on Roosevelt Island in New York City. The gift will help support joint activities between Cornell and the Technion, including dual master's degree programs, faculty, graduate students, and industry interactions.

# A Year in the Life of the University

Cornell's success depends on a great deal of activity that never makes headlines. Every day thousands of Cornell students, staff, and faculty make large and small contributions that add up to much more than the sum of the parts. They make Cornell what it is: a global university with a land-grant mission, where learning occurs in settings that are formal and informal, where new ideas take root and established wisdom is shared and challenged. Cornell's worldwide reputation is based on its primary missions: education, research, and public engagement. The community that supports those activities with food, energy, transportation, maintenance, and myriad other services is far less visible, and so are the individual contributions of most students and faculty. Yet their hard work, dedication,

and initiative enable Cornell to fulfill its missions with excellence, in bold, innovative ways.

We'd like to share some of those less visible stories with you, based on dozens of conversations with faculty, staff, and students about the past year. What were their goals for 2012–2013? How did they define success? How did their work contribute to the overall success of the university? And, because no year is without its challenges, how did they cope with frustration and disappointment? Reading their stories will encourage and inspire you, and make you proud to be part of the great international enterprise that is Cornell.

## Motivations for Success

### Sharing Expertise

Many Cornellians are driven by a strong desire to offer the very best expertise in a given field. Dr. Margaret Polaneczky of Weill Cornell Medical College is one who not only strives to be a superb practitioner but also is committed to getting the latest knowledge in patients' hands in a form they can use.

An associate professor of clinical obstetrics and gynecology, she has always loved to communicate. In fact, she writes a blog that gets 1,000 hits a day and has 2,200 Twitter followers. The Blog That Ate Manhattan (tbtam.com) covers not only women's health issues but also cooking, restaurant reviews, and just about anything else that interests Polaneczky.

When a post explaining new guidelines on mammography screening garnered a huge positive response, she was inspired to develop an online decision aid to help women in their forties make personal choices about how often to be screened—a topic on which the medical community has no simple consensus.

With a grant from Weill Cornell's Clinical and Translational Science Center, she collaborated with researchers at Memorial Sloan-Kettering Cancer Center (MSKCC) to create the decision aid, which is now being used on a trial basis at Weill Cornell's Iris Cantor Women's Health Center and in the Weill Cornell Medical Associates practice. Women can use it before an appointment with a physician and print out the results, so that they go in with good information, including an understanding of how screening regimens may affect mortality, and a measure of their personal risk level. The team is now evaluating how well the aid functions for patients as well as doctors.

Asked about the challenges of the project, Dr. Polaneczky laughs. "It's harder than writing a blog." She and her main



TOP: Margaret Polaneczky; BOTTOM: Amanda McClain

collaborator, Elena Elkin, PhD, of MSKCC (whom she calls “the real brains in this operation”), designed the site, but MSKCC programmers built it and continue to maintain it. Outside experts were hired to write a program that would check every possible combination of answers to make sure the results would make sense. Now the challenge is to get funding for a widespread launch—possibly in early 2014—and ongoing maintenance.

But Dr. Polaneczky isn’t content to stop there. The decision aid is written at an 8th-grade reading level—should there be versions at other levels? Is there a way it could be integrated into the medical records system?

It seems that Dr. Polaneczky won’t run out of ideas anytime soon—and that’s a great thing for her patients and all the rest of us who read The Blog That Ate Manhattan.

## Addressing Problems

Other Cornellians are led to their work because they took a deeper look at a longstanding problem and resolved to untangle it. Amanda McClain, a PhD student in nutritional sciences, was inspired to do her own research after working as an employee on nutrition and physical activity intervention projects. “I encountered participants who were incredibly creative and determined to eat healthier and be more physically active,” says McClain. But she also got a close look at the barriers confronting marginalized, low-income populations when it comes to changing unhealthy behaviors. “Their daily lives were unpredictable and chaotic. Their primary concerns were the basics of life, including paying bills and having enough food to eat,” she says. McClain decided to address those barriers in her dissertation.

With funds from a grant, she is studying how low-income Mexican mothers in Dutchess County acquire and prepare food. She interviews each mother, provides a disposable camera, and asks her to take pictures of the factors that determine whether her children have enough healthy food. McClain and the mother review the pictures in a second interview. “This type of interview, called photo elicitation, allows the mother to play a larger role in the research process and strengthens the trust between researcher and participant,” says McClain. The fieldwork also includes interviews with agencies that provide nutrition services. McClain’s findings, which will be used to improve food security in families from Mexico, add another chapter to Cornell’s history as a land-grant university and leader in applied research for communities in need.

## Innovative Collaborators

Other Cornellians develop innovative ways to collaborate for a better future. One of Jim LeBlanc’s major goals for 2012–2013, as director of Library Technical Services, was to lay the groundwork for his department’s share of a collaborative project between the Cornell and Columbia university libraries. Dubbed 2CUL, the project is a resource-sharing partnership in which the two library systems complement each other’s collections, reducing

duplicative purchasing. Cornellians and Columbians already enjoy expedited interlibrary borrowing and reciprocal onsite access. Specialists on both campuses work together to develop collections: for example, librarians in charge of Cornell’s extensive Southeast Asia collection advise their counterparts at Columbia, and librarians for Columbia’s Slavic and East European collection help Cornell’s staff. The result will be access to a greater store of material for faculty, students, and other users at both universities.

LeBlanc’s group and technical services staff at Columbia are working to integrate their departments’ acquisitions, cataloguing, and e-resource management—critical needs as libraries are increasingly digitized. The two departments spent 2012–2013 gathering information and planning. They were able to meet the initial goals, a fact LeBlanc attributes to participation by all staff on both sides, and a good omen as the project moves forward. 2CUL is being watched closely as a prototype for library communities of the future.

Cornell Police Officer Kyle Hollenbeck is part of a very different collaboration, with colleagues both human and non-human. In 2012–2013 he teamed up with Rogue, a black Labrador–hound mix trained as a K-9 explosive



TOP: Jim LeBlanc; BOTTOM: Kyle Hollenbeck and Rogue

detection dog. The new duties added a third more hours to Hollenbeck's workweek, and, because Rogue lives with him, his responsibility for the team is 24/7. Talk about bringing your work home!

Rogue is the second dog on the Cornell police force. The two teams take turns patrolling the Ithaca campus. "Having the dogs on duty 16 hours a day is a great deterrent to those who want to cause harm," says Hollenbeck.

He acquired Rogue and his specially outfitted vehicle by writing a long, labor-intensive grant application to the New York State Division of Homeland Security. He has embarked on an application for a third dog. The long-range goal is to create a regional canine-unit training center to serve police forces in Tompkins and surrounding counties.

"Building relationships with other agencies will increase our efficiency in working together," Hollenbeck says.



TOP: Ronnie Coffman; BOTTOM: Rajit Manohar

## Turning Things Around

### Setbacks

Of course, not every project proceeds smoothly or turns out as well as expected. As director of International Programs in the College of Agriculture and Life Sciences, Professor Ronnie Coffman helped to reel in a \$25 million grant for a cassava breeding project (see story in News Highlights). But he also sought grants for two other projects, one in Burma and one in the Philippines, and both were rejected.

"Things didn't go quite as planned" for Rajit Manohar, either. As associate dean for academics at Cornell Tech, he aimed to develop a new kind of graduate program in 2012–2013, one in which students immediately applied what they learned in the classroom by working on real problems for industry partners and using new tools to build projects. But the written agreement with industry partners, which covered sensitive matters such as intellectual property, went through several time-consuming revisions. Meanwhile, students fretted about not having enough time to work on their projects.

Amanda McClain's plans for 2012–2013 included passing her A exam and starting the fieldwork for her dissertation on food insecurity among low-income Mexican families. She passed the exam and, after several rejections, received a prestigious grant for her research. But the academic year had ended before she was able to get past frustrating delays to start the fieldwork. "The nature of my research means relying on cooperation with stakeholders," including human service agencies and busy mothers, says McClain. "Our timelines and priorities do not always coincide."

Justin Morant '14, a student in the College of Arts and Sciences, transferred to Cornell from a small college in Pennsylvania because he wanted a more challenging education. That's exactly what he found, to the detriment of his GPA. With the goal of being accepted to a top business school, "the main driver this past year was to make sure I had grades above a 3.5," says Morant.

### Finding a Way Forward

These were disappointments, to be sure. But there is a difference between being disappointed and being discouraged. Cornellians facing the former avoid the latter by using one or more common approaches.

**Sheer persistence.** "The main thing is perseverance—not being discouraged just because something doesn't work out the first time," says Coffman. "I'm a plant breeder. In plant breeding you have 100 failures for every success." He will try again to obtain funding for the projects in Burma and the Philippines. "We have a great deal of information now that we didn't have before, so eventually we will succeed."

**A willingness to evaluate problems, make changes to avoid them in the future—and repeat the process if necessary.** In planning the second semester, Cornell Tech’s leadership sought input from faculty, industry partners, and students. “As a result we came up with a much better agreement. We will use it this coming semester, and we hope the process will be much more smooth this time out,” says Manohar. “If it still needs to be worked on, we will smooth it out again.” The schedule for fall 2013 provides students with designated class time when they can use the new tools to build their projects. The evaluation process will continue, and depending on how the fall semester plays out, spring 2014 may look different again.

**Making the best of an imperfect situation.** “With most research, disappointments are inevitable,” McClain says of her stalled fieldwork schedule. She decided to put the waiting time to good use. “I’ve learned to work ahead on areas of my project that I can control, and organize so that when my stakeholders are ready, I am prepared to move forward immediately,” McClain says. “This requires much patience and flexibility.” She also spent time visiting a friend in Romania, while honing skills that will help with her fieldwork: “immersion in a less-familiar culture, attentive observation, formulation of questions, searching for historical, sociological, and political explanations, and firsthand experience of every aspect of their culture—especially food!”

**Learning from mistakes and asking advice.** Justin Morant did bring his grades above 3.5. “I was able to achieve that by identifying what went wrong and what I could do differently. I ask those critical questions and make changes.” Morant is also quick to enlist professors, administrators, and alumni as mentors, turning to them for advice and guidance. He puts disappointments in perspective. “There will always be mess-ups,” he says. “You’ve got to learn from the mistakes and keep pushing.”

## Secrets to Our Success

### Open Hearts and Open Doors

Superstorm Sandy swept into New York City on October 29, 2012, knocking out power and communications and flooding sewers and subway lines. On the Upper East Side, where Weill Cornell Medical College and NewYork-Presbyterian Hospital/Weill Cornell Medical Center are located, the damage was minimal. Less than three miles away, at New York University’s Langone Medical Center, it was a different world. When back-up generators failed, the center evacuated 300 patients, cancelled classes at the medical college, and closed some of its research facilities.

Weill Cornell faculty and administrators began reaching out to their NYU counterparts in any way they could. Dr. Sibel Klimstra, then director of medical student education in psychiatry (now associate dean of academic affairs) and associate professor of clinical psychiatry, was among them.

Dr. Klimstra knew that NYU’s medical students would be missing out on vital clerkships, or clinical rotations, which provide valuable supervised experience and are required for graduation. So she focused on offering the NYU students psychiatric rotations at Weill Cornell.

Given differences in curriculum, this would have been challenging at the best of times. “It was chaotic,” says Dr. Klimstra. “Email was down at NYU. Computers were down. No one had hard-copy contact lists.” Students starting rotations had to complete the hospital’s training program and pass its health screen, and Dr. Klimstra had to recruit Weill Cornell “attendings,” asking them for a four- to six-week teaching commitment on very short notice. Yet three NYU students began their psychiatric rotation at Weill Cornell’s Westchester facility just two weeks after the storm hit, and four others participated later.

Weill Cornell faculty and students pulled together. “The Weill Cornell students loved being able to help the NYU students. They got a real camaraderie going,” says Dr. Klimstra. “The attendings we chose signed up voluntarily. They were really great. And two of the NYU students decided to pursue psychiatry!”



TOP: Justin Morant; BOTTOM: Sibel Klimstra

Dr. Klimstra made a point of smoothing the path for the displaced students. She sent a welcoming email, took care of paperwork, and met them on the first day. “You transformed their acute loss and stress into feeling supported by a wonderful academic community,” NYU’s Dr. Molly Poag later wrote to her.

“It was a special time when the academic community of New York all pitched in and worked collaboratively,” says Dr. Klimstra. “I was honored to help out.”

## Patient, Steady Effort

Success rarely happens overnight, or even over one year. The Center for Intercultural Dialogue opened in 2011 to offer advising, advocacy, counseling, and outreach to students from underrepresented racial and ethnic groups, as well as to low-income and first-generation college students. But it got off to a slow start. “It took a while for people to begin to trickle in,” says director Renee Alexander. She set out to do better in 2012–2013.

Working to create a welcoming environment and engage a broad audience through multiple programs and events, the center’s staff soon began to see progress. “More people



TOP: Renee Alexander; BOTTOM: Alex Travis

began coming through the door and returning with their friends,” says Alexander.

The center became known as a place where students could come together to solve problems. Student-led efforts include reviving a program called Breaking Bread, in which members of two groups that are often at odds share a meal and discussion. Students have also given the center its motto: “Students Uniting Cornell.”

“You know you’re on the right road when students say ‘I want to be part of this,’” says Alexander.

Although the inaugural semester at Cornell Tech presented some challenges, Manohar is confident that the academic program is on track. “We’ve been given the freedom to iterate, making changes on a short time frame,” he says. “And we have Cornell behind us, so we know it will be a high-quality program no matter what. That’s a very liberating feeling.”

The first semester ended with an open studio event where students presented their work. The guests included current and potential industry partners. “They were very excited by what the students presented,” Manohar says. “It left our partners and others with a very positive feeling about Cornell Tech and the university.” The event will become an annual culmination and celebration of the academic year.

## Seizing Opportunities

Veterinarian Alex Travis had a full plate even before his research turned up a lead too important to ignore. An associate professor of reproductive biology at the Baker Institute for Animal Health, he is also the new associate director for the environment at the David R. Atkinson Center for a Sustainable Future.

Travis’s position with the Atkinson Center takes him to Zambia and, more recently, Namibia, where he works on wildlife conservation issues in the context of human poverty and hunger. At the Baker Institute, he focuses on helping small populations of animals to reproduce, and on developing assisted-reproduction technologies.

Much of what Travis does in his laboratory is basic science, and basic science has a way of heading off in unanticipated directions. For example, his lab was studying how sperm generate the energy to swim toward an egg. “We figured out how some of the enzymes that generate energy are organized,” he says. “It’s like a solid-state design: they’re actually stuck on a structure that runs down the length of the sperm’s tail. We thought, what if you could copy that design? You could make energy-generating platform technology to power implantable medical devices the size of a red blood cell that could travel in your body!”

Even though the idea was far afield from what he had planned to do, Travis secured a grant and set out to see if the theory would pan out in practice. It did. “We’ve made a bunch of these enzymes, and we’re putting them on nanoparticles, and they’re actually doing what they’re supposed to do.”



Travis partnered with faculty at Weill Cornell Medical College and began looking for applications for the technology. One promising idea is to build diagnostic devices that can find biomarkers for specific diseases and light up to show where the problem is located. Because the enzymes move very quickly, they could be a boon in situations such as strokes, where time is of the essence.

If there are medical professionals who can resist a project that promises so much improvement in human health, Travis is not among them. He just has to figure out how to manage one more in a list of challenging endeavors.

## A Positive Attitude

Cornell Store director Pat Wynn's goal for 2012–2013 was simple to state, if not to carry out: to remodel the main campus store. Execution meant scheduling extensive construction around the academic calendar, including high-traffic events such as Reunion, but the project was completed in fall 2013. Wynn credits her staff, who maintained a customer-friendly attitude as they moved items from one construction area after another, and her new general merchandising manager, who helped “make the remodel great rather than simply good.”

The new look is elegant, timeless, and all Cornell. Wynn is especially proud of the seating area under the upper-level skylight, with its central display tower featuring Cornell authors and their books. “When visitors come through the doors, they see this icon that symbolizes Cornell and the success of Cornellians,” she says. “That was one of my goals.”

## Aiming High

You might think it impressive enough that MD-PhD student Nicole Ramsey, the winner of a highly competitive fellowship, has found time to serve as co-program director of Motivating Action through Community Health Outreach (MACHO), a student-run program that promotes healthy living among children in East Harlem. She not only led the creation of a new MACHO program for high school students but is working hard to build in a research component as well—one that will give Weill Cornell students valuable research experience while also proving what works and what doesn't in MACHO's array of efforts.

Students led by Nii Koney launched MACHO in 2009 with a focus on 8- to 13-year-olds. With help from a faculty advisor and community volunteers, they offered nutrition and exercise programs after school, on Saturdays, and in the summer. Funding comes primarily from an annual gala. Ramsey, a future pediatrician, got involved in 2011. “I like working with kids—they make me happy,” she says.

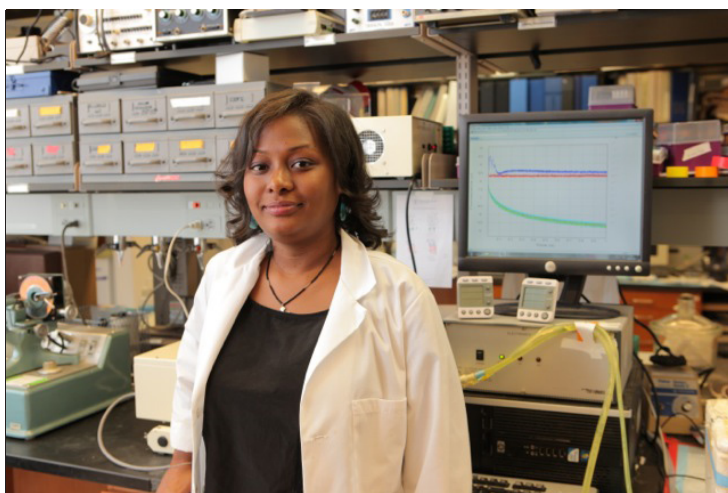
Ramsey soon saw a way to pull in high school students, not only for their own benefit but to develop them as role models for younger children. She pioneered a year-long Youth Leadership Program that matches high school students with undergraduates from Hunter College, City College of New York, and other schools, including the occasional Cornell student who is in New York City for

another program. The students work together in groups on community health projects, including a creative approach to discourage smoking.

But Ramsey and other Weill Cornell students also wanted to measure the results of MACHO's programs and publish useful data. They developed plans for surveys and before-and-after measures of qualities like exercise skills, and they obtained a grant from the Clinical and Translational Science Center—contingent on approval by the Institutional Review Board.

Charged with ensuring the rights and welfare of human research subjects, the board is especially vigilant where children are involved. Board members saw possible issues around parental consent, the level of faculty supervision, and the turnover among student volunteers. Ramsey and her team went to work to address those concerns, and at this point they are hoping for approval by the end of 2013.

Research has been part of Ramsey's life since high school, but she is equally dedicated to interacting with people. With MACHO, despite the challenges, she is doing both, and best of all, she says, “you feel like you're making a difference.”



TOP: A serenade for Pat Wynn; BOTTOM: Nicole Ramsey

potential donors. “I’m here for the donors,” she says—not to persuade but to educate and to provide the tools to help them make a good decision.

Donors appreciate her skills. As one wrote in a blog post, “Marian was an absolute delight to speak with,” going on to describe how Charlton explained every step of the procedure and recovery process, taking time to answer every question.

About half of donors are related to the potential recipient, often a spouse. The other half are unrelated but may be friends, co-workers, members of the same religious group—or simply altruistic strangers. The number of unrelated donors has grown in recent years, says Charlton. “People are less frightened of transplants and more aware of the need”—thanks in part to improved patient education tools, the Internet, and Facebook. And since the mid-1990s laparoscopic techniques have made the surgery easier, allowing donors to get back to work within two weeks.

When donor and intended recipient prove incompatible, as frequently happens, Charlton works through the National Kidney Registry to set up an exchange. Miles away there may be another incompatible pair, so that a

kidney from the first pair can go to the recipient in the second pair, and vice versa.

An altruistic donor, who has no specified recipient, can start a chain of such exchanges. “These people usually have a history of good deeds,” says Charlton. “There are good people out there.”

As coordinator and donor advocate, Charlton is part of a team focused on the donor’s needs: the surgeon, nephrologist, social worker, financial specialist, and psychiatrist. She also has a direct counterpart, the recipient coordinator.

“Right from the start, as a nurse on the floor, I fell in love with transplantation,” Charlton says, a hint of her Irish and English girlhood coming out in her voice. The job offers “great collaboration with colleagues at other centers all over the country,” as well as more personal satisfaction from helping to improve quality of life not only for the recipient but the entire family.

After more than a dozen years of being “here for the donors,” she estimates that “99.99 percent are glad they did it.” And since recipients and donors share some of the same spaces in the medical center, she is often privileged to see people “walk in on dialysis and come out with a new life.”



TOP: Marian Charlton; BOTTOM: Beth Bunting

## Putting It All Together

Balancing work and home life can be difficult, especially for faculty and staff members who are caring for young children, elderly parents, or other dependents. Cornell—which in 2012–2013 garnered several more in a long list of best-employer awards, including recognition from AARP and *Working Mother* magazine—tries to help by offering comprehensive benefits and, wherever possible, flexible work schedules.

Beth Bunting, a veterinarian, came to Cornell when her husband was hired as a faculty member. She wanted part-time work to have more time with the couple’s three preteen/early-teen children, and staff in the university’s Dual-Career Program worked with her to find a job that would be satisfying and challenging without being full time.

Bunting was delighted to accept a position as senior extension associate at the Animal Health Diagnostic Center, which proved to be a supportive workplace environment. With co-workers and a supervisor who are all parents, she notes, “when I say, ‘Oh, the principal just called,’ they all understand that I may need to go to school right away.”

At work (mainly during school hours), Bunting often shifts gears between long-term projects and unforeseen crises. One of her current projects is to partner with New York State agencies to develop a wildlife health program, in response to the advent in recent years of West Nile virus among birds, white nose syndrome in bats, and chronic wasting disease in deer—all of which began destabilizing those populations and in some cases threatened domestic animals and humans.

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Bunting and her team were sensitive to the fact that agency professionals might resent Cornell staff apparently telling them how to do their jobs. So the team developed an approach they call “bringing the doughnuts”: “We literally went around the state, bringing doughnuts and holding barbecues, so we could meet all the staff and talk about who we were. We tried to put a face on Cornell as people who wanted to help them. We’ve made remarkable progress on getting the system set up and getting people to trust us and our advice.”

Even as she was crisscrossing New York, Bunting was on call for animal-health crises. “Disease outbreaks come at you from out of nowhere,” she says. “Chronic wasting disease was found in Pennsylvania last fall, and that created all kinds of concerns that it would spread to New York.”

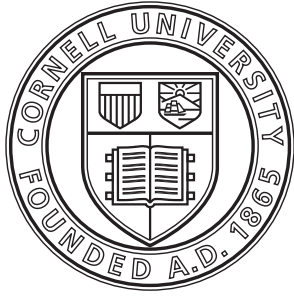
Meanwhile, she is still able to be an involved, effective parent, allowing for a certain amount of spillover between worlds. She may sometimes leave work because a child needs her, but she has also “written grant applications during hockey practice, answered email from my minivan, and handled cases by texting from saxophone lessons,” she says.

Many a parent knows that kind of scenario very well, and no one claims it’s easy to be a dedicated, productive employee and a great parent or caregiver. And of course, not every job is easily adapted to a flexible schedule. But Cornell is proud of its efforts to accommodate the home-life needs of faculty and staff—and proud of the valuable accomplishments of people like Beth Bunting and all the other staff, faculty, and students profiled here. They are the heart of Cornell.

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at Cornell University

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# Cornell University 2012-2013 Financial Report

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## MESSAGE FROM THE VICE PRESIDENT FOR FINANCE AND CHIEF FINANCIAL OFFICER

It's been another exciting year for Cornell: fundraising continues to be outstanding, endowment returns were greater than anticipated, and the first class of master's degree students began at Cornell NYC Tech, temporarily housed in space generously donated by Google, Inc. in Manhattan's Chelsea neighborhood. These successes are a testament to Cornell's generous alumni, its superb academic programs, and its exceptional position among leading institutions of higher learning.

There continues to be an extraordinary demand for a Cornell education. The University received a record-breaking number of applicants this past year. Almost 40,000 prospective students applied for approximately 3,200 undergraduate admission places. Cornell's geographical profile remains diverse and global, with nearly 11 percent of its undergraduate students coming from outside the United States, and 59 percent from states other than New York. Cornell continues to be very selective, with a mere 15.6 percent acceptance rate for fall 2013 freshman applicants, compared to 19.1 percent just five years prior. The matriculation yield rate has increased to an average of 52.7 percent.

University operating revenues have grown by 22 percent over the past five years, from \$2.6 billion to \$3.2 billion. The largest growth area has been the Medical Physician Organization at Weill Cornell Medical College (WCMC), which now makes up approximately 23 percent of the University's total operating revenue (compared to 19 percent in fiscal year 2009).

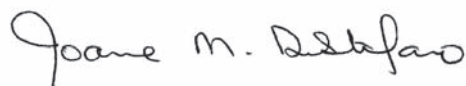
Cornell remains a leader in research—this is meaningful because research programs attract outstanding faculty members, enhancing the educational experience for both undergraduate and graduate students. The University generated over \$588 million in grant and contract revenues in fiscal year 2013. Grant and contract revenues for the year were over 18 percent of the University's total operating revenues.

Cornell has a history of strong fundraising, with an estimated 33 percent alumni participation rate, or over 51,000 contributing donors, in fiscal year 2013. As of June 30, 2013, the "Cornell Now" campaign reached \$4.2 billion toward its goal of \$4.75 billion. Upon surpassing the \$4 billion mark, Cornell became just the fourth higher education institution to reach that level of philanthropic support in a multi-year, comprehensive campaign. This enormous figure does not include the half-billion dollars also contributed to our exciting new effort at Cornell NYC Tech.

Operating costs at Cornell are less dependent on endowment payout than other highly endowed institutions, mostly due to the University's revenue diversity. Less than 10 percent of the University's operating costs were funded from its endowment in fiscal year 2013. The market value of Cornell's investments is \$6.3 billion as of June 30, 2013. University operating expenses have increased \$400 million, or just 14 percent, from \$2.8 billion to \$3.2 billion, over the past five years, compared to the 22 percent operating revenue increase. This is a result of our cost reduction initiatives over the past several years. However, the University experienced an operating loss of \$31 million this year; over \$20 million of this loss is due to interest expense associated with unattached interest rate swaps which have no associated debt. The University has a plan to terminate a portion of these unattached swaps each year and spent \$17 million in April 2013 to terminate \$79 million in notional value of unattached swaps.

As of fiscal year-end 2013, Cornell had \$1.86 billion of bonds and notes outstanding, including \$128 million of outstanding commercial paper and \$500 million in taxable notes issued in 2009. Management expects to retire \$250 million of this taxable debt in February 2014. The debt portfolio currently comprises 20 percent variable-rate and 80 percent fixed-rate debt. The University has notional amount of \$978 million in interest rate swaps, whose fair value is determined by an external swap consultant. Change in valuation between June 30, 2012 and June 30, 2013 reduced the liability by \$116 million due to an increase in interest rates towards the end of the fiscal year.

As we approach Cornell's sesquicentennial, we must continue to reinforce our extraordinary competencies to honor our strategic plan, which includes the campus design of Cornell NYC Tech, becoming a top-ten research university, and a commitment to "One Cornell" through focus and connectivity. I am confident that Cornell's position as a pre-eminent research university with world-class faculty and staff, serving the most outstanding students without regard to financial status, will continue as long as we maintain some financial flexibility within our system. This year certainly helped bring us closer to our goals.



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

### OVERVIEW

After having served at the University for almost 20 years, University Controller Anne Shapiro retired, leaving a legacy as a leader with a selfless dedication to Cornell. She was noted nationally for her tax expertise, financial wisdom, energy, and vibrant personality. A team player, respected by all who ever worked with her, I know Anne is already missed by many and left some big shoes to fill. Having begun at Cornell last October, I'm delighted to be here. It is an exciting time to be a part of the University, with Cornell NYC Tech beginning classes, growth at both the Ithaca and Weill Cornell Medical College (WCMC) campuses, and an institution-wide focus on improving our processes and efficiencies.

Federal budget constraints and sequestration this year were mitigated by federal agencies' efforts to fulfill existing awards to the greatest extent possible, which will make the competition and funding levels for new awards even more challenging. We will likely see an increased impact as principal investigators seek to renew their existing awards in the coming years. During this year, the Center for Nanoscale Systems, which was the recipient of a major multi-year NSF award in 2006, reached the end of its program life. During fiscal year 2014, the Cornell Nanoscale Science and Technology Facility's multi-year NSF award will begin its natural phaseout as well. These programs generated approximately \$10 million year in revenue and corresponding expense each year which, while large, represent less than 2 percent of current year revenue.

Anticipated funding changes at Cornell are consistent with Moody's Investors Services' annual industry outlook for 2013, which changed its position to predict mounting fiscal pressure on all key university revenue sources. The University is proactively engaging in discussions at all levels to maintain its level of excellence, control rising tuition costs, maintain a balance of operating revenue and expenses, and manage ever-increasing demands for the attainment and retention of key faculty and staff. We are cautiously optimistic about the future.

### NEW STANDARDS, EMERGING ISSUES, AND INITIATIVES

#### New Standards and the Regulatory Environment

We continue to see increased transparency and disclosure requirements. In May 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S.

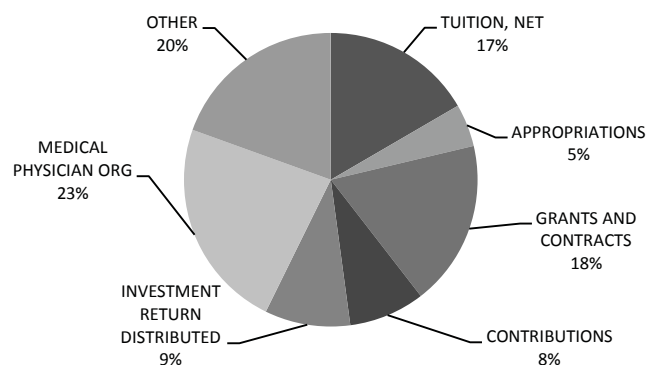
GAAP and IFRS. Effective for annual periods after December 15, 2011, this update is intended to help create consistency between the guidance prescribed in the United States Generally Accepted Accounting Principles (US GAAP) and that in the International Financial Reporting Standards (IFRS). This year, the University has been focused on improving its disclosures in response to this update. Most notably, in Note 3 we have included quantitative information about the level 3 fair-value measurements, including valuation techniques and unobservable inputs.

### FINANCIAL YEAR IN REVIEW

#### Operating Revenues

The University has as one of its financial goals the alignment of revenues and expenses for current operations. For fiscal year ending June 30, 2013, operating expenses exceeded operating revenues by less than 1%, resulting in a \$31.0 million net operating loss. Operating contributions were down 30 percent from the prior year, a year in which they were unusually high. Other operating revenue increased by 5.0 percent overall while operating expenses increased by 3.8 percent.

#### OPERATING REVENUES



In fiscal year 2013, gross tuition revenue increased by 5.2 percent as a result of Board-authorized tuition increases and increased enrollment. The scholarship allowance represents the amount of institutional grant aid for the cost of attendance; this allowance increased by 4.6 percent in this fiscal year. The University also provides financial aid to students to defray the cost of living expenses; this aid is reported in supplies and general expense and disclosed in Note 10. This aid grew by 8.4 percent to \$46.3 million in fiscal year 2013. Overall enrollment in fiscal year 2013 reached 22,427.

This fiscal year saw a 2.7 percent decline in combined direct and indirect revenues from grants and contracts. In addition to the challenging research funding climate, the revenue decline reflects the continued decline of the short-term America Recovery and Reinvestment Act of 2009 (ARRA) funding and the end of the University's contract to operate the National Astronomy and Ionosphere Center in Arecibo, Puerto Rico. The fluctuation in indirect cost recoveries is affected by many factors, not merely the amount of direct funding. As emphasized in prior years, indirect cost recoveries are based on the recovery rates in effect when a grant is first awarded, as well as the components of expenditures. Expenditures for tuition, equipment, and payments to sub-recipients do not include indirect cost recoveries.

Contribution revenue for operations was \$236.7 million, or a 30.0 percent decrease from last year. Non-operating contributions for buildings, trusts, and permanent endowment were \$176.6 million, or a 35.3 percent decrease. The unprecedented success of the University's capital campaign last year, including extraordinary support for Cornell NYC Tech, accounts for much of the apparent decrease in operating and non-operating contribution revenue. We continue to be grateful to our donors for their support. The generosity and commitment of the University's donors is acknowledged in this report and, from time to time, the University's extraordinary donor support from alumni and friends is noted in the national press.

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“The long-term investment return for fiscal year 2013 was 11.4 percent, as compared with almost breakeven in the prior year. Over the last three years, the long-term investment has returned 10.2 percent annualized.”

---

Investment return distributed increased modestly in this fiscal year. Investment payout on the long-term investment pool (LTIP) shares is the major component of this revenue. 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. Investment return included in operating revenues consists of amounts appropriated by the Board of Trustees from pooled endowment, and income and realized gains and losses on investments from working capital and non-pooled endowments and similar funds.

The Medical Physician Organization's revenue continues to grow, reaching \$752.0 million and showing a 10.6 percent increase from the prior year. Much of the increase is related to growth in patient billings, chiefly in the areas of Primary Care, Dermatology, and Internal Medicine. This increase is in line with expectations and is predicted to continue because of a planned expansion and the new affiliation with New York Lower Manhattan Hospital.

Revenues from auxiliary enterprises increased by \$13.1 million, or 8.6 percent, and educational activities and other sales and services increased by \$34.9 million, or 8.2 percent. Of the increase in auxiliary enterprises, \$6.0 million is related to an increase in income from medical service agreements from Weill Cornell Imaging to New York Presbyterian Hospital activities. Student housing and dining also increased by \$4.2 million, or 4.2 percent, which corresponds to the increase in tuition and enrollment. Educational activities and other sales and services were higher in the current year, due in large part to the loss of \$21.1 million in the prior year related to the disposition of the Arecibo Observatory.

Net assets released from restriction represents the transfer of funds from temporarily restricted net assets to unrestricted net assets as a result of the satisfaction of donor-imposed contribution stipulations with respect to timing or purpose. In fiscal year 2013, this amount was \$211.9 million.

### Operating Expenses

Salary and benefit expense is generally the major component of operating expenses for a research university, and Cornell is no exception. Consistent with the prior year, salary and benefit expense is 62.6 percent of overall operating expenses. This expense increased by \$84.7 million, or 4.4 percent, with a significant component being the 3 percent University-wide salary improvement program. Compensation at the Medical College increased as a result of both increased supplemental compensation paid to physicians and the addition of physicians as part of the expansion. University benefit expenses increased, too, as a result of both increased costs and utilization of health care, pension, and sabbaticals.

Interest expense in fiscal year 2013 saw a net increase of \$6.3 million, comprising an increase of \$6.7 million for an interest rate swap that became effective and \$1.1 million related to decreased capitalized interest expense in 2013 due to projects placed in service. These increases were offset by a reduction of interest expense, resulting from a decrease in outstanding debt based on payments of principal.

### LONG-TERM INVESTMENT POOL

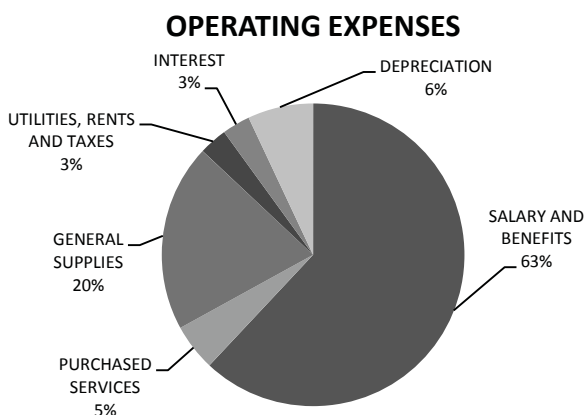
Source and applications (in millions)

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

Unit value at year-end (in dollars)



The University is committed to managing overall costs without jeopardizing its ability to carry out its missions and strategic initiatives; the University continued to manage its costs in fiscal year ending June 30, 2013. Although total operating expenses increased by \$117.0 million, or 3.8 percent, that increase is less than last year's increase of \$140.5 million, or 4.7 percent.



### Non-Operating Revenues and Expenses

Non-operating activities are those over which the University generally can exercise little control, such as funding from New York State for buildings; funding from donors restricted to capital projects, trusts or endowments, and non-operating income; and expense affected by fair market value adjustments at fiscal year-end.

New York State has provided significant appropriations, over \$228.1 million in the past five years, to allow the University to build and improve the facilities for the contract colleges during that time. The current year revenues increased by \$8.6 million, or 14.1 percent, from the prior year.

The remaining income and expense items in the non-operating section are all significantly affected by market factors. The \$267.2 million "gain" reflected as investment return in the non-operating section represents a 204.7

percent increase over the prior year, due to the significant improvement of the financial markets. This return is net of the amount distributed, (\$304.7 million), as reflected in the operating section of the statement of activities. The total operating and non-operating return is approximately \$571.8 million. The long-term investment return for fiscal year 2013 was 11.4 percent, as compared with almost breakeven in the prior year. Over the last three years, the long-term investment has returned 10.2 percent annualized.

The \$24.6 million gain reflected as pension and postretirement income in the non-operating section is affected by numerous factors. This figure includes gains, losses, and other changes in the actuarially determined benefit obligations arising in the current period but not yet reflected within net periodic benefit cost.

Change in value of interest rate swaps includes \$116.1 million unrealized gain in the fair market value of the debt swap portfolio based on the current year valuation as of June 30, 2013. This reflects a 169.7 percent increase over the prior year due to improved financial markets offset by a realized loss from the termination of one swap for \$16.9 million.

As you can see from a review of the non-operating section, the overall non-operating gain of \$647.8 million is based primarily on the impact of fair market value adjustments as of June 30.

### Statement of Financial Position

The University's overall net assets increased by \$616.8 million, or 8.2 percent. The balance sheet remains very strong, with a total of \$8.1 billion in net assets, including \$2.8 billion in unrestricted net assets.

### Assets

Cash is subject to variation from year to year because of the University's holdings as of June 30 in cash equivalents, i.e., securities with an initial maturity term of ninety days or less. At the end of fiscal year 2013, cash was \$6.2 million

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
	\$ 2,720.8	\$ 3,070.2	\$ 3,623.2	\$ 4,180.4	\$ 5,197.5	\$ 5,378.1	\$ 3,794.3	\$ 4,223.2	\$ 4,921.8	\$ 4,786.9
	88.9	234.8	202.0	128.7	236.8	190.5	573.9	210.6	155.3	287.4
	(116.4)	(37.1)	(33.7)	(125.1)	(130.1)	(340.9)	(578.7)	(286.9)	(233.0)	(354.1)
	376.9	355.3	388.9	1013.5	73.9	(1433.4)	433.7	774.9	(57.2)	468.4
	<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>\$ 4,786.9</u>	<u>\$ 5,188.6</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>	<u>\$ 50.67</u>	<u>\$ 53.30</u>

lower than the prior year, which represents a decrease of 2.4 percent; the decrease is based on cash equivalents at June 30, 2013.

The increase in accounts receivable is best understood by reviewing the key components as disclosed in Note 2 of the consolidated financial statements. The Ithaca campus experienced a decline of \$6.8 million in the overall receivables. Much of this is based on extensive effort undertaken by the University, including its government affairs office, to work with key agencies in New York State to expedite payments on longstanding receivables; this resulted in an additional \$5.2 million decline in our New York State receivable balance.

Receivables for the Medical College increased in this fiscal year by \$25.6 million. As a result of the expansion of the Medical Physician Organization, patient receivables increased by \$19.6 million and reinsurance receivables increased by \$9.0 million. This was offset by an increase in an overall accounts receivable allowance of \$4.6 million. The reinsurance receivable was recorded in the prior year based on the FASB Accounting Standards Update that became effective last year. An offsetting liability has been included in accounts payable and accrued expenses. In prior years, the University was permitted to net the malpractice reinsurance receivable against the liability.

At fiscal year ending June 30, 2013 there was no collateral on deposit with third parties for the debt swap agreements. Based on the revised collateral terms, collateral is no longer required for fair market value adjustments, unless the University's credit rating falls below an "A" rating. As of June 30, 2013, the University continues to maintain its strong credit rating: Aa1 (Moody's) and AA (S&P).

The decrease of \$29.0 million, or 3.4 percent, in contributions receivable is commensurate with payments received.

Investments as of June 30, 2013 were \$6.3 billion, a 6.5 percent increase over prior year. The increase in the fair market value of University assets is based on unrealized gains from the fair market value adjustments at the end of this fiscal year and an increase in the number of shares held. Fair market value adjustments, as the financial press reminds us, are often related to the asset allocations in the portfolio, with some sectors outperforming others.

The University continues to enhance its physical plant with new buildings, improvements to older buildings, and infrastructure projects. The 6.7 percent increase in land, buildings and equipment in fiscal year 2013 consists of projects placed in service as well as those in construction in progress (CIP). CIP at fiscal year-end includes several major projects, such as Stocking Hall Food Science, Gates Hall, Cornell NYC Tech, Law School Expansion, Bridge Means Restriction Barriers, Klarman Hall, and the Belfer Medical Research Building at the Weill Cornell Medical College. Several major projects were placed in service in fiscal year 2013, including MVR, Warren Hall, Fernow Hall, and the Olin Library Fire Safety Improvements.

In total, accounts payable and accrued expenses decreased by \$17.5 million for the year. Included within that change is a \$116.1 million decrease in the fair market value for debt swaps; a \$17.0 million increase related to construction in progress and contractor retainage; a \$5.7 million increase related to external organization activities; and a net \$75.9 million increase related to accounts payable and accrued expenses (mostly related to increased operations at WCMC). Of the increase in accounts payable and accrued expenses, \$9.0 million relates to the reinsurance payable, which is also included as an offset in accounts receivable.

Funds held in trust for others represent resources that are invested by the University as a custodian for other closely related parties. Independent trustees are responsible for the funds and for the designation of income distribution. The increase of \$25.5 million is related in part to an increase in the fair market value of \$10.0 million and decrease in the income stream of \$13.0 million.

The bonds and notes payable decline of \$41.2 million reflects annual principal payments and no new debt in fiscal year 2013.

#### Summary

The University's financial picture remains strong, with \$8.1 billion in net assets. At all levels of the University, the focus is on improving processes and efficiencies, reducing administrative burden, strategic planning for the future, and controlling costs. The challenges facing all universities are not limited to a slow and turbulent economic recovery. There is a growing demand to manage tuition and increasing pressure for donor support. Research intensive universities also face reduced funding, as sequestration and mounting federal pressures cut or reduce funding and increase competition for available research dollars. Cornell is planning for the future in its effort to reduce expenses and increase revenues, and broaden its reach. The expansion at the Weill Cornell Medical College and Cornell NYC Tech reflect those efforts. We are grateful to our extremely generous and loyal donors, alumni, and friends, who provide funds to support this growth and expansion.



Aimee L. Turner  
Associate Vice President and 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.

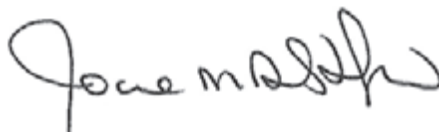
The University maintains a system of internal controls over financial reporting that is designed to provide reasonable assurance to the University's management and Board of Trustees regarding the preparation of reliable published financial statements. Such controls are maintained by the establishment 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



Aimee L. Turner  
Associate Vice President  
and University Controller

## Report of Independent Auditors

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The Board of Trustees of Cornell University:

We have audited the accompanying consolidated financial statements of Cornell University, which comprise the consolidated statement of financial position as of June 30, 2013 and the related consolidated statements of activities and cash flows for the year then ended.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cornell University at June 30, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matter

We have previously audited Cornell University's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Rochester, New York  
October 24, 2013

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2013 (in thousands)**

(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2012)

	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
1 Cash and cash equivalents	\$ 256,438	\$ 262,654
2 Accounts receivable, net (note 2-A)	338,051	319,289
3 Contributions receivable, net (note 2-B)	834,462	863,459
4 Inventories and prepaid expenses	55,926	41,282
5 Student loans receivable, net (note 2-C)	69,393	69,441
6 Investments (note 3)	6,303,793	5,916,833
7 Land, buildings, and equipment, net (note 4)	3,544,465	3,321,898
8 Funds held in trust by others (note 5)	103,291	105,557
9 Total assets	<u>\$ 11,505,819</u>	<u>\$ 10,900,413</u>
<b>Liabilities</b>		
10 Accounts payable and accrued expenses	\$ 605,906	\$ 623,396
11 Deferred revenue and other liabilities (note 8-D)	223,366	205,973
12 Obligations under split interest agreements (note 5)	116,344	115,063
13 Deferred benefits (note 6)	445,650	443,639
14 Funds held in trust for others (note 7)	115,514	90,047
15 Bonds and notes payable (note 8)	1,855,405	1,896,558
16 Government advances for student loans	49,201	48,067
17 Total liabilities	<u>3,411,386</u>	<u>3,422,743</u>
<b>Net assets (note 11)</b>		
18 Unrestricted	2,750,515	2,409,552
19 Temporarily restricted	2,776,621	2,616,355
20 Permanently restricted	2,567,297	2,451,763
21 Total net assets	<u>8,094,433</u>	<u>7,477,670</u>
22 Total liabilities and net assets	<u>\$ 11,505,819</u>	<u>\$ 10,900,413</u>

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

**CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR-ENDED JUNE 30, 2013 (in thousands)**

(WITH SUMMARIZED INFORMATION FOR THE YEAR-ENDED JUNE 30, 2012)

	Unrestricted	Temporarily Restricted
<b>Operating revenues</b>		
1 Tuition and fees	\$ 886,178	\$ -
2 Scholarship allowance	(349,143)	-
3 Net tuition and fees	537,035	-
4 State and federal appropriations	152,190	-
5 Grants, contracts and similar agreements		
6 Direct	449,445	-
7 Indirect cost recoveries	139,135	-
8 Contributions	62,855	173,858
9 Investment return, distributed	208,268	96,413
10 Medical Physician Organization	751,957	-
11 Auxiliary enterprises	166,520	-
12 Educational activities and other sales and services	463,489	-
13 Net assets released from restrictions	211,947	(211,947)
14 Total operating revenues	3,142,841	58,324
<b>Operating expenses (note 10)</b>		
15 Compensation and benefits	2,023,326	-
16 Purchased services	151,967	-
17 Supplies and general	646,141	-
18 Utilities, rents and taxes	110,662	-
19 Interest expense (note 8)	92,465	-
20 Depreciation	207,631	-
21 Total operating expenses	3,232,192	-
22 Change in net assets from operating activities	(89,351)	58,324
<b>Nonoperating revenues and (expenses)</b>		
23 State appropriations for capital acquisitions	69,684	-
24 Contributions for capital acquisitions, trusts and endowments	7,347	58,413
25 Investment return, net of amount distributed	127,058	150,819
26 Change in value of split interest agreements	9,058	2,832
27 Pension and postretirement changes other than net periodic costs	24,608	-
28 Change in value of interest rate swaps	99,173	-
29 Other	(7,313)	-
30 Net asset released for capital acquisitions and reclassifications	100,699	(110,122)
31 Change in net assets from nonoperating activities	430,314	101,942
32 Change in net assets	340,963	160,266
33 Net assets, beginning of the year	2,409,552	2,616,355
34 Net assets, end of the year	\$ 2,750,515	\$ 2,776,621

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

Permanently Restricted	2013 Total	2012 Total	
\$ -	\$ 886,178	\$ 842,204	1
-	(349,143)	(333,873)	2
-	537,035	508,331	3
-	152,190	150,469	4
-			5
-	449,445	457,454	6
-	139,135	147,277	7
-	236,713	338,368	8
-	304,681	298,164	9
-	751,957	679,938	10
-	166,520	153,408	11
-	463,489	428,563	12
-	-	-	13
-	3,201,165	3,161,972	14
-			
-	2,023,326	1,938,620	15
-	151,967	142,002	16
-	646,141	637,050	17
-	110,662	107,734	18
-	92,465	86,201	19
-	207,631	203,587	20
-	3,232,192	3,115,194	21
-			
-	(31,027)	46,778	22
-			
-	69,684	61,089	23
110,812	176,572	272,819	24
(10,713)	267,164	(255,202)	25
6,012	17,902	10,201	26
-	24,608	2,727	27
-	99,173	(166,496)	28
-	(7,313)	(5,241)	29
9,423	-	-	30
115,534	647,790	(80,103)	31
115,534	616,763	(33,325)	32
2,451,763	7,477,670	7,510,995	33
\$ 2,567,297	\$ 8,094,433	\$ 7,477,670	34

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR-ENDED JUNE 30, 2013 (in thousands)**

(WITH COMPARATIVE INFORMATION FOR THE YEAR-ENDED JUNE 30, 2012)

	2013	2012
<b>Cash flows from operating activities</b>		
1 Change in net assets	\$ 616,763	\$ (33,325)
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities		
2 Contributions for capital acquisitions, trusts and endowments	(168,459)	(269,152)
3 Depreciation	207,631	203,587
4 Net realized and unrealized (gain)/loss on investments	(506,958)	68,518
5 Pension and postretirement changes other than net periodic costs	(24,608)	(2,727)
6 Change in value of interest rate swaps	(99,173)	166,496
7 Loss on disposals of land, building, and equipment	2,638	21,330
8 Other adjustments	(8,338)	(4,006)
Change in assets and liabilities		
9 Accounts receivable, net	(18,762)	(41,270)
10 Contributions receivable, net	28,997	(278,976)
11 Inventories and prepaid expenses	(14,644)	6,445
12 Accounts payable and accrued expenses	60,067	81,247
13 Deferred revenue and other liabilities	17,393	(12,513)
14 Change in obligations under split interest agreements	3,547	7,464
15 Deferred benefits	26,619	14,802
16 Net cash provided/(used) by operating activities	<u>122,713</u>	<u>(72,080)</u>
<b>Cash flows from investing activities</b>		
17 Proceeds from the sale and maturities of investments	7,447,077	8,807,724
18 Purchase of investments	(7,327,078)	(8,444,848)
19 Acquisition of land, buildings, and equipment (net)	(403,180)	(387,726)
20 Student loans granted	(9,499)	(9,366)
21 Student loans repaid	9,844	9,439
22 Change in funds held in trust for others	25,467	(21,106)
23 Net cash used by investing activities	<u>(257,369)</u>	<u>(45,883)</u>
<b>Cash flows from financing activities</b>		
Contributions restricted to		
24 Investment in endowments	152,878	109,504
25 Investment in physical plant	8,720	154,950
26 Investment subject to living trust agreements	6,861	4,698
27 Principal payments of bonds and notes payable	(41,153)	(45,578)
28 Proceeds from issuance of bonds and notes payable	-	10,000
29 Government advances for student loans	1,134	973
30 Net cash provided by financing activities	<u>128,440</u>	<u>234,547</u>
31 Net change in cash and cash equivalents	(6,216)	116,584
32 Cash and cash equivalents, beginning of year	262,654	146,070
33 Cash and cash equivalents, end of year	<u>\$ 256,438</u>	<u>\$ 262,654</u>
<b>Supplemental disclosure of cash flow information</b>		
34 Cash paid for interest	\$ 103,397	\$ 97,336
35 Increase/(decrease) in construction payables, non-cash activity	\$ 21,616	\$ 8,493

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



## 1. SIGNIFICANT ACCOUNTING POLICIES

### A. Description of the Organization

Founded in 1865, Cornell University (“the University”) is dedicated to a mission of teaching, research, and public engagement. Cornell is the federal land-grant institution of New York State, a private endowed university, a member of the Ivy League, and a contract college of the State University of New York. It has been described as the first truly American university because of its founders’ revolutionarily egalitarian and practical vision of higher education, and is dedicated to its land-grant mission of outreach and public engagement. Cornell’s community includes nearly 22,000 students, more than 2,500 faculty, and more than 250,000 alumni who live and work across the globe.

The University comprises colleges and schools in Ithaca, New York (seven undergraduate units and four graduate and professional units), New York City (two medical graduate and professional units as part of Weill-Cornell), and Doha, Qatar (the Weill Cornell Medical College in Qatar). In addition, the University’s newest campus, “Cornell NYC Tech,” offers graduate programs for entrepreneurial technologists.

The University is subject to the common administrative authority and control of the Cornell University Board of Trustees. The University is prohibited from using funds attributable to the contract colleges (i.e., those colleges operated by the University on behalf of New York State) for other units of the University. 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 activities of the endowed university, Contract Colleges, and Weill Cornell Medical College, 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

The accompanying consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). Net assets, revenues, gains, and losses are categorized based on the existence or absence of donor-imposed restrictions.

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. In accordance with accounting standards, the portion of the true endowment fund not classified as permanently restricted net assets is classified as temporarily restricted net assets except when the fair value of the endowment fund is less than its historical dollar value. For these “underwater” funds, the difference between historic dollar value and fair value is reflected in unrestricted net assets.

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. Contributions

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the appropriate categories of net assets in the periods 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 non-operating 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 ("the 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 non-operating expenses.

### E. 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 non-marketable 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.

Investment return included in operating revenues consists of amounts appropriated by the Board of Trustees from the pooled endowment, as well as income and realized gains and losses on investments from working capital and non-pooled endowments and similar funds. Unrealized gains and losses on investments, any difference between total return and amounts appropriated from the pooled endowment, and income and realized gains reinvested per donor restrictions are reported as non-operating activities.

### F. Fair-Value Hierarchy

The University values certain financial and non-financial assets and liabilities, on a recurring basis, in accordance with a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is defined as the price associated with an orderly transaction between market participants at the measurement date. This fair-value hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments, which is based on market data obtained from sources independent of the University. The hierarchy of inputs used to measure fair value, and the primary valuation methodologies used by the University for assets and liabilities measured at fair value, are disclosed below.

The fair value of Level 1 securities 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.

The fair value of Level 3 securities is based upon valuation techniques that use significant unobservable inputs.

Inputs used in applying the various valuation techniques refer to the assumptions that are used to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors. A financial instrument's level within the fair-value hierarchy is based on the lowest level of any input that is significant to the fair-value measurement. The University considers observable data to be market data that readily available and reliable and provided by independent sources. The categorization of a financial instrument within the fair-value hierarchy is, therefore, based upon the pricing transparency of the instrument, and does not correspond to the University's perceived risk of that instrument.

#### **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 non-operating 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 non-operating 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. 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. Contributions of split interest agreements, net of related liabilities, increase 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 non-operating section of the consolidated statement of activities.

#### **J. 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 non-operating activities in the consolidated statement of activities.

## K. Endowments

To ensure full compliance with the New York Prudent Management of Institutional Funds Act (NYPMIFA), a supplemental statement to the University's investment policy was adopted and approved by the Board of Trustees 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 and considers the following factors: the duration and preservation of the endowment fund, the purposes of the institution and the endowment fund, general economic conditions including the 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 within a target range of 3.65 percent to 5.15 percent 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.

NYPMIFA also established a new requirement related to appropriations from endowments for which the fair value falls below the historic dollar value (i.e., "underwater"). 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 underwater fund.

## 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 and 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 as of the fiscal year ending June 30, 2013, the University has enhanced its disclosures as required by Accounting Standards Update (ASU) 2011-04: *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS)*. The Notes now include enhanced information about the valuation techniques and inputs for Level 2 and 3 assets, in addition to quantifiable information about the unobservable inputs used in Level 3 fair value measurements. The enhanced disclosures are reflected in Notes 3, 5 and 6.

Effective as of the fiscal year ending June 30, 2012, the University has modified disclosures required by ASU 2010-06: *Improvements to Disclosures about Fair Value Measurements*. The modified disclosures are reflected in the tables that summarize Level 3 activity within Note 3 and Note 6. The tables now separately disclose sales, purchases, and, when applicable, issuances and settlements.

Effective as of the fiscal year ending June 30, 2012, the University complied with the requirements of ASU 2010-24: *Presentation of Insurance Claims and Related Insurance Recoveries*. The ASU requires that potential insurance recoveries are reflected as assets and the insurance claims as liabilities. The netting of the recoveries and estimated liabilities is no longer acceptable.

**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 position each fiscal year to determine whether it 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.

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

<u>SUMMARY OF ACCOUNTS RECEIVABLE</u>		
	<u>2013</u>	<u>2012</u>
Grants and contracts	\$ 81,729	\$ 88,480
New York Presbyterian Hospital and other affiliates	31,641	37,179
Patients (net of contractual allowances)	109,485	89,944
Reinsurance Receivable	79,301	70,257
Student accounts	5,341	6,193
Other	64,455	56,416
Gross accounts receivable	<u>\$ 371,952</u>	<u>\$ 348,469</u>
Less: allowance for doubtful accounts	<u>(33,901)</u>	<u>(29,180)</u>
Net accounts receivable	<u>\$ 338,051</u>	<u>\$ 319,289</u>

The patient accounts receivable for medical services was comprised of the following at June 30, 2013 and 2012, respectively: commercial third parties 56.3 percent and 60.5 percent; federal/state government 18.3 percent and 15.9 percent; and patients 25.3 percent and 23.7 percent. For fiscal years ending June 30, 2013 and 2012, patient accounts receivable also includes potential insurance recoveries of \$79.3 million and \$70.2 million, respectively. The corresponding reinsurance payables are reflected as other liabilities.

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 1.7 percent to 7.0 percent. Contributions are expected to be realized as follows:

#### SUMMARY OF CONTRIBUTIONS RECEIVABLE

	<u>2013</u>	<u>2012</u>
Less than one year	\$ 326,715	\$ 299,374
Between one and five years	505,547	568,458
More than five years	<u>147,504</u>	<u>160,342</u>
Gross contributions receivable	\$ 979,766	\$ 1,028,174
Less: unamortized discount	(72,842)	(92,233)
Less: allowance for uncollectible amounts	<u>(72,462)</u>	<u>(72,482)</u>
Net contributions receivable	\$ 834,462	\$ 863,459

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

#### EXPECTED PURPOSE OF CONTRIBUTIONS RECEIVABLE

	<u>2013</u>	<u>2012</u>
Support of University operations	\$ 403,860	\$ 369,243
Capital purposes	244,966	308,360
Endowments and similar funds	<u>185,636</u>	<u>185,856</u>
Net contributions receivable	\$ 834,462	\$ 863,459

At June 30, 2013, conditional promises not reflected in the consolidated financial statements, which consist primarily of bequest intentions and conditional promises with significant requirements, were \$505,703.

### 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.

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, 2013, the average default rate approximates 11.9 percent, with a rate of approximately 4.2 percent on the federal revolving loan portfolio.

Student loans are considered to be in default status when over 150 days past due. The average rate includes both the federal loans and the institutional loans. Institutional loans are generally provided to students with unusual financial needs.

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 additional information about the student loan receivables and the allowances associated with federal and institutional loan programs.

#### SUMMARY OF STUDENT LOANS RECEIVABLE

	2013		2012	
	Receivable	Allowance	Net receivable	Net receivable
Federal revolving loans	\$ 41,629	\$ (1,838)	\$ 39,791	\$ 39,909
Institutional loans	32,228	(2,626)	29,602	29,532
Total student loans receivable	\$ 73,857	\$ (4,464)	\$ 69,393	\$ 69,441

#### CHANGE IN STUDENT LOAN ALLOWANCE

	2013			2012
	Federal revolving	Institutional	Total allowance	Total allowance
Allowance at beginning of year	\$ (2,233)	\$ (2,529)	\$ (4,762)	\$ (5,192)
Current year provisions	395	(540)	(145)	22
Current year write-offs	-	443	443	408
Current year recoveries	-	-	-	-
Allowance at end of year	\$ (1,838)	\$ (2,626)	\$ (4,464)	\$ (4,762)

### 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.

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

#### SUMMARY OF INVESTMENT RETURN

	2013	2012
Interest and dividends, net of investment fees	\$ 64,887	\$ 111,480
Net realized gain/(loss)	196,482	124,911
Net unrealized gain/(loss)	310,476	(193,429)
Total investment return	\$ 571,845	\$ 42,962

**B. Fair Value**

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

**INVESTMENTS AT FAIR VALUE**

	Level 1 fair value	Level 2 fair value	Level 3 fair value	2013 Total	2012 Total
Cash and cash equivalents	\$ 381,118	\$ 32,616	\$ -	\$ 413,734	\$ 263,846
Derivatives	(11,967)	802	-	(11,165)	(3,055)
Equity					
Domestic equity	389,267	156,830	11,551	557,648	468,597
Foreign equity	441,230	172,718	41,389	655,337	553,365
Hedged equity	-	406,780	137,212	543,992	505,441
Private equity	-	-	1,114,779	1,114,779	1,066,971
Fixed income					
Asset backed fixed income	-	39,948	773	40,721	35,151
Corporate bonds	-	347,496	-	347,496	392,415
Equity partnership	-	3,716	244,227	247,943	310,298
International	43,017	116,073	6,566	165,656	195,234
Municipals	-	35,450	-	35,450	28,589
Mutual funds (non-equity)	-	50,583	-	50,583	53,927
Preferred/convertible	4,670	10,179	5,827	20,676	17,574
Other fixed income	-	208	-	208	1,855
US government	189,644	184,250	-	373,894	348,091
Marketable alternatives	-	110,469	630,167	740,636	712,985
Real assets	-	-	980,194	980,194	917,652
Receivable for investments sold	23,642	-	-	23,642	138,515
Payable for investments purchased	(59,586)	-	-	(59,586)	(168,197)
Other	-	-	61,955	61,955	77,579
Total investments	\$ 1,401,035	\$ 1,668,118	\$ 3,234,640	\$ 6,303,793	\$ 5,916,833
Securities not included in investment portfolio					
Cash and cash equivalents	\$ 178,781	\$ -	\$ -	\$ 178,781	\$ 210,052

Level 1 investments consist of cash and cash equivalents, equity, and fixed-income securities with observable market prices. Fair value is readily determinable based on quoted prices in active markets. Unsettled trade receivable and payable valuations are reflective of cash settlements subsequent to the fiscal year-end and are also categorized as Level 1. The University does not adjust the quoted price for such instruments, even in situations where the University holds a large position and a sale of all its holdings could reasonably impact the quoted price.

Investments that are classified as Level 2 include domestic, foreign and hedged equities, and fixed income securities that trade in markets that are not considered to be active. Fair value is based on observable inputs for similar instruments in the market, and obtained by various sources including market participants, dealers, and brokers; the University's custodian secures pricing for these assets. The fair value of derivative investments is based on market prices from the financial institution that is the counterparty to the derivative.

Level 3 investments have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value are based upon the best information in the circumstance and may require significant management judgment. 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).



## SUMMARY OF LEVEL 3 INVESTMENT ACTIVITY

	Fair value at June 30, 2012	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value at June 30, 2013
<b>Equity</b>							
Domestic equity	\$ 194	\$ 92	\$ 842	\$ 14,427	\$ (5,004)	\$ 1,000	\$ 11,551
Foreign equity	57,082	223	4,025	28,421	(26,615)	(21,747)	41,389
Hedged equity	178,240	2,696	17,560	-	(5,220)	(56,064)	137,212
Private equity	1,066,971	100,498	46,232	104,473	(203,847)	452	1,114,779
<b>Fixed income</b>							
Asset backed fixed income	1,036	-	-	-	(263)	-	773
Equity partnership	300,310	10,986	(1,070)	30,781	(96,780)	-	244,227
International	-	8	(187)	6,794	(49)	-	6,566
Preferred/convertible	5,082	4	45	3,968	(3,272)	-	5,827
Other	1,750	-	-	-	-	(1,750)	-
<b>Marketable alternatives</b>							
Real assets	570,264	1,160	71,819	-	(13,076)	-	630,167
Other	917,652	16,564	65,209	93,806	(113,037)	-	980,194
Other	77,579	7	2,004	5,258	(224)	(22,669)	61,955
Total level 3 investments	\$ 3,176,160	\$ 132,238	\$ 206,479	\$ 287,928	\$ (467,387)	\$ (100,778)	\$ 3,234,640

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, 2013.

Transfers into Level 2 from Level 1 include \$74,174 of foreign equity. This is a result of movement of the investment from a custodied managed account to a commingled vehicle that is valued at net asset value (NAV). Transfers out of Level 3 consist of transfers to Level 2, reclassification of investment assets, and reclassification within Level 3 investment categories. There were transfers out of Level 3 into Level 2, including \$101,506 of hedged equity and \$21,747 of foreign equity, these transfers are a result of increased liquidity due to class roll-ups and expiration of redemption lockups on the underlying assets. Assets classified as Level 3 investments in the prior years were reclassified to different financial statement line items from "other fixed income" and "other" for the amounts of \$1,750 and \$21,217, respectively. Gifted assets received at the end of the prior fiscal year were reclassified from "other" to "domestic equity" and "private equity" for the amounts of \$1,000 and \$452 respectively. There were transfers into Level 3 from Level 2, including \$45,442 of hedged equity. Transfers into Level 3 were the result of less favorable liquidity terms of the underlying assets.

The fair value of certain alternative investments represents the ownership interest in the 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.

As a practical expedient, the University uses its ownership interest in the NAV to determine the fair value of all alternative investments that 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. 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 following tables list investments in investment companies (in partnership or equivalent format) by major category:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

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	\$ 360,289		\$ 107,141	
	Special situation	322,356		93,450	
	Venture capital	413,315		86,178	
	Total private equity	\$ 1,095,960	1 to 10 years	\$ 286,769	1 to 10 years
Real assets	Real estate	689,698		124,363	
	Natural resource	273,586		216,712	
	Total real assets	\$ 963,284	1 to 8 years	\$ 341,075	1 to 8 years
Fixed income	Distressed	163,162		60,791	
	Leveraged loans	8,605		-	
	Mezzanine	70,622		8,630	
	Multi-strategy	64,458		1,500	
	Total fixed income	\$ 306,847	1 to 10 years	\$ 70,921	1 to 10 years
Foreign equity	Emerging markets	97,446			
	Global equity	102,813			
	Total foreign equity	\$ 200,259			
Hedged equity	Global equity long/short	169,156			
	U.S. equity long/short	374,836			
	Total hedged equity	\$ 543,992			
Marketable alternatives	Event driven	85,616			
	Global macro	73,337			
	Multi-strategy	141,183			
	Relative value	79,222			
	Special opportunity	361,097			
	Total marketable alternatives	\$ 740,455			
Domestic equity	Indexed	86,892			
	Total domestic equity	\$ 86,892			
Total for alternative investments using NAV		\$ 3,937,689		\$ 698,765	

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	Annual redemption with 90 days notice***	No lock up provisions
Foreign equity	Ranges between monthly redemption with 10 days notice, to annual redemption with 60 days notice	18% of NAV has remaining lock up provisions of 6 months
Hedged equity	Ranges between quarterly redemption with 30 days notice, to triennial redemption with 45 days notice	23% of NAV has remaining lock up provisions ranging from 6 months to 18 months
Marketable alternatives	Ranges between monthly redemption with 10 days notice, to triennial redemption with 90 days notice	10% of NAV has remaining lock up provisions ranging from 6 months to 18 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 year end.

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

\*\*\*97% of NAV is in private equity structure, with no ability to be redeemed. Redemption provisions for the remaining 3% are shown above.

Of the Level 3 domestic, foreign, hedged, and private equities, 98 percent are valued at NAV, as described above. Other equities not priced by qualified third parties (e.g., brokers, pricing services, etc.) are valued using discounted cash flow, taking into account various factors including nonperformance risk, counterparty risk, and marketability. Start-up assets, held by the University's student-run venture fund, are maintained at or near initial investment amounts due to the nature of the activity.

Of the Level 3 fixed income assets, 98 percent are valued at NAV, as described above. Asset-backed fixed income investments are valued using discounted cash flows. Preferred/convertible fixed income investments are valued using discounted cash flows or a market approach using a dividend multiplier. Investments in start-up companies, as described above, are valued at or near initial investment amounts.

Level 3 real assets represent directly owned real estate, real estate interests held through limited partnerships, and oil or mineral rights. The fair value of real estate held through limited partnerships is based on NAV and represents 92 percent of real asset investments. To the extent feasible, third party appraisals are used to value real estate directly owned by the University. If current appraisals are not available, fair value is based on the capitalization rate valuation model, corroborated by local market data, if available. Oil and mineral rights are valued based on industry standard revenue multiplier methodologies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

The following table provides additional information related to the valuation of the investments classified by the University as Level 3.

QUANTITATIVE INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENT

	Level 3 fair value	Valuation technique(s)	Unobservable input	Range (weighted average)
Equity				
Domestic equity	\$ 11,434	Third-party pricing		
	117	Start-up valuation	Initial purchase price	
	<u>11,551</u>			
Foreign equity	41,389	NAV		
	<u>41,389</u>			
Hedged equity	137,212	NAV		
	<u>137,212</u>			
Private equity	1,096,013	NAV		
	14,441	Discounted cash flow	Discount rate	3.9% - 5.0% (4.1%)
	4,176	Third-party pricing		
	149	Start-up valuation	Initial purchase price	
	<u>1,114,779</u>			
Fixed income				
Asset backed fixed income	773	Discounted cash flow	Discount rate	24.3% - 26.7% (25.3%)
	<u>773</u>			
Equity partnership	244,227	NAV		
	<u>244,227</u>			
International	5,513	Discounted cash flow	Discount rate	18.4% - 20.8% (19.6%)
	1,053	NAV		
	<u>6,566</u>			
Preferred convertible	5,062	Market Comparable	Dividend multiple	2.3x - 20.8x (19.6x)
	650	NAV		
	115	Start-up valuation	Initial purchase price	
	<u>5,827</u>			
Marketable alternatives	630,167	NAV		
	<u>630,167</u>			
Real Assets	963,283	NAV		
	13,244	Cap rate valuation model	Capitalization rate	7.1% - 15% (10.7%)
	3,220	Third-party pricing		
	447	Market comparable	Revenue multiplier	5x
	<u>980,194</u>			
Other	49,403	Third-party pricing		
	11,549	Cap rate valuation model	Capitalization rate	5.28%
	693	Discounted cash flow	Discount rate	5.1%
	310	Present Value Calculation	Discount rate	5.3%
	<u>61,955</u>		Years to maturity	14
Total level 3 investments	<u>\$ 3,234,640</u>			

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.

### C. 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 exposure, or to obtain protection against increases in interest rates. These derivatives, based on definitions in GAAP, are not designated as hedging instruments.

As part of its overall diversification strategy, the University allocates a percentage of its assets to investment managers specializing in securities whose prices are denominated in foreign currencies. The investment guidelines provide discretion to these managers to adjust the foreign currency exposure of their investment portfolios 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 consist 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 long-term 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. Under terms of certain option contracts on interest rate swaps, the University is obligated to make future premium payments. At June 30, 2013 and 2012, the University had unfunded premium payment commitments of \$17,588 and \$22,772, respectively. The University's premium payment schedule is as follows: \$5,184 for the year ended June 30, 2014; \$4,809 for the year ended June 30, 2015; \$2,474 for the year ended June 30, 2016; \$1,024 annually for the years ended June 30, 2017 and 2018; and \$3,073 thereafter.

The following tables 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	2013			2012		
		Notional amount	# of Contracts	Level 2 fair value	Notional amount	# of Contracts	Level 2 fair value
Investments							
	Foreign currency	\$ -	73	\$ 376	\$ -	67	\$ 1,385
	Commodity	278,961	56	(13,151)	314,893	53	3,563
	Synthetic	(26,732)	75	438	(23,198)	41	153
	Interest rate	444,703	4	1,172	444,703	4	(8,156)
	Total fair value	\$ 696,932	208	\$ (11,165)	\$ 736,398	165	\$ (3,055)

#### EFFECT OF DERIVATIVE HOLDINGS ON STATEMENT OF ACTIVITIES

Location	Derivative Type	2013	2012
		Unrealized gain/(loss)	Unrealized gain/(loss)
Investment return, net of amount distributed			
	Foreign currency	\$ 376	\$ 1,385
	Commodity	(13,151)	3,563
	Synthetic	462	372
	Interest rate	(12,954)	(17,678)
	Total unrealized gain/(loss)	\$ (25,267)	\$ (12,358)

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.

#### 4. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are detailed as follows:

##### LAND, BUILDINGS, AND EQUIPMENT

	Book value at June 30, 2013	Book value at June 30, 2012
Land, buildings, and equipment	\$ 4,152,905	\$ 3,838,992
Furniture, equipment, books, and collections	1,125,890	1,173,675
Construction in progress	711,897	578,063
Total before accumulated depreciation	\$ 5,990,692	\$ 5,590,730
Accumulated depreciation	(2,446,227)	(2,268,832)
Net land, buildings, and equipment	\$ 3,544,465	\$ 3,321,898

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 \$671,241 and \$607,441 at June 30, 2013 and 2012, 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 \$471 and \$384 at June 30, 2013 and 2012, respectively.

The future commitments on capital projects in progress, excluding projects funded by New York State, for the fiscal years ending June 30, 2013 and 2012, are \$129,523 and \$139,118, 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 AND LEVEL 3 QUANTITATIVE INFORMATION

	Valuation Methodologies	Unobservable Inputs	Range (weighted average)	2013 Total	2012 Total
Funds held in trust by others					
Remainder	Present Value Calculation	Discount Rate Years to maturity	4.10% 0-60 (11)	\$ 56,687	\$ 57,097
Lead and perpetual	Discounted Cash Flow	Discount Rate	5.00%	46,604	48,460
Total funds held in trust by others				\$ 103,291	\$ 105,557
Obligations under split interest agreements	Discounted Cash Flow	Discount Rate Years to maturity	3.50% 0-63 (13)	\$ 116,344	\$ 115,063

## SUMMARY OF LEVEL 3 SPLIT INTEREST AGREEMENT ACTIVITY

	Fair value at June 30, 2012	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value at June 30, 2013
Funds held in trust by others							
Remainder	\$ 57,097	\$ 299	\$ (709)	\$ -	\$ -	\$ -	\$ 56,687
Lead and perpetual	48,460	(1,857)	1	-	-	-	46,604
Total funds held in trust by others	\$ 105,557	\$ (1,558)	\$ (708)	\$ -	\$ -	\$ -	\$ 103,291
Obligations under split interest agreements	\$ 115,063	\$ -	\$ 1,281	\$ -	\$ -	\$ -	\$ 116,344

## 6. DEFERRED BENEFITS

## A. General Information

Accrued employee benefit obligations as of June 30 include:

## SUMMARY OF DEFERRED BENEFITS

	2013	2012
Postemployment benefits	\$ 28,469	\$ 28,417
Pension and other postretirement benefits	229,272	235,359
Other deferred benefits	187,909	179,863
Total deferred benefits	\$ 445,650	\$ 443,639

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 ending June 30, 2013 and 2012 amounted to \$92,466 and \$86,273, 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	
	2013	2012	2013	2012
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$ 60,557	\$ 55,614	\$ 172,631	\$ 168,229
Actual return on plan assets	9,216	1,337	24,640	(2,022)
Employer contribution	2,910	6,205	3,295	9,272
Benefits paid	(2,730)	(2,599)	(3,296)	(2,849)
Fair value of plan assets at end of year	\$ 69,953	\$ 60,557	\$ 197,270	\$ 172,630
<b>Change in benefit obligation</b>				
Benefit obligation at beginning of year	\$ 81,194	\$ 73,912	\$ 387,352	\$ 381,785
Service cost (benefits earned during the period)	5,431	5,233	17,879	15,427
Interest cost	4,074	4,605	18,880	21,068
Actuarial (gain)/loss	2,735	43	(5,122)	(16,781)
Gross benefits paid	(2,730)	(2,599)	(13,474)	(16,675)
Less: federal subsidy on benefits paid	-	-	276	2,528
Projected benefit obligation at end of year	\$ 90,704	\$ 81,194	\$ 405,791	\$ 387,352
Funded status	\$ (20,751)	\$ (20,637)	\$ (208,521)	\$ (214,722)
Amounts recognized in the consolidated statement of financial position	\$ (20,751)	\$ (20,637)	\$ (208,521)	\$ (214,722)
<b>Amounts recorded in unrestricted net assets not yet amortized as components of net periodic benefit cost</b>				
Net transition obligation	\$ -	\$ -	\$ -	\$ 3,644
Prior service cost	(783)	(875)	(138)	(214)
Net actuarial (gain)/loss	7,653	10,170	13,718	32,333
Amount recognized as reduction in unrestricted net assets	\$ 6,870	\$ 9,295	\$ 13,580	\$ 35,763

The accumulated benefit obligation for the pension plans was \$79,583 and \$70,715 at June 30, 2013 and 2012, 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 ending June 30 includes the following components:

**NET PERIODIC BENEFIT COST**

	Pension benefits		Other postretirement	
	2013	2012	2013	2012
Service cost (benefits earned during the period)	\$ 5,431	\$ 5,233	\$ 17,879	\$ 15,427
Interest cost	4,074	4,605	18,880	21,068
Expected return on plan assets	(4,282)	(4,007)	(12,602)	(12,485)
Amortization of initial transition obligation	-	-	3,644	3,644
Amortization of prior service cost	(92)	(92)	(76)	(76)
Amortization of net (gain)/loss	318	24	1,454	-
Net periodic benefit cost	\$ 5,449	\$ 5,763	\$ 29,179	\$ 27,578



The amounts of transition obligation, prior service costs, and actuarial gains/losses that will be amortized into net periodic benefit cost for the year ending June 30, 2014 are estimated as follows:

**ESTIMATED COMPONENTS OF NET PERIODIC BENEFIT COST**

	Pension benefits	Other postretirement
Prior service cost	\$ (92)	\$ (76)
Net actuarial (gain)/loss	-	-
Total	\$ (92)	\$ (76)

**E. Actuarial Assumptions**

Assumptions used in determining the pension and postretirement plan's benefit obligations and net periodic costs are:

**SUMMARY OF ACTUARIAL ASSUMPTIONS**

	Pension benefits		Other postretirement	
	2013	2012	2013	2012
Used to calculate benefit obligations at June 30				
Discount rate	5.20%	4.70%	5.04% / 4.89%	4.56% / 4.39%
Rate of compensation increase	3.00%	3.00%		
Used to calculate net periodic cost at July 1				
Discount rate	4.70%	5.90%	4.56% / 4.39%	5.75% / 5.60%
Expected return on plan assets	7.00%	7.00%	7.30%	7.30%
Rate of compensation increase	3.00%	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	4.50%	4.50%
Years to reach ultimate trend rate	n/a	n/a	5	6

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 \$66,663 and the annual service and interest cost by \$7,588. Decreasing the health care cost trend rate by 1 percent in each future year would decrease the benefit obligation by \$51,785 and the annual service and interest cost by \$5,846.

**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's Retirement Plan Oversight Committee (RPOC) provides guidance and oversight for the University's retirement plans, including oversight of asset allocation and the performance of both the defined benefit pension plan and the postretirement medical benefit plans. The RPOC, along with its outside consultant CAPTRUST, has reviewed the asset allocation and related performance of the trust assets, and has determined that both are appropriate given current institutional objectives. The RPOC regularly reviews the investment strategies, along with evolving institutional objectives, and will make recommendations regarding possible changes to asset allocation and investment managers accordingly.

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 is inherent in any portfolio,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

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 the expertise provided by investment managers at the trustee bank. 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 ending June 30, 2013 are similar the prior fiscal year: 7.7 percent on equity securities, 4.6 percent on fixed income securities, and 6.5 percent on real estate compared to 8.2 percent, 3.9 percent and 7 percent, respectively.

The fair value of the pension plan assets and postretirement medical benefit plan assets are categorized according to the fair-value hierarchy. 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 fair-value level is based upon each fund as the unit of measure. The fair value of the plans' assets as of June 30 and the rollforward for Level 3 assets are disclosed in the tables below.

SUMMARY OF PLAN ASSETS

	Target allocation	Pension benefits		Other postretirement	
		2013	2012	2013	2012
Percentage of plan assets					
Equity securities	39-85%	65.0%	64.0%	74.0%	73.0%
Fixed income securities	15-55%	29.0%	30.0%	26.0%	27.0%
Real estate	0-5%	6.0%	6.0%	0.0%	0.0%
Total		100.0%	100.0%	100.0%	100.0%

PENSION PLAN ASSETS AT FAIR VALUE

	Level 1	Level 2	Level 3	2013	2012
	fair value	fair value	fair value	Total	Total
Cash and cash equivalents					
Cash	\$ -	\$ -	\$ -	\$ -	\$ 1
Money market	193	-	-	193	181
Equity securities					
U.S. small cap	-	5,834	-	5,834	4,178
U.S. large cap	-	24,198	-	24,198	21,559
U.S. REITS	-	1,770	-	1,770	1,574
Emerging markets	-	4,267	-	4,267	3,331
International equity	-	9,702	-	9,702	8,054
Fixed income securities					
U.S. high yield bonds	-	3,514	-	3,514	3,936
Corporate bonds	-	10,581	-	10,581	9,704
Mortgage-backed securities	-	1,825	2,382	4,207	2,712
International fixed income	-	1,331	-	1,331	1,518
Other types of investments					
Real estate	-	-	4,356	4,356	3,809
Total assets	\$ 193	\$ 63,022	\$ 6,738	\$ 69,953	\$ 60,557

SUMMARY OF LEVEL 3 PENSION PLAN ACTIVITY

	Fair value, June 30, 2012	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value, June 30, 2013
	Mortgage-backed securities	\$ 1,192	\$ -	\$ 80	\$ 1,110	\$ -	\$ -
Real estate	3,809	203	344	-	-	-	4,356
Total Level 3 assets	\$ 5,001	\$ 203	\$ 424	\$ 1,110	\$ -	\$ -	\$ 6,738

## POSTRETIREMENT PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	2013 Total	2012 Total
Cash and cash equivalents					
Money market	\$ 223	\$ 5,335	\$ -	\$ 5,558	\$ 2,476
Equity securities					
U.S. small cap	-	22,518	-	22,518	16,535
U.S. large cap	-	62,188	-	62,188	57,300
Emerging markets	-	22,508	-	22,508	19,245
International equity	-	34,191	-	34,191	29,000
U.S. REITS	-	5,222	-	5,222	4,495
Fixed income securities					
U.S. high yield bonds	-	8,306	-	8,306	7,662
Corporate bonds	-	32,772	-	32,772	35,917
Emerging markets debt	-	4,007	-	4,007	-
Total assets	\$ 223	\$ 197,047	\$ -	\$ 197,270	\$ 172,630

## 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			
2014	\$ 5,500	\$ 11,136	n/a
Future benefit payments			
2014	\$ 3,739	\$ 17,096	\$ 1,777
2015	3,650	18,368	1,969
2016	3,928	19,946	2,164
2017	4,338	21,636	2,381
2018	4,584	23,253	2,614
2019-2023	25,709	142,067	16,780

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 ending June 30, 2013 and 2012 were \$20,074 and \$19,269, 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 value of the funds is included in the consolidated statement of financial position within Investments, which total \$203,171 and \$190,421 for the fiscal years ending June 30, 2013 and 2012, respectively. The University recognizes an offsetting liability for funds held in trust for others, with one adjustment described below.

The New York Hospital-Cornell Medical Center Fund, Inc. (Center Fund), which benefits the Weill Cornell Medical College and the New York-Presbyterian Hospital, is the major external organization invested in the University's long-term investment portfolio with assets and an offsetting liability of \$162,501 and \$153,273 for the fiscal years ending June 30, 2013 and 2012, respectively. Because the Medical College holds a significant beneficial interest in the assets of the Center Fund, the liability is reduced by \$87,657 and \$100,374, for the fiscal years ending June 30, 2013 and 2012, respectively, representing the future income stream that will benefit the Medical College.

**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>2013</u>	<u>2012</u>	<u>Interest rates</u>	<u>Final maturity</u>
Dormitory Authority of the State of New York (DASNY)				
Revenue Bond Series				
1990B-fixed rate	\$ 42,820	\$ 45,440	4.00 to 5.00%	2025
2000A-variable rate/weekly	47,025	49,100	0.06 to 0.22	2029
2000B-variable rate/weekly	63,705	66,140	0.06 to 0.22	2030
2004-variable rate/weekly	76,725	79,200	0.05 to 0.23	2033
2006-fixed rate	173,490	184,735	4.00 to 5.00	2035
2008B&C-fixed rate	120,470	122,980	4.00 to 5.00	2037
2009-fixed rate	293,705	299,470	3.00 to 5.00	2039
2010-fixed rate	285,000	285,000	4.00 to 5.00	2040
Tax-exempt commercial paper	54,390	57,500	0.12 to 0.21	2037
Tompkins County Industrial Development Agency (TCIDA)				
2002A-variable rate/weekly	38,985	40,495	0.05 to 0.21	2030
2002B-variable rate/weekly	15,390	15,390	0.05 to 0.21	2015
2008A-fixed rate	65,705	67,170	3.00 to 5.00	2037
Bond Series 1987B-fixed rate	-	725	11.11	2013
Urban Development Corporation	2,000	2,125	-	2029
2009 Taxable-fixed rate	500,000	500,000	4.35 to 5.45	2014/2019
Taxable commercial paper	73,500	78,500	0.18 to 0.26	-
Other	2,495	2,588	6.63	2029
Total bonds and notes payable	<u>\$ 1,855,405</u>	<u>\$ 1,896,558</u>		

The University's bonds and notes payable had carrying amounts of \$1,855,405 and \$1,896,558 at June 30, 2013 and 2012, respectively, compared to estimated fair values of approximately \$1,967,483 and \$2,092,452 at June 30, 2013 and 2012, 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. The University's debt is classified as Level 2 in the fair-value hierarchy.

The following table provides the amounts of interest paid for the fiscal years ending June 30.

#### SUMMARY OF INTEREST EXPENSE

	<u>2013</u>	<u>2012</u>
Interest expense to bondholders and other debt	\$ 73,352	\$ 75,343
Interest expense paid on swap agreements	30,291	23,115
Capitalized interest on capital assets	<u>(11,178)</u>	<u>(12,257)</u>
Total interest expense	\$ 92,465	\$ 86,201

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 DASNY Revenue Bond Series 1990B agreement, the bonds are a general obligation of the University and are secured by a pledge of revenue. The University is not required to pledge revenue on other bonds outstanding.

The University maintains tax-exempt and taxable commercial paper programs. Tax-exempt commercial paper is used to finance qualified capital projects and equipment purchases for the Ithaca and Medical College campuses. Taxable commercial paper is also used for these purposes, and can be used to finance short-term working capital needs. The maximum authorized amount of each commercial paper program is \$200,000.

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

#### ANNUAL DEBT SERVICE REQUIREMENTS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 289,540	\$ 108,633	\$ 398,173
2015	49,452	101,349	150,801
2016	35,239	92,945	128,184
2017	36,671	85,318	121,989
2018	38,185	79,384	117,569
Thereafter	<u>1,406,318</u>	<u>795,449</u>	<u>2,201,767</u>
Total	\$ 1,855,405	\$ 1,263,078	\$ 3,118,483

The University estimates future interest payments on variable-rate debt based on the five-year Securities Industry and Financial Markets Association (SIFMA) swap rate for tax-exempt debt and the five-year London Interbank Offered Rates (LIBOR) swap rate for taxable debt.

#### 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.

Through the use of interest rate swap agreements, the University is exposed to the risk that counterparties will fail to meet their contractual obligations. To mitigate risk, the University maintains a \$400 million dollar-limit swap exposure for each counterparty. Master agreements with counterparties include netting arrangements that permit the University to net amounts due to the counterparty with amounts due from the counterparty. Utilizing netting arrangements reduces the maximum loss in the event of counterparty default.

The University's swap agreements contain a credit-rating-contingent feature in which the counterparties can request collateral on agreements in net liability positions. The University could be required to post collateral if the University's credit rating is downgraded to A1 or A+. At June 30, 2013 and 2012, the University did not post collateral on deposit with any counterparty.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

The University's interest rate swaps are valued by an independent third party that uses the mid-market levels, as of the close of business, to value each agreement. 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 swaps are classified as Level 2 in the fair-value hierarchy.

At June 30, 2013, the University had seven interest rate swap agreements to exchange variable-rate cash flows for fixed-rate cash flows without the exchange of the underlying principal amount. Net payments or receipts under six of these swap agreements are recorded as adjustments to interest expense and the incremental interest expense is disclosed in the table below. One swap agreement is a forward-starting swap that commences net payments in July, 2014. During the fiscal year ending June 30, 2013, the University terminated a swap with Morgan Stanly Capital Services, LLC that had an outstanding notional amount of \$79,200. The Change in the value of the swap on the Statement of Activity represents a \$16,915 loss on the termination of the swap and the increase in the market value resulting in a total change of \$99,173. The interest expense related to these swaps is included in the interest expense on the Statement of Activity. In all agreements in effect at June 30, 2013, 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, 2013, with comparative fair values for June 30, 2012. The swaps are reported based on notional amount.

FAIR VALUE OF INTEREST RATE SWAPS IN STATEMENT OF FINANCIAL POSITION

Location	Notional amount	Interest rate	Commencement	Termination date	Basis	2013 Level 2 fair value	2012 Level 2 fair value
Accounts payable and accrued expenses							
	\$ 99,100	2.99 %		October 1, 2015	LIBOR	\$ (5,909)	\$ (8,184)
	40,495	4.52		July 1, 2030	LIBOR	(15,803)	(12,646)
	65,600	4.63		July 1, 2030	LIBOR	(8,967)	(22,037)
	79,200	3.51		April 23, 2013	LIBOR	-	(18,422)
	98,100	3.92		July 1, 2038	LIBOR	(20,236)	(30,657)
	275,000	3.88		July 1, 2040	LIBOR	(71,363)	(109,204)
	200,000	3.48		July 1, 2041	LIBOR	(34,106)	(54,741)
	200,000	3.77	July 1, 2014	July 1, 2044	LIBOR	(34,610)	(51,190)
Total fair value						\$ (190,994)	\$ (307,081)

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

C. Standby Bond Purchase Agreements

The University has standby bond purchase agreements with various financial institutions to purchase any of the University's variable-rate demand bonds in the event that the bonds cannot be remarketed. In the event that the bonds covered by these standby bond purchase agreements cannot be remarketed and the agreements are not otherwise renewed, the University would be required to redeem the bonds or refinance the bonds in a different interest rate mode. In the event that the bonds cannot be remarketed and the University did not redeem, the Annual Debt Service Requirements table would be increased by \$83,000 for fiscal year 2014, \$21,935 for fiscal year 2015, \$102,850 for fiscal year 2016, and \$34,045 for fiscal year 2017. 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	Jul-16
2000B	JP Morgan Chase	Jul-16
2002A	Northern Trust	Jun-17
2002B	Northern Trust	Jul-15
2004A&B	HSBC Bank	Apr-14

#### D. Lines of Credit

The University records the working capital lines of credit activity and outstanding balances as other liabilities in the consolidated statement of financial position. The two \$100 million lines of credit have annual expiration dates of December 31 and April 1. As of June 30, 2013 and 2012, the University had not borrowed 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 \$25,108 and \$27,218 for the fiscal years ending June 30, 2013 and 2012, respectively. The future annual minimum lease payments in the following table are payments under operating leases expiring at various dates through June 30, 2060.

ANNUAL MINIMUM OPERATING LEASE PAYMENTS	
Year	Payments
2014	\$ 23,624
2015	21,944
2016	20,259
2017	20,222
2018	17,840
Thereafter	117,557
Total minimum operating lease payments	\$ 221,446

### 10. FUNCTIONAL EXPENSES AND STUDENT AID

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

FUNCTIONAL EXPENSES		
	2013	2012
Instruction	\$ 727,990	\$ 690,493
Research	539,638	552,878
Public service	122,543	115,283
Academic support	234,204	220,835
Student services	143,783	138,542
Medical services	815,166	755,193
Institutional support	395,334	405,820
Enterprises and subsidiaries	253,534	236,150
Total expenses	\$ 3,232,192	\$ 3,115,194

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 \$234,907 and \$219,384 for the fiscal years ending June 30, 2013 and 2012, 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 \$46,265 and \$42,699 for the fiscal years ending June 30, 2013 and 2012, 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	2013 Total	2012 Total
<b>Endowment</b>					
True endowment	\$ (28,644)	\$ 1,389,986	\$ 2,150,233	\$ 3,511,575	\$ 3,219,984
Funds functioning as endowment (FFE)	1,301,183	327,457	-	1,628,640	1,579,330
Total true endowment and FFE	\$ 1,272,539	\$ 1,717,443	\$ 2,150,233	\$ 5,140,215	\$ 4,799,314
Funds held by others, perpetual	-	-	132,013	132,013	147,640
Total University endowment	\$ 1,272,539	\$ 1,717,443	\$ 2,282,246	\$ 5,272,228	\$ 4,946,954
<b>Other net assets</b>					
Operations	(718,522)	234,546	-	(483,976)	(467,855)
Student loans	10,077	113	41,201	51,391	50,621
Facilities and equipment	2,186,421	66,739	-	2,253,160	1,929,953
Split interest agreements	-	67,388	40,845	108,233	96,246
Funds held by others, other than perpetual	-	41,566	17,369	58,935	58,292
Contributions receivable, net	-	648,826	185,636	834,462	863,459
Total net assets	\$ 2,750,515	\$ 2,776,621	\$ 2,567,297	\$ 8,094,433	\$ 7,477,670

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 were invested in the Long Term Investment Pool (LTIP) at both June 30, 2013 and June 30, 2012. 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, 2013, 783 of 6,416 true endowment funds invested in the LTIP had a total historic dollar value of \$373,308 and a fair value of \$344,664, resulting in these endowments being underwater by a total of \$28,644. 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 ending June 30 are presented below:

**SUMMARY OF ENDOWMENT ACTIVITY**

	Unrestricted	Temporarily restricted	Permanently restricted	2013 Total	2012 Total
True endowment and FFE, beginning of year	\$ 1,201,481	\$ 1,570,459	\$ 2,027,374	\$ 4,799,314	\$ 4,928,070
<b>Investment return</b>					
Net investment income	20,779	49,692	-	70,471	58,856
Net realized and unrealized gain/(loss)	159,941	287,108	206	447,255	(68,079)
Total investment return	\$ 180,720	\$ 336,800	\$ 206	\$ 517,726	\$ (9,223)
New gifts	1,010	34,158	107,531	142,699	107,392
Amounts appropriated for expenditure/reinvestment	(71,260)	(183,629)	3,278	(251,611)	(234,616)
Other changes and reclassifications	(39,412)	(40,345)	11,844	(67,913)	7,691
Total true endowment and FFE, end of year	\$ 1,272,539	\$ 1,717,443	\$ 2,150,233	\$ 5,140,215	\$ 4,799,314



## **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 October 24, 2013, the date on which the consolidated financial statements were issued and determined no material impact on the University's consolidated financial statements.

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