CORNELL UNIVERSITY

Consolidated Financial Statements

June 30, 2023 and 2022

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Report of Independent Auditors

To The Board of Trustees of Cornell University

Opinion

We have audited the accompanying consolidated financial statements of Cornell University and its subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities for the year ended June 30, 2023 and of cash flows for the years ended June 30, 2023 and 2022, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023 and 2022, and the changes in its net assets for the year ended June 30, 2023 and its cash flows for the years ended June 30, 2023 and 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

We previously audited the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and of cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated October 17, 2022, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information for the year ended June 30, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Responsibilities of Management for the Consolidated 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

Fairport, New York
October 20, 2023

CORNELL UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2023 AND JUNE 30, 2022 (in thousands)

	2023	2022
Assets		
Cash and cash equivalents	$ 775,832	$ 826,880
Accounts receivable, net (note 3-A)	743,141	691,100
Contributions receivable, net (note 3-B)	747,786	803,204
Prepaid expenses and other assets	162,168	153,225
Investments (note 4)	10,723,382	10,516,716
Right of use assets-operating leases, net (note 10)	388,994	413,551
Right of use assets-finance leases, net (note 10)	49,202	52,194
Land, buildings, and equipment, net (note 5)	4,475,002	4,392,485
Funds held in trust by others (note 6)	155,554	111,944
Total assets	$ 18,221,061	$ 17,961,299
Liabilities		
Accounts payable and accrued expenses	$ 455,836	$ 463,843
Deferred revenue and other liabilities	464,330	426,884
Obligations under split interest agreements (note 6)	136,138	138,454
Deferred benefits (note 7)	563,830	577,217
Funds held for others (note 8)	122,356	118,982
Operating lease liabilities (note 10)	407,651	428,728
Finance lease liabilities (note 10)	54,033	56,169
Bonds and notes payable (note 9)	1,978,761	2,036,670
Total liabilities	$ 4,182,935	$ 4,246,947
Net assets (note 12)		
Without donor restrictions	4,181,622	4,109,936
With donor restrictions	9,856,504	9,604,416
Total net assets	14,038,126	13,714,352
Total liabilities and net assets	$ 18,221,061	$ 17,961,299

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

CORNELL UNIVERSITY

CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEAR-ENDED JUNE 30, 2023 (in thousands)

(WITH SUMMARIZED INFORMATION FOR THE YEAR-ENDED JUNE 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	**2023** Total	**2022** Total
Operating revenues and other support				
Tuition and fees (scholarship allowance $536,472 and $513,429)	$ 904,425	$ -	$ 904,425	$ 876,328
State and federal appropriations	152,674	-	152,674	152,400
Grants, contracts and similar agreements				
Direct	855,341	-	855,341	873,143
Indirect cost recoveries	239,564	-	239,564	215,008
Contributions	5,424	392,950	398,374	302,977
Investment return, distributed	117,998	300,011	418,009	344,256
Medical Physician Organization	1,361,999	-	1,361,999	1,304,677
Auxiliary enterprises	201,531	-	201,531	173,611
Educational activities and other sales and services	902,089	-	902,089	868,212
Net assets released from restrictions	643,307	(643,307)	-	-
Total operating revenues and other support	5,384,352	49,654	5,434,006	5,110,612
Operating expenses (Note 11)				
Compensation and benefits	3,589,676	-	3,589,676	3,311,962
Supplies, services and other	1,288,146	-	1,288,146	1,181,429
Maintenance and facilities	158,179	-	158,179	156,002
Interest (note 9)	66,194	-	66,194	34,296
Depreciation	308,838	-	308,838	303,434
Total operating expenses	5,411,033	-	5,411,033	4,987,123
Change in net assets from operating activities	(26,681)	49,654	22,973	123,489
Non-operating revenues and (expenses)				
State appropriations for capital acquisitions	17,989	-	17,989	15,830
Grants, contracts and similar agreements for capital acquisitions	400	-	400	4,134
Contributions for capital acquisitions, trusts and endowments	-	246,542	246,542	403,762
Investment return, net of amount distributed	17,956	(25,720)	(7,764)	(471,625)
Change in value of split interest agreements	1,947	2,570	4,517	(17,770)
Pension and postretirement changes	13,833	-	13,833	124,855
Swap interest and change in value of interest rate swaps	42,074	-	42,074	99,562
Other	(15,905)	(885)	(16,790)	(17,760)
Net assets released for capital acquisitions and reclassifications	20,073	(20,073)	-	-
Change in net assets from non-operating activities	98,367	202,434	300,801	140,988
Change in net assets	71,686	252,088	323,774	264,477
Net assets, beginning of the year	4,109,936	9,604,416	13,714,352	13,449,875
Net assets, end of the year	$ 4,181,622	$ 9,856,504	$ 14,038,126	$ 13,714,352

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

CORNELL UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS-ENDED JUNE 30, 2023 AND JUNE 30, 2022 (in thousands)

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 323,774	$ 264,477
Adjustments to reconcile change in net assets		
to net cash provided/(used) by operating activities		
Proceeds from contributions for capital acquisitions, trusts and endowments	(237,970)	(324,340)
Depreciation and amortization	293,780	288,376
Net realized and unrealized (gain)/loss on investments	(271,938)	186,043
Pension and postretirement changes	(13,833)	(124,855)
Change in unrealized (gain)/loss interest rate swaps	(49,981)	(125,486)
Loss on disposals of land, building, and equipment	11,288	2,222
Non-cash lease expense	4,652	6,400
State appropriations for capital acquisitions	(17,989)	(15,830)
Other adjustments	(26,561)	(13,353)
Change in assets and liabilities		
Accounts receivable, net, other than student loans	(58,811)	(85,391)
Contributions receivable, net	48,275	(32,176)
Prepaid expenses and other assets	(9,212)	(9,352)
Accounts payable and accrued expenses	28,766	(19,556)
Deferred revenue and other liabilities	41,878	888
Funds held in trust by others	(45,674)	99
Obligations under split interest agreements	(2,316)	1,355
Deferred benefits	90	20,488
Net cash provided/(used) by operating activities	18,218	20,009
Cash flows from investing activities		
Proceeds from the sale and maturities of investments	5,589,655	7,024,596
Purchase of investments	(5,499,641)	(7,102,925)
Acquisition of land, buildings, and equipment (net)	(358,133)	(372,869)
Student loans granted	(4,365)	(5,248)
Student loans repaid	9,441	10,967
Change in funds held for others, net of unrealized (gain)/loss on investments	(11,805)	4,111
Net cash provided/(used) by investing activities	(274,848)	(441,368)
Cash flows from financing activities		
Proceeds from contributions for capital acquisitions, trusts and endowments	237,970	324,340
Proceeds from state appropriations for capital acquisitions	17,989	15,830
Principal payments of bonds, notes payable and finance leases	(46,070)	(175,216)
Proceeds from issuance of bonds and notes payable	-	347,000
Government advances for student loans	(4,307)	(8,642)
Net cash provided/(used) by financing activities	205,582	503,312
Net change in cash and cash equivalents	(51,048)	81,953
Cash and cash equivalents, beginning of year	826,880	744,927
Cash and cash equivalents, end of year	$ 775,832	$ 826,880
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 81,251	$ 49,353
Increase/(decrease) in construction payables, non-cash activity	$ 13,208	$ 2,234
Right-of-use assets acquired under finance leases	$ 958	$ 1,646
Right-of-use assets acquired under operating leases	$ 35,308	$ 25,704
Gifts-in-kind	$ 27,303	$ 4,626

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 learning, discovery, and engagement. Cornell is a private university, the federal land-grant institution of New York State, and a member of the Ivy League. Cornell administers four contract colleges, which the University operates on behalf of the State University of New York and the results of their operations are included in the consolidated financial statements. Described as the first truly American university because of its founders' revolutionary egalitarian and practical vision of higher education, the University is dedicated to its land-grant mission of outreach and public engagement. Cornell's community includes nearly 27,200 students, over 4,600 faculty, and approximately 311,200 alumni who live and work across the globe.

The University comprises nine undergraduate units and four graduate and professional colleges and schools in Ithaca, New York; two medical graduate and professional units, together with its physician organization, collectively referred to as "Weill Cornell Medicine" or "WCM", in New York City, and "Weill Cornell Medicine - Qatar" in Doha, Qatar. The Cornell Tech campus, also in New York City, offers graduate programs in applied sciences, including three programs offered jointly with the Technion - Israel Institute of Technology under the auspices of the Joan and Irwin Jacobs Technion-Cornell Institute.

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, Cornell Tech, and WCM 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 and contract colleges, the activities of 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 on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("GAAP"). The University classifies net assets into two categories based on the existence or absence of donor-imposed restrictions.

<u>Net assets without donor restrictions</u> are free of explicit donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All operating expenses are reported as decreases in net assets without donor restrictions.

<u>Net assets with donor restrictions</u> are subject to explicit donor-imposed restrictions that will be met either by actions of the University or the passage of time. These net assets 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 statements of activities as a reclassification from net assets with donor restrictions to net assets without donor restrictions on the net assets released from restriction lines.

Transfers from net assets without donor restrictions to net assets with donor restrictions are primarily the result of donor redesignations or matching funds that are added to donor gift funds which then take on the same restrictions as the donor gift.

The University's measure of operations as presented in the consolidated statements of activities includes revenue and expenses related primarily to educational and training programs, research activities, contributions for operating programs, allocation of endowment spending for operations, medical services, and other revenues.

The University's non-operating activity within the consolidated statements of activities includes grants, contracts and appropriations for capital acquisition; contributions to the endowment and for building construction and renovation; investment returns net of endowment spending for operations and other activities related to the endowment; swap interest and change in value of interest rate swaps; changes in benefit plan obligations, excluding benefits earned during the period; and certain nonrecurring items.

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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 related primarily to the appropriate inputs and discount rate for fair-value calculations, the discount rate for pension and postretirement benefit obligations, allowances for doubtful accounts and implicit price concessions, self-insured risks, and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

C. Income Taxes

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code. It is generally exempt from income taxes on related income under 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 the position is more likely than not to be sustained if examined by the applicable taxing authority. Based on this review, the University does not believe there would be any material impact on the consolidated financial statements for uncertain tax positions.

D. Fair-Value Hierarchy

The University values certain financial assets and liabilities, on a recurring basis, following 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 categorized 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 and liabilities. Market price data is generally obtained from exchange or dealer markets. The University does not adjust the quoted price for such assets and liabilities.

The fair value of Level 2 securities 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 the fair value of financial instruments, the University considers such factors as interest-rate yield curves, duration of the instrument, and counterparty credit risk. 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 is readily available, 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. The University uses net asset value (NAV) per share, or its equivalent, as provided by the fund manager as a practical expedient to estimate the fair values of certain investments, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy and are shown as a separate column in the fair value leveling table.

E. 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. Short-term highly liquid investments held within the University's investment portfolio are classified as short-term investments rather than cash equivalents and restricted cash, which is defined as legally restricted to withdrawal and usage.

F. Investments

The University's investments are recorded in the consolidated financial statements at fair value. The values of publicly traded securities are based on quoted market prices and exchange rates, if applicable. The fair value of non-marketable securities is generally based on valuations provided by external investment managers. These investments are generally less liquid than other investments. 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. 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, distributed included in operating revenues and other support 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. Any difference between total return and amounts appropriated from the pooled endowment, and income and realized gains reinvested per donor restrictions is reported as non-operating activities.

G. Derivative Instruments

The University has approved the use of derivatives by outside investment managers, based on investment guidelines negotiated when a manager is appointed. The derivatives are used to adjust fixed-income durations and rates, create synthetic exposures to certain types of investments, hedge foreign currency fluctuations as well as adjust or hedge equity exposures. The value of these derivative positions is reflected in the net asset value of the respective fund. The change in the fair value of a derivative instrument held for investment is included in the non-operating investment return in the consolidated statements of activities.

In addition, the University holds other derivatives to manage its exposure to interest-rate risk related to its current or future long-term debt. These instruments are recorded at fair value as prepaid or accrued expenses in the consolidated statements of financial position. Swap interest and change in fair value are recorded as non-operating activities in the consolidated statements of activities.

Derivatives involve counterparty credit exposure. The University minimizes this exposure and manages counterparty risks by limiting swap exposure for each counterparty and monitoring the financial health of swap counterparties. The University has structured swap documents to limit maximum loss in the event of counterparty default.

H. Endowments

The responsibility for accepting, preserving, and managing those funds entrusted to the University 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 Investment 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 above inflation, as measured by the Consumer Price Index over a full market cycle (typically five to ten years) for all current assets and any future contributions. The achievement of favorable investment returns enables the University to distribute over time increasing amounts from the endowment, 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.

The University applies the "prudent person" standard when deciding 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; the 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 a total annual payout distribution from endowment funds within a target range of 4.4 percent of a twenty-eight-quarter rolling average of the unit fair value, plus or minus 0.75 percent. 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, are presented as investment return, distributed, on the consolidated statements of activities, and includes endowment payout and an administrative fee, net of direct investment expenses, that supports the investment and stewardship costs of the University endowment.

The New York Prudent Management of Institutional Funds Act ("NYPMIFA") established a requirement related to appropriations from endowments for which the fair value falls below the historic dollar value ("underwater"). In compliance with NYPMIFA, the University notified available donors, who had established endowments before September 17, 2010, of the new law. It 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.

I. Split-Interest Agreements and Funds Held in Trust by Others

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 net assets with donor restrictions. Liabilities associated with charitable gift annuities and charitable 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 discount are recorded as changes in value of split-interest agreements in the appropriate restriction categories in the non-operating section of the consolidated statements of activities.

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 when the irrevocable trust is established or the University is notified of its existence at the estimated fair value of assets or the present value of future cash flows due to the University. Gains or losses resulting from changes in fair value are recorded as non-operating activities in the consolidated statements of activities.

J. Land, Buildings, and Equipment, Net

Land, buildings, and equipment are stated in the consolidated statements 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. Useful lives range from three to fifteen years for equipment and fifteen to fifty years for buildings and improvements. Expenditures associated with the construction of new facilities are recorded as construction in progress until the projects are completed.

The University’s collections of art, books, and 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 statements 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.

K. Leases

The University determines if an arrangement is a lease or contains a lease at a contract's inception. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The University determines these assets are leased because the University has the right to obtain substantially all of the economic benefits from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability, the right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease, because the University determines it does not have the right to control and direct the use of the identified asset. The University’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the University separately identifies lease and non-lease components, such as common area and other maintenance costs, for its office buildings, apartments, and vehicles. The University has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in recognition of right-of-use (“ROU”) assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The University determines lease classification as operating or finance at the lease commencement date. ROU assets and lease liabilities for operating and finance leases are included in the consolidated statements of financial position and presented separately based on the classification of the underlying lease arrangement.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. For the initial and subsequent measurement of all lease liabilities, the discount rate is based on the rate implied within the lease or on the University's incremental borrowing rate using a period comparable with the lease term.

The lease term may include options to extend or terminate the lease that the University is reasonably certain to exercise. Operating lease expense is generally recognized on a straight-line basis over the lease term.

L. Revenue

Tuition and fees

Tuition and mandatory fees revenue is recognized within the fiscal year in which educational services are provided. Institutional financial aid reduces the published price of tuition for students receiving such aid. Payments received in advance for summer session courses for credit toward a degree are recorded as deferred revenue.

State and Federal Appropriations

Revenue primarily consists of annual New York State appropriations through the legislative process and federal funding to Land Grant institutions via the Hatch, Smith-Lever, and other Acts in support of the contract colleges, and it is recognized over the fiscal year. This funding is considered a nonreciprocal conditional transaction with donor imposed restrictions. Condition(s) and restrictions are met in the same year and revenue is recorded within net assets without donor restrictions.

Grants and Contracts

Revenue under grants, contracts, and similar agreements comprise federal and non-federal (e.g., state, private foundation) grants and contracts. The funding may represent a reciprocal transaction in exchange for a commensurate benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the University, the funding organization's mission, or the public at large. All federal grants and non-federal grants with similar restrictions on spending are conditional, and revenue is recognized when expenditures are incurred. When the condition(s) and restrictions are met within the same year, revenue is recorded within net assets without donor restrictions. Unconditional non-exchange revenue is recognized in full when the contribution is received or a qualifying promise to give has been made, generally when the agreement is finalized. Revenues from exchange transactions are recognized as performance obligations are satisfied, whether milestones are achieved or related costs are incurred. Amounts received in advance for which revenue recognition criteria have not been met are recorded as deferred revenues.

Grants, contracts, and similar agreements typically provide for reimbursement of indirect costs based on predetermined rates negotiated with the University's cognizant federal agency or separately negotiated with a non-federal sponsor. Indirect cost recoveries on federally sponsored programs, such as the recovery of facilities and administrative (F&A) costs, are normally at reimbursement rates negotiated with the University's cognizant agency, the Department of

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

Health and Human Services. The University has entered into agreements with the federal government that define the rates at which the University can be reimbursed for F&A costs applicable to federal awards through June 30, 2026 (Ithaca campus) and June 30, 2021 (Weill Cornell Medicine). Although expired, in accordance with federal regulations the Weill Cornell Medicine agreement remains in effect, using provisional rates, until such time a new agreement is reached.

Additional information regarding grant and contract revenue is presented below.

GRANTS, CONTRACTS AND SIMILAR AGREEMENTS

2023	Exchange	Non-Exchange	2023 Total
Federal	$ 22,169	$ 714,173	$ 736,342
State & local	33,720	30,895	64,615
Private	226,853	67,095	293,948
Total Grants, contracts and similar agreements	$ 282,742	$ 812,163	$ 1,094,905

2022	Exchange	Non-Exchange	2022 Total
Federal	$ 18,967	$ 737,151	$ 756,118
State & local	47,297	12,228	59,525
Private	210,586	61,922	272,508
Total Grants, contracts and similar agreements	$ 276,850	$ 811,301	$ 1,088,151

Federal revenue is primarily nonreciprocal and conditional. A significant portion of private revenue is received in exchange for benefit to the Qatar Foundation related to the operation of Weill Cornell Medicine - Qatar. On June 30, 2023, the University has unrecorded conditional agreements of $1,976,462.

Contributions

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the appropriate category of net assets in the period received. A pledge is recorded at the 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 contribution date. Contributions for capital projects, endowments, and similar funds are reported as non-operating revenues.

The presence of both a barrier and a right of return make a contribution conditional. Conditional promises to give to the University are not recognized until the conditions are satisfied. Net assets with donor restrictions 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.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

Medical Physician Organization

The Medical Physician Organization ("MPO") provides the management structure for the practice of medicine for all WCM physicians at the academic medical center and various clinical practice sites throughout New York City and surrounding areas. MPO revenue represents patient care and management service agreement fees. In addition to generating clinical practice revenue, MPO members may provide instruction and conduct research activities.

MPO patient care revenue is consideration received in exchange for clinical health care services provided to patients. The patient is the customer, regardless of the payor. The contract with the patient exists when the parties have approved the contract for clinical health care services either in writing, verbally or implicitly, based on the MPO's customary business practice. Outpatient revenues are recognized as the service is provided.

For Medicare, Medicaid, and commercial payors, the transaction price is the amount the MPO expects to be entitled to under the contract, including explicit price concessions. For self-pay, deductibles, and co-payments, the transaction price is reduced by implicit price concessions, including estimates of uncollectible amounts. These estimates are based on policies and customary business practices of providing service regardless of the ability to pay, combined with historical collection rates.

The MPO uses a portfolio approach to account for categories of patient contracts rather than recognizing revenue on an individual contract basis. The contracts are categorized and grouped based on the service provided, the payor, and the service location. Based on historical collection trends and other analyses, the MPO believes that revenue recognized using the portfolio approach approximates the revenue that would have been recognized had an individual contract approach been used.

Revenue from management service agreement fees is consideration received in exchange for services provided to external healthcare providers. Under terms of these contractual arrangements, WCM physicians provide services such as patient care or supervision and teaching of medical staff. The agreements are typically for a one-year term, and consideration is a fixed amount. Revenue is recognized throughout the fiscal year as services are rendered.

Additional information regarding MPO revenue is presented below.

MEDICAL PHYSICIAN ORGANIZATION REVENUE

	2023	2022
Outpatient Services		
Commercial	$ 755,469	$ 746,859
Government	103,694	106,553
Patient and other	216,510	198,177
	1,075,673	1,051,589
Management Service Agreements	286,326	253,088
Total	$1,361,999	$1,304,677

Auxiliary enterprises

Auxiliary enterprises support the educational experience of students, and include housing, dining, conference services, and the campus store. Housing and dining revenues are recognized over the course of the academic year and campus store and conference services revenue is recognized at the time of the transaction.

Educational Activities and Other Sales and Services

Educational activities and other sales and services represent revenue from operations related to the University’s mission. These activities are managed like commercial entities. The largest component of this category is consideration received by WCM from New York-Presbyterian Hospital (“NYPH”) in exchange for providing personnel, space, and other services. The revenue is billed based upon an approved annual joint budget and actual costs incurred. WCM recognizes revenue throughout the fiscal year as services are rendered to NYPH and accrues for any unbilled services as of June 30.

Educational activities and other sales and services also include activities such as royalties, transportation, parking, testing labs, teaching hotel, non-degree/non-credit course revenue, and athletics. These activities comprise exchange transactions with customers, which may be recognized at a specific point in time or over the period of the contract, depending on when the customer derives the benefit. Amounts received in advance are recorded as deferred revenues.

M. Comparative Financial Information

The consolidated statements 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. GAAP. 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.

N. Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, loans and certain other instruments, entities will be required to use a new forward looking “expected loss” model that generally will result in earlier recognition of credit losses than under today’s incurred loss model. ASU 2016-13 is effective for annual periods beginning after December 15, 2022. Management is currently assessing the impact of ASU 2016-13 on its consolidated financial statements.

O. Reclassifications

Certain June 30, 2022, balances and amounts previously reported have been reclassified to conform to the June 30, 2023, presentation.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of June 30 are as follows:

LIQUIDITY AND AVAILABILITY

	2023	2022
Cash and cash equivalents	$ 775,832	$ 826,880
Accounts receivable, net, due within one year	540,732	522,024
Contributions receivable available for operations, net, due within one year	119,754	122,454
Liquid operating investments	147,668	158,888
Endowment payout for subsequent year	333,203	314,278
Financial assets available within one year	$ 1,917,189	$ 1,944,524

In addition, the University had $1,698,435 and $1,669,735 in funds functioning as endowment (FFE) as of June 30, 2023, and 2022, respectively. These represent unrestricted operating funds that the University has internally designated. These could be liquidated over time, if necessary, to support operations.

The University manages its financial assets to be available as its operating expenditures, liabilities, and other obligations come due. The University's cash flows have seasonal variations during the year primarily attributable to tuition billing and a concentration of contributions received at the calendar and fiscal year-end.

As of June 30, 2023, the University maintained four lines of credit totaling $450 million with $25 million expiring January 2024, $125 million expiring February 2024, $200 million expiring May 2024, and $100 million expiring July 2025. There were no outstanding borrowings under these agreements.

As of June 30, 2022, the University maintained four lines of credit totaling $450 million with $25 million expiring January 2023, $125 million expiring March 2023, $200 million expiring May 2024, and $100 million expiring July 2025. There were no outstanding borrowings under these agreements.

In addition, the University has a taxable commercial paper program with an undrawn available balance of $225.8 million as of June 30, 2023, and $220.8 million as of June 30, 2022.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

3. RECEIVABLES

A. Accounts Receivable

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

SUMMARY OF ACCOUNTS RECEIVABLE

	2023	2022
Grants and contracts	$ 197,380	$ 190,145
NewYork-Presbyterian Hospital and other affiliates	103,494	102,334
Patients and payors	123,289	91,211
Reinsurance receivable	159,880	119,777
Federal revolving student loans	9,835	14,093
Institutional student loans	32,694	35,206
Student accounts	16,178	37,691
Other	100,391	100,643
Net accounts receivable	$ 743,141	$ 691,100

The University's receivables are reviewed and monitored for aging and other factors that affect collectability. Receivables are reduced by an allowance for doubtful accounts of $38,913 and $41,950 at June 30, 2023, and 2022, respectively.

The patient accounts receivable for medical services comprises the following on June 30, 2023, and 2022, respectively: commercial third parties 81.6 percent and 78.7 percent; federal and state government 14.9 percent and 16.2 percent; and patients 3.5 percent and 5.1 percent. Note 13 provides additional information related to the reinsurance receivable.

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

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

B. Contributions Receivable

Unconditional promises to give, or pledges, are recorded in the consolidated financial statements at the present value using discount rates ranging from 0.8 percent to 6.0 percent. The methodology for estimating uncollectible amounts is based on an analysis of the historical collectability of contributions receivable. Contributions are expected to be realized as follows:

SUMMARY OF CONTRIBUTIONS RECEIVABLE

	2023	2022
Less than one year	$ 327,489	$ 347,799
Between one and five years	412,972	444,197
More than five years	103,713	111,707
Gross contributions receivable	$ 844,174	$ 903,703
Less: unamortized discount	(65,230)	(67,032)
Less: allowance for uncollectible amounts	(31,158)	(33,467)
Net contributions receivable	$ 747,786	$ 803,204

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

EXPECTED PURPOSE OF CONTRIBUTIONS RECEIVABLE

	2023	2022
Program support	$ 259,452	$ 296,138
Capital purposes	130,158	121,032
Long-term support	358,176	386,034
Net contributions receivable	$ 747,786	$ 803,204

On June 30, 2023, conditional promises not reflected in the consolidated financial statements, which consist primarily of bequest intentions and conditional promises with significant requirements, were $1,179,423. When conditional promises to give or bequests become unconditional, they are recorded and generally will be restricted for long-term support, program support, and capital projects as stipulated by the donors.

4. 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, and temporarily invested expendable funds.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

The University maintains a number of investment pools or categories for specific purposes as follows:

INVESTMENT POOLS/CATEGORIES AT FAIR VALUE

	2023	2022
Long-term investments (LTI)		
Long-term investment pool (LTIP)	$ 9,357,061	$ 9,213,239
Other LTI	669,921	624,959
Total LTI	$ 10,026,982	$ 9,838,198
Separately invested and other assets	696,400	678,518
Total investments	$ 10,723,382	$ 10,516,716

Total earnings on the University's investment portfolio for the fiscal years ended June 30 is presented in the following table:

SUMMARY OF INVESTMENT RETURN

	2023	2022
Interest and dividends, net of investment fees	$ 138,307	$ 58,674
Net realized gain/(loss)	248,882	777,697
Net unrealized gain/(loss)	23,056	(963,740)
Total investment return	$ 410,245	$ (127,369)

Total investment return equals investment return, distributed plus investment return, net of amount distributed.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

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 tables:

INVESTMENTS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	Net asset value	**2023** Total
Short-term investments	$ 471,293	$ 3,312	$ -	$ -	$ 474,605
Derivatives	-	10,384	-	-	10,384
Equity					
Domestic equity	440,211	333,831	209	-	774,251
Foreign equity	553,224	287,453	1,177	351,294	1,193,148
Hedged equity	-	-	515	-	515
Private equity	-	-	102,926	2,957,298	3,060,224
Fixed income					
Asset backed fixed income	-	10,211	-	-	10,211
Corporate bonds	-	116,024	-	-	116,024
Equity partnership	-	-	-	809,569	809,569
International	-	5,230	-	-	5,230
Municipals	-	1,830	-	-	1,830
Mutual funds (non-equity)	8,283	4,526	-	-	12,809
Preferred/convertible	7,600	-	1,164	-	8,764
Other fixed income	-	185	-	-	185
US government	389,978	65,981	-	-	455,959
Marketable alternatives	-	85,954	-	1,933,553	2,019,507
Diversifying assets	-	-	-	50,773	50,773
Real assets	38,228	28,849	18,042	1,490,648	1,575,767
Receivable for investments sold	40,527	-	-	-	40,527
Payable for investments purchased	(13,171)	-	-	-	(13,171)
Other	-	-	22,270	6,540	28,810
Total	$1,936,173	$ 953,770	$ 146,303	$ 7,599,675	$10,635,921
				Equity method	87,461
				Total investments	$10,723,382

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

INVESTMENTS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	Net asset value	**2022** Total
Short-term investments	$ 443,791	$ 3,543	$ -	$ -	$ 447,334
Derivatives	-	(35,534)	-	-	(35,534)
Equity					
Domestic equity	459,915	321,385	209	-	781,509
Foreign equity	374,550	247,019	5,044	354,749	981,362
Hedged equity	-	-	785	-	785
Private equity	-	-	85,874	3,053,705	3,139,579
Fixed income					
Asset backed fixed income	-	10,881	-	-	10,881
Corporate bonds	-	147,441	-	-	147,441
Equity partnership	-	-	-	760,798	760,798
International	-	7,590	1,064	-	8,654
Municipals	24	1,675	-	-	1,699
Mutual funds (non-equity)	8,688	6,645	-	-	15,333
Preferred/convertible	9,089	-	1,137	-	10,226
Other fixed income	-	185	-	-	185
US government	603,847	32,069	-	-	635,916
Marketable alternatives	-	68,204	-	1,752,801	1,821,005
Diversifying assets	-	-	-	41,477	41,477
Real assets	39,999	12,884	18,832	1,568,854	1,640,569
Receivable for investments sold	16,730	-	-	-	16,730
Payable for investments purchased	(10,223)	-	-	-	(10,223)
Other	-	-	24,360	3,889	28,249
Total	$1,946,410	$ 823,987	$ 137,305	$ 7,536,273	$10,443,975
				Equity method	72,741
				Total investments	$10,516,716

Level 1 investments consist of short-term investments, 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 reflect cash settlements after the fiscal year-end and are also categorized as Level 1. The University does not adjust the quoted price for such instruments, even when it holds a significant position and a sale of all its holdings could reasonably impact the quoted price.

Investments classified as Level 2 include short-term investments, domestic and foreign 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 because they trade infrequently or not at all. The inputs into determining 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 real estate, oil and mineral rights, limited partnerships, and equity positions in private companies.

Equity method investments include certain other investments that are accounted for using the equity method. These investments are structured as joint ventures where the University holds a percent ownership.

C. Investments Using Net Asset Value

The net asset value ("NAV") column above represents the University's ownership interest in certain alternative investments. 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 that have financial statements consistent with the measurement principles of an investment company or the attributes of an investment company. The NAV of these investments is determined by the general partner. It is based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the general partner will take 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 the NAV is an appropriate measure of fair value as of June 30.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

The following tables provide additional information about alternative investments measured at NAV as of June 30, 2023, and 2022, respectively:

SUMMARY OF ALTERNATIVE INVESTMENTS MEASURED USING NET ASSET VALUE

2023

Asset class	NAV in funds	Unfunded commitments	Timing to draw commitments	Redemption terms*
Private equity	$ 2,957,298	$ 726,560	1 to 10 years	Unknown - These funds are in private structures, with no ability to be redeemed
Real assets	1,490,648	504,149	1 to 10 years	Unknown - These funds are in private structures, with no ability to be redeemed
Fixed income	809,569	230,601	1 to 10 years	No redemptions available for funds in a private equity structure; balance includes 3% available daily, 9% within 7 to 15 days, 5% monthly with 30-days notice, 10% 1-year redemptions with 90-days notice, less than 1% with rolling 2-year redemptions with 90-days notice, and less than 1% within 5 years
Foreign equity	351,294	None	N.A.	Ranges between thrice-monthly redemption with 2-days notice, to rolling 3-year redemption with 90-days notice
Marketable alternatives	1,933,553	5,941	1 to 10 years	Ranges between quarterly redemption with 30 days notice to annual redemptions with 60-90 days notice
Diversifying assets	50,773	78,488	1 to 10 years	No redemptions available for funds in a private equity structure; balance includes 86% available within 7 days
Other	6,540	None	N.A.	Unknown - These funds are in private structures, with no ability to be redeemed
Total	$ 7,599,675	$ 1,545,739		

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

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

SUMMARY OF ALTERNATIVE INVESTMENTS MEASURED USING NET ASSET VALUE

2022

Asset class	NAV in funds	Unfunded commitments	Timing to draw commitments	Redemption terms*
Private equity	$ 3,053,705	$ 664,150	1 to 10 years	Unknown - These funds are in private structures, with no ability to be redeemed
Real assets	1,568,854	476,866	1 to 10 years	Unknown - These funds are in private structures, with no ability to be redeemed
Fixed income	760,798	127,247	1 to 10 years	No redemptions available for funds in a private equity structure; balance includes 3% available daily, 9% within 7 to 15 days, 5% monthly with 30-days notice, 9% 1-year redemptions with 90-days notice, 1% with rolling 2-year redemptions with 90-days notice, and less than 1% within 5 years
Foreign equity	354,749	None	N.A.	Ranges between thrice-monthly redemption with 2-days notice, to rolling 3-year redemption with 90-days notice
Marketable alternatives	1,752,801	7,567	1 to 10 years	Ranges between quarterly redemption with 30 days notice to annual redemptions with 60-90 days notice
Diversifying assets	41,477	35,000	1 to 10 years	Available within 7 days
Other	3,889	None	N.A.	Unknown - These funds are in private structures, with no ability to be redeemed
Total	$ 7,536,273	$ 1,310,830		

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

D. Level 3 Investments

The tables below present a summary of Level 3 investment activity. All net realized and unrealized gains/(losses) in the tables are reflected in the accompanying consolidated statements of activities. Net unrealized gains/(losses) relate to those financial instruments held by the University on June 30, 2023, and 2022, respectively. During the fiscal year ended June 30, 2023, transfers out of Level 3 and into Level 1 include $2,807 of foreign equity. The transfers were a result of a change in observable inputs used in the pricing methodology. During the fiscal year ended June 30, 2022, transfers out of Level 3 and into Level 1 include $14,759 of foreign equity. Transfers out of Level 2 and into Level 3 include $1,758 of corporate bonds and $1,365 of international fixed income securities. The transfers were a result of a change in observable inputs used in the pricing methodology.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

SUMMARY OF LEVEL 3 INVESTMENT ACTIVITY

	Fair value at June 30, **2022**	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value at June 30, **2023**
Equity							
Domestic equity	$ 209	$ -	$ -	$ -	$ -	$ -	$ 209
Foreign equity	5,044	115	(177)	504	(1,502)	(2,807)	1,177
Hedged equity	785	(250)	110	-	(130)	-	515
Private equity	85,874	-	(2,275)	19,334	(7)	-	102,926
Fixed income							
Corporate bonds	-	-	-	-	-	-	-
International	1,064	(273)	73	350	(1,214)	-	-
Preferred/convertible	1,137	1	(8)	39	(5)	-	1,164
Real assets	18,832	37	(840)	888	(875)	-	18,042
Other	24,360	(985)	(1,582)	4,091	(3,614)	-	22,270
Total level 3 investments	$ 137,305	$ (1,355)	$ (4,699)	$ 25,206	$ (7,347)	$ (2,807)	$ 146,303

SUMMARY OF LEVEL 3 INVESTMENT ACTIVITY

	Fair value at June 30, **2021**	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value at June 30, **2022**
Equity							
Domestic equity	$ 172	$ -	$ 37	$ -	$ -	$ -	$ 209
Foreign equity	2,260	200	3,271	14,849	(777)	(14,759)	5,044
Hedged equity	1,508	(173)	(311)	-	(239)	-	785
Private equity	61,115	932	17,391	8,375	(1,939)	-	85,874
Fixed income							
Corporate bonds	4,005	3,160	(303)	-	(8,620)	1,758	-
International	992	1,272	(1,591)	322	(1,296)	1,365	1,064
Preferred/convertible	1,264	(1)	(126)	-	-	-	1,137
Real assets	17,643	(1,108)	4,188	-	(1,891)	-	18,832
Other	19,682	(101)	(162)	4,946	(5)	-	24,360
Total level 3 investments	$ 108,641	$ 4,181	$ 22,394	$ 28,492	$ (14,767)	$ (11,636)	$ 137,305

Level 3 equities not priced by qualified third parties (e.g., brokers, pricing services) are valued using discounted cash flows, considering various factors including nonperformance risk, counterparty risk, and marketability. Investment value is also derived using a market approach through comparison to recent and relevant market multiples of comparable companies. Start-up assets, held by the University's student-run venture fund or other similar programs, are maintained at or near initial investment amounts due to the nature of the activity.

Level 3 asset-backed fixed-income investments are valued using discounted cash flows. Preferred or convertible fixed-income investments are valued using discounted cash flows or a market approach using a dividend multiplier.

Level 3 real assets represent directly owned real estate and oil or mineral rights. 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 or discounted cash flow, corroborated by local market data, if available. Oil and mineral rights are valued based on industry-standard revenue multiplier methodologies or discounted cash flows.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

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 [a]	Valuation technique(s)	Unobservable inputs	Range (weighted average)[b]
Equity	$ 34,347	Discounted cash flow	Discount rate	4.3% - 7.1% (6.7%)
			Discount for lack of marketability	0%-20% (7.5%)
Fixed income	1,036	Market comparable	Dividend multiple	16.3x - 17.0x (16.5x)
Real assets	4,286	Discounted cash flow	Discount rate	4.6% - 15% (7.7%)
	513	Sales comparison	Recent transactions	
	10,024	Cap rate valuation model	Capitalization rate	5.8%
Other	8,952	Discounted cash flow	Discount rate	4.1% - 5.6% (4.7%)
			Years to maturity	2 - 14 (3.5)
Total	$ 59,158			

(a) Certain Level 3 assets totaling $87,145 as of June 30, 2023, have been valued at cost or using unadjusted third party quotations and thus have been excluded from this table.

(b) Unobservable inputs were weighted by the relative fair value of the instruments

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, using different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

E. Derivative Holdings

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

The following table provides detailed information on the derivatives included in the investment portfolio as of June 30.

FAIR VALUE OF DERIVATIVE HOLDINGS IN STATEMENT OF FINANCIAL POSITION

		2023			2022		
Location	Derivative type	Notional amount	# of Contracts	Fair value	Notional amount	# of Contracts	Fair value
Investments							
	Foreign currency	$ -	29	$ 40	$ -	15	$ 16
	Commodity	189,554	59	(6,408)	320,789	86	(15,338)
	Synthetic	1,016,981	10	16,752	1,203,624	10	(20,212)
Total fair value		$ 1,206,535	98	$ 10,384	$ 1,524,413	111	$ (35,534)

5. LAND, BUILDINGS, AND EQUIPMENT, NET

A. General Information

Land, buildings, and equipment are detailed as follows:

LAND, BUILDINGS, AND EQUIPMENT

	Book value at June 30, **2023**	Book value at June 30, **2022**
Land, buildings, and equipment	$ 7,380,752	$ 7,144,059
Furniture, equipment, books, and collections	1,628,600	1,561,962
Construction in progress	423,321	374,665
Total before accumulated depreciation	$ 9,432,673	$ 9,080,686
Accumulated depreciation	(4,957,671)	(4,688,201)
Net land, buildings, and equipment	$ 4,475,002	$ 4,392,485

Certain properties, for which the University has possession and beneficial use for an indefinite period and which other entities may also record as assets, are included in the consolidated statements of financial position, as follows: (1) land, buildings, and equipment of the contract colleges aggregating $721,830 and $723,002 on June 30, 2023, and 2022, 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 $1,236 and $568 on June 30, 2023, and 2022, respectively.

The future commitments on capital projects in progress, excluding projects funded by New York State, are approximately $414,731 on June 30, 2023.

B. Cornell Tech Campus

In December 2011, in partnership with Technion-Israel Institute of Technology, the University won the Applied Sciences NYC competition to build and operate a new applied sciences and engineering campus in New York City. The city committed, through the New York City Economic Development Corporation ("NYCEDC"), a location and seed funding for the initial construction of the new campus. Under the terms of the agreement with the NYCEDC and the ninety-nine-year ground lease for Roosevelt Island, the University committed to creating the new applied sciences campus in three phases, with milestones in 2017, 2027, and 2037. In addition, the University has enrollment, faculty, and other operational commitments as part of the agreement.

Cornell Tech met its first milestone when faculty, staff, and researchers moved into the first academic building (Bloomberg Center) on Roosevelt Island during the summer of 2017. Students, faculty, and researchers moved into The House at Cornell Tech in advance of the fall semester. In addition, programs and operations in the Bloomberg Center and The Tata Innovation Center began during the 2017-2018 academic year, rounding out the University's operational commitments for the first phase. The Tata Innovation Center, originally under a finance lease, was purchased May 5, 2022.

6. 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 obligations are 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 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 determined using present value calculations 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 following tables summarize the fair values and activity of funds held in trust by others and obligations under split interest agreements.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

SPLIT-INTEREST AGREEMENTS AT FAIR VALUE AND LEVEL 3 QUANTITATIVE INFORMATION

	2023 Total	Valuation methodologies	Unobservable inputs	Range (weighted average)
Funds held in trust by others				
Remainder	$ 89,455	Present value calculation	Discount rate	5.00%
			Years to maturity	0-50 (10)
Lead and perpetual	66,099	Discounted cash flow	Discount rate	5.01%
Total funds held in trust by others	$ 155,554			
Obligations under split-interest agreements	$ 136,138	Discounted cash flow	Discount rate	5.78%
			Years to maturity	0-61 (16)

	2022 Total	Valuation methodologies	Unobservable inputs	Range (weighted average)
Funds held in trust by others				
Remainder	$ 45,642	Present value calculation	Discount rate	4.69%
			Years to maturity	0-51 (12)
Lead and perpetual	66,302	Discounted cash flow	Discount rate	4.96%
Total funds held in trust by others	$ 111,944			
Obligations under split-interest agreements	$ 138,454	Discounted cash flow	Discount rate	4.83%
			Years to maturity	0-62 (15)

SUMMARY OF LEVEL 3 SPLIT-INTEREST AGREEMENT ACTIVITY

	Fair value at June 30, **2022**	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value at June 30, **2023**
Funds held in trust by others							
Remainder	$ 45,642	$ 1,592	$ (1,950)	$ 45,121	$ (950)	$ -	$ 89,455
Lead and perpetual	66,302	(88)	(115)	-	-	-	66,099
Total funds held in trust by others	$ 111,944	$ 1,504	$ (2,065)	$ 45,121	$ (950)	$ -	$ 155,554
Obligations under split-interest agreements	$ 138,454	$ -	$ (2,316)	$ -	$ -	$ -	$ 136,138

	Fair value at June 30, **2021**	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value at June 30, **2022**
Funds held in trust by others							
Remainder	$ 64,365	$ 1,659	$ (18,766)	$ 950	$ (2,566)	$ -	$ 45,642
Lead and perpetual	88,386	(143)	(21,941)	-	-	-	66,302
Total funds held in trust by others	$ 152,751	$ 1,516	$ (40,707)	$ 950	$ (2,566)	$ -	$ 111,944
Obligations under split-interest agreements	$ 137,099	$ -	$ 1,355	$ -	$ -	$ -	$ 138,454

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

7. DEFERRED BENEFITS

A. General Information

Accrued employee benefit obligations as of June 30 include the following:

SUMMARY OF DEFERRED BENEFITS

	2023	2022
Postemployment benefits	$ 31,683	$ 37,349
Pension and other postretirement benefits	307,386	319,745
Other deferred benefits	224,761	220,123
Total deferred benefits	$ 563,830	$ 577,217

Accrued postemployment benefits include workers' compensation and medical continuation benefits for those on long-term disability. Other deferred benefits include primarily vacation accruals, deferred compensation, and medical benefit claims incurred-but-not-reported ("IBNR"). Additionally, the University 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 retirement plan coverage is provided by two basic types of plans: one based on a predetermined level of funding (defined contribution), and the other based on a years-of-service calculation to determine the level of benefit to be provided (defined benefit).

The defined contribution plans for endowed colleges and exempt employees (those not subject to the overtime provisions of the Fair Labor Standards Act) at WCM are funded either by employer contributions based on a percentage of salary or by voluntary employee contributions. The contributions to the defined contribution plans are held on investment platforms with record keeping services performed by the Teachers Insurance and Annuity Association and Fidelity Investments (endowed colleges only). Total contributions of the endowed colleges and WCM plans for the fiscal years ended June 30, 2023, and 2022 amounted to $143,015 and $135,791, respectively.

WCM maintains the University's only defined benefit pension plan. The participants include non-exempt employees at WCM who meet the eligibility requirements for participation. The plan was frozen in 1976 for exempt employees at WCM, and the accrued benefits were merged with the active non-exempt retirement plan in 1989. In accordance with the funding requirements applicable to defined benefit plans under the Employee Retirement Income Security Act of 1974 ("ERISA"), the University must contribute to the plan's trust an actuarially determined amount that represents current year benefits plus an amount to fund any shortfall in trust assets needed to satisfy plan benefit obligations.

Additionally, the University provides health and life insurance benefits for eligible retired employees and their dependents, based on the attainment of a set of defined service and age requirements. The cost of providing these benefits is accrued during the service lives of employees.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

C. Obligations and Funded Status

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

SUMMARY OF OBLIGATIONS AND FUNDED STATUS

	Pension benefits		Other postretirement	
	2023	**2022**	**2023**	**2022**
Change in plan assets				
Fair value of plan assets at beginning of year	$ 156,990	$ 179,602	$ 369,042	$ 422,131
Actual return on plan assets	13,731	(19,105)	39,873	(53,089)
Employer contribution	6,500	6,500	33,837	31,182
Benefits paid	(8,599)	(10,007)	(33,837)	(31,182)
Fair value of plan assets at end of year	$ 168,622	$ 156,990	$ 408,915	$ 369,042
Change in benefit obligation				
Benefit obligation at beginning of year	$ 208,790	$ 273,264	$ 636,987	$ 754,364
Service cost (benefits earned during the period)	12,966	19,250	23,943	32,786
Interest cost	11,138	9,933	32,581	24,676
Actuarial (gain)/loss	(16,759)	(83,650)	12,811	(148,009)
Benefits paid net of participant contributions	(8,599)	(10,007)	(29,816)	(27,781)
Less: federal subsidy on benefits paid	-	-	881	951
Projected benefit obligation at end of year	$ 207,536	$ 208,790	$ 677,387	$ 636,987
Funded status	$ (38,914)	$ (51,800)	$ (268,472)	$ (267,945)
Amounts recognized in the consolidated statements of financial position	$ (38,914)	$ (51,800)	$ (268,472)	$ (267,945)
Amounts recorded in net assets without donor restrictions not yet amortized as components of net periodic benefit cost				
Prior service cost	$ -	$ -	$ (19,248)	$ (31,875)
Net actuarial (gain)/loss	(29,449)	(10,338)	14,861	14,983
Amount recognized as reduction in net assets without donor restrictions	$ (29,449)	$ (10,338)	$ (4,387)	$ (16,892)
Amounts recorded in non-operating pension and postretirement changes				
Change in amounts not yet amortized as components of net periodic benefit cost	$ 19,111	$ 53,550	$ (12,505)	$ 53,033
Other components of net periodic benefit cost	241	1,062	6,986	17,210
Total non-operating pension and postretirement changes	$ 19,352	$ 54,612	$ (5,519)	$ 70,243

The accumulated benefit obligation for the pension plans was $184,302 and $184,611 on June 30, 2023, and 2022, 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.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

During the fiscal year ended June 30, 2023, the actuarial gain for the pension plan was primarily driven by the increase in the discount rate. The actuarial loss for the postretirement plan was primarily driven by updated trend rates and claims data which was partially offset by other gains due to the increase in the discount rate.

During the fiscal year ended June 30, 2022, the decrease in the benefit obligation for the pension and postretirement plans was primarily driven by an actuarial gain due to increase in the discount rates and partially offset by other actuarial losses mainly due to updated census and claims data and updates to mortality tables.

D. Net Periodic Benefit Cost

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

NET PERIODIC BENEFIT COST

	Pension benefits		Other postretirement	
	2023	**2022**	**2023**	**2022**
Service cost (benefits earned during the period)	$ 12,966	$ 19,250	$ 23,943	$ 32,786
Interest cost	11,138	9,933	32,581	24,676
Expected return on plan assets	(11,379)	(13,099)	(26,940)	(30,815)
Amortization of prior service cost	-	(49)	(12,627)	(12,627)
Amortization of net (gain)/loss	-	2,153	-	1,556
Net periodic benefit cost	$ 12,725	$ 18,188	$ 16,957	$ 15,576

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

E. Actuarial Assumptions

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

SUMMARY OF ACTUARIAL ASSUMPTIONS

	Pension benefits		Other postretirement	
	2023	**2022**	**2023**	**2022**
Used to calculate benefit obligations at June 30				
Discount rate	5.61%	5.13%	5.52% / 5.46%	5.04% / 4.92%
Rate of compensation increase	3.00%	3.00%	n/a	n/a
Used to calculate net periodic cost at July 1				
Discount rate	5.13%	3.39%	5.04% / 4.92%	3.21% / 2.89%
Expected return on plan assets	7.30%	7.30%	7.30%	7.30%
Rate of compensation increase	3.00%	3.00%	n/a	n/a
Assumed health care cost trend rates				
Health care cost trend rate assumed for next year	n/a	n/a	6.50%	4.50% / 6.50%
Ultimate trend rate	n/a	n/a	4.50%	4.50%
Years to reach ultimate trend rate	n/a	n/a	6	7

F. Plan Assets

The University's Retirement Plan Oversight Committee ("RPOC") is chaired by the Vice President and Chief Human Resources Officer, with committee members selected from across multiple disciplines at the University. Its primary purpose is to assist the University in fulfilling its fiduciary responsibilities by providing guidance and oversight for the University's retirement plans, including oversight of the custodial bank. The RPOC, in accordance with an Investment Policy Statement and in conjunction with its outside consultant, regularly reviews the investment strategies, along with evolving institutional objectives, and will make recommendations regarding possible changes to asset allocation and investment managers accordingly.

The University's overall investment objectives for pension and postretirement healthcare 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 a custodial bank as trustee and an investment manager for WCM's defined benefit pension plan as well as the postretirement medical benefit plan for the University's endowed employees on the Ithaca campus. Under those trust agreements, the custodial bank implements investment allocations through various investment funds to carry out the investment objectives established by the RPOC.

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, 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 custodial bank. The factors impacting the expected rates of return for various asset types include assumptions about inflation, historically based real returns, anticipated value added by investment managers, and expected average asset allocations.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

The fair values 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 roll-forward for Level 3 assets are disclosed in the tables below.

SUMMARY OF PLAN ASSETS

	Target allocation	Pension benefits 2023	Pension benefits 2022	Other postretirement 2023	Other postretirement 2022
Percentage of plan assets					
Equity securities	39-85%	59%	61%	62%	72%
Fixed income securities	15-55%	34%	30%	38%	28%
Real estate	0-10%	7%	9%	0%	0%
Total		100%	100%	100%	100%

PENSION PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	**2023** Total
Cash and cash equivalents				
Money market	$ 503	$ -	$ -	$ 503
Equity securities				
U.S. small cap	-	5,645	-	5,645
U.S. large cap	-	33,658	-	33,658
U.S. multi cap	-	6,108	-	6,108
U.S. REITS	-	3,878	-	3,878
Emerging markets	-	10,065	-	10,065
International equity	-	40,801	-	40,801
Fixed income securities				
U.S. high yield bonds	-	6,591	-	6,591
Corporate bonds	-	46,185	-	46,185
International fixed income	-	3,382	-	3,382
Other types of investments				
Real estate	-	-	11,804	11,804
Receivable for investments sold	2	-	-	2
Total assets	$ 505	$ 156,313	$ 11,804	$ 168,622

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

PENSION PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	**2022** Total
Cash and cash equivalents				
Money market	$ 144	$ -	$ -	$ 144
Equity securities				
U.S. small cap	-	5,509	-	5,509
U.S. large cap	-	42,845	-	42,845
U.S. multi cap	-	4,996	-	4,996
U.S. REITS	-	3,935	-	3,935
Emerging markets	-	9,483	-	9,483
International equity	-	28,344	-	28,344
Fixed income securities				
U.S. high yield bonds	-	6,270	-	6,270
Corporate bonds	-	38,305	-	38,305
International fixed income	-	3,067	-	3,067
Other types of investments				
Real estate	-	-	14,092	14,092
Receivable for investments sold	-	-	-	-
Total assets	$ 144	$ 142,754	$ 14,092	$ 156,990

SUMMARY OF LEVEL 3 PENSION PLAN ACTIVITY

	Fair value, June 30, 2022	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value, June 30, 2023
Real estate	$ 14,092	$ 383	$ (1,787)	$ -	$(884)	$ -	$ 11,804
Total Level 3 assets	$ 14,092	$ 383	$ (1,787)	$ -	$(884)	$ -	$ 11,804

SUMMARY OF LEVEL 3 PENSION PLAN ACTIVITY

	Fair value, June 30, 2021	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value, June 30, 2022
Real estate	$ 7,351	$ -	$ 3,241	$ 3,500	$ -	$ -	$ 14,092
Total Level 3 assets	$ 7,351	$ -	$ 3,241	$ 3,500	$ -	$ -	$ 14,092

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

POSTRETIREMENT PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	**2023** Total
Cash and cash equivalents				
Money market	$ 12,004	$ -	$ -	$ 12,004
Equity securities				
U.S. small cap	-	39,203	-	39,203
U.S. large cap	-	137,348	-	137,348
U.S. multi cap	-	14,287	-	14,287
Emerging markets	-	18,017	-	18,017
International equity	-	45,273	-	45,273
U.S. REITS	-	-	-	-
Fixed income securities				
U.S. high yield bonds	-	53,101	-	53,101
Corporate bonds	-	74,293	-	74,293
Emerging markets debt	-	15,389	-	15,389
Receivable for investments sold	-	-	-	-
Payable for investments purchased	-	-	-	-
Total assets	$ 12,004	$ 396,911	$ -	$ 408,915

POSTRETIREMENT PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	**2022** Total
Cash and cash equivalents				
Money market	$ 63,529	$ -	$ -	$ 63,529
Equity securities				
U.S. small cap	-	2,957	-	2,957
U.S. large cap	-	157,550	-	157,550
U.S. multi cap	-	-	-	-
Emerging markets	-	(4,220)	-	(4,220)
International equity	-	108,902	-	108,902
U.S. REITS	-	5	-	5
Fixed income securities				
U.S. high yield bonds	-	530	-	530
Corporate bonds	-	39,953	-	39,953
Emerging markets debt	-	-	-	-
Receivable for investments sold	5,364	-	-	5,364
Payable for investments purchased	(5,528)	-	-	(5,528)
Total assets	$ 63,365	$ 305,677	$ -	$ 369,042

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

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

		Other postretirement	
	Pension benefits	Employer paid	Government subsidy
University contributions			
2024	$ 6,500	$ 30,688	n/a
Future benefit payments			
2024	8,657	32,214	1,526
2025	9,753	34,483	1,649
2026	10,190	36,649	1,788
2027	10,752	38,990	1,933
2028	11,005	41,207	2,084
2029-2033	68,232	242,452	12,493

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 fringe benefit costs are paid directly by the state. The amount of the direct payments applicable to the University as revenue and expenditures is not currently determinable and is not included in the consolidated financial statements. The University reimburses the state for fringe benefit costs on certain salaries, principally those associated with externally sponsored programs. The amounts reimbursed to the state during the fiscal years ended June 30, 2023, and 2022 were $20,121 and $18,072, respectively, and are included in operating expenses.

8. RELATED PARTIES AND FUNDS HELD FOR OTHERS

Transactions between the University and any of its trustees, officers or employees are subject to the University’s conflict of interest policies, which require disclosure of conflicting interests and abstention by the conflicted persons from associated University decision making. The University assesses related party transactions, including those with external organizations.

The University, in limited instances, invests funds on behalf of related parties. Independent trustees are responsible for the designation of income distribution. The value of the funds held for others included in investments in the consolidated statements of financial position was $278,236 and $275,089 for the fiscal years ended June 30, 2023, and 2022, respectively. The University recognizes an offsetting liability for funds held for others, with one adjustment described below.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

The New York Hospital-Cornell Medical Center Fund, Inc. ("Center Fund"), which benefits WCM and the New York-Presbyterian Hospital, is the major external organization invested in the University's long-term investment portfolio with assets of $236,792 and $236,754 for the fiscal years ended June 30, 2023, and 2022, respectively. WCM holds a significant beneficial interest in the assets of the Center Fund of $155,880 and $156,107, for the fiscal years ended June 30, 2023, and 2022, respectively. The liability related to New York-Presbyterian's interest is $80,912 and $80,647 for the fiscal years ended June 30, 2023, and 2022, respectively.

9. BONDS AND NOTES PAYABLE

A. General Information

Bonds and notes payable are reported at carrying value, which is the par amount net of unamortized issuance costs, premiums, and discounts. Bonds and notes payable as of June 30 are summarized as follows:

SUMMARY OF BONDS AND NOTES PAYABLE

	2023	2022	Interest rates (%)	Final maturity (fiscal year)
Dormitory Authority of the State of New York (DASNY)				
Revenue Bond Series				
2000A-variable rate/monthly	$ 21,160	$ 24,225	1.94 to 4.79	2029
2000B-variable rate/monthly	31,585	35,405	1.94 to 4.79	2030
2004A&B-variable rate/weekly	45,875	49,550	0.54 to 4.36	2033
2016A-fixed rate	90,430	96,225	4.00 to 5.00	2035
2019A-fixed rate	75,520	86,095	5.00	2029
2019B-variable rate/daily	92,210	92,210	0.31 to 4.20	2039
2019C-variable rate/monthly	79,370	79,370	1.90 to 4.72	2034
2019D-fixed rate	109,880	115,790	5.00	2036
2020A-fixed rate	233,000	233,000	4.00 to 5.00	2050
2020A2-fixed rate	77,840	77,840	5.00	2031
Empire State Development	750	875	-	2029
2018A-fixed rate	150,000	150,000	3.85	2049
2007A Taxable commercial paper	74,200	79,200	2.05 to 5.45	-
2020B-variable rate/monthly	138,000	138,000	2.39 to 5.94	2030
2020C-variable rate/monthly	23,000	23,000	2.39 to 5.94	2031
2020D-variable rate/monthly	107,653	110,965	2.34 to 5.96	2032
2020E-fixed rate	75,000	75,000	2.85	2053
2022A-fixed rate	345,000	345,000	3.41	2042
Hudson Cornell Residential JV LLC	97,550	97,550	3.29 to 6.76	2024
Other	5,280	6,855	2.75 to 8.00	2053
Outstanding bonds and notes payable	$ 1,873,303	$ 1,916,155		
Unamortized premium and issuance costs	105,458	120,515		
Total bonds and notes payable	$ 1,978,761	$ 2,036,670		

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

Debt and related debt service for 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.

In fiscal year 2023, the University amended Series 2000A, 2000B, Series 2019C, Series 2020B, Series 2020C, and Series 2020D taxable loans with various private lenders to make changes in interest rates that benefited the University. The University also removed the revenue pledge on the DASNY tax-exempt commercial paper program.

In fiscal year 2022, the University issued a $345 million taxable fixed-rate 20-year loan for general corporate purposes, to fund capital projects and to redeem debt. In addition, the University redeemed $22 million of Tompkins County Industrial Development Agency (TCIDA) Series 2002A bonds, $75 million of taxable commercial paper, and $39 million of Series 2020D term loan. The University also amended its Series 2020B, Series 2020C, Series 2020D and Series 2020E taxable loans with various private lenders to make changes in interest rates, terms, and/or maturity dates of the loans that benefited the University.

The University maintains tax-exempt and taxable commercial paper programs. Tax-exempt commercial paper is used to finance qualified capital projects and equipment purchases. Taxable commercial paper is also used for these purposes and can also finance short-term working capital needs. During the fiscal year ended June 30, 2023, the maximum authorized amount for the taxable commercial paper program is $300 million. The maximum authorized amount for the tax-exempt commercial paper program is $200 million. On June 30, 2023, and 2022, the University had no outstanding balance on the tax-exempt commercial paper.

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

ANNUAL DEBT SERVICE REQUIREMENTS

Year	Principal	Interest	Total
2024	$ 140,857	$ 70,587	$ 211,444
2025	45,061	57,649	102,710
2026	97,660	51,832	149,492
2027	48,356	49,823	98,179
2028	50,363	46,377	96,740
Thereafter	1,491,006	480,965	1,971,971
Total	$ 1,873,303	$ 757,233	$ 2,630,536

The University estimates future interest payments on variable-rate debt based on the Securities Industry and Financial Markets Association (SIFMA) rate for tax-exempt debt and the Secured Overnight Financing Rate (SOFR) rate for taxable debt.

B. Interest-Rate Swaps

The University's Board of Trustees approved the use of interest-rate swaps to mitigate interest-rate risk in the debt portfolio. Interest-rate swaps are derivative instruments; however, their use by the University is not considered hedging activity, based on definitions in generally accepted accounting principles.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

Using interest-rate swap agreements, the University is exposed to the risk that counterparties will fail to meet their contractual obligations. The University limits swap exposure for each counterparty to mitigate counterparty risk. 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. On June 30, 2023, and 2022, the University did not have collateral on deposit with any counterparty.

The University's interest-rate swaps are reported at fair value and classified as Level 2 in the fair-value hierarchy. The University's interest-rate swaps are valued as of June 30 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 estimates about relevant future market conditions and the University's creditworthiness.

On June 30, 2023, the University had five interest-rate swap agreements to exchange variable-rate cash flows for fixed-rate cash flows without exchanging the underlying principal amount. Net payments or receipts of the swap agreements are recorded as adjustments to the swap interest and change in value of interest-rate swaps line in the consolidated statements of activities. In all agreements in effect on June 30, 2023, the counterparty pays a variable interest rate equal to a percentage of the one-month LIBOR. In March 2023, the University adhered to the International Swaps and Derivatives Association, Inc (ISDA) 2020 Interbank Offered Rates (IBOR) fallbacks protocol which will change the swap basis index to SOFR beginning July 1, 2023.

The following table provides detailed information on the interest-rate swaps on June 30, 2023, and June 30, 2022.

FAIR VALUE OF INTEREST-RATE SWAPS IN STATEMENT OF FINANCIAL POSITION

Location	Notional amount	Interest rate	Termination date	Basis	**2023** Level 2 fair value	**2022** Level 2 fair value
Swap interest and change in value of interest-rate swaps						
	$ 21,965	4.52	July 1, 2030	SOFR	$ (1,262)	$ (2,538)
	74,011	3.92	July 1, 2038	SOFR	(6,727)	(11,460)
	275,000	3.88	July 1, 2040	SOFR	(46,362)	(68,278)
	165,060	3.48	July 1, 2041	SOFR	(12,360)	(22,558)
	171,254	3.77	July 1, 2044	SOFR	(19,473)	(31,331)
Total fair value					$ (86,184)	$ (136,165)

C. Variable Rate Debt Subject to Remarketing or Tender

At June 30, 2023, the University had $212 million of variable rate demand bonds and commercial paper notes outstanding. DASNY Series 2004A&B are variable rate demand bonds remarketed on a weekly basis, DASNY Series 2019B bonds are variable rate demand bonds remarketed daily and the tax-exempt and taxable commercial paper notes are sold with maturities of 270 days or less. The variable rate demand bondholders have the option to tender their bonds on a remarketing date. Commercial paper noteholders are not required to repurchase the notes as they mature. For the variable rate demand bonds, the University has a standby bond purchase agreement for Series 2019B, expiring April 2024, and a standby purchase agreement for Series 2004 bonds, expiring January 2025. If the bonds cannot be remarketed, the standby purchase agreements will purchase the bonds. If the bonds cannot be remarketed for a length of time and the University does not redeem or refinance the bonds in a different interest rate mode, the University will have a current obligation to purchase the bonds tendered. If maturing taxable commercial paper notes are not resold, the University maintains sufficient liquidity to provide for the full and timely purchase of any notes.

D. Lines of Credit

The University maintains four lines of credit totaling $450 million: $25 million expiring January 2024, $125 million expiring February 2024, $200 million expiring May 2024 and $100 million expiring July 2025. The lines are used to support University liquidity. The University records the short-term working capital lines of credit activity and outstanding balances as Deferred Revenue and Other Liabilities and the long-term line of credit activity in Bonds and Notes Payable in the consolidated statements of financial position. As of June 30, 2023, and 2022 the University had no outstanding balances.

10. LEASES

A. Nature of Leases

The University has entered into the following lease arrangements:

Finance Leases

These leases mainly consist of various equipment leases and, a building lease for the Breazzano Family Center for Business Education at Ithaca. Termination of the leases generally is prohibited unless there is a violation under the lease agreement.

Operating Leases

The University has various real estate leases for office and instructional space, housing, land and storage space that expire in various years through 2069. These leases generally contain renewal options for periods ranging from two to ten years and require the University to pay all executory costs (i.e., property taxes, maintenance, and insurance). Some leases have an escalating fee schedule, which ranges up to a 5 percent increase each year. A portion of the leased space is subleased under leases expiring over the next 14 years.

The University entered into two new 30 year lease agreements for clinical and research space in New York City on behalf of WCM. One lease was signed in May 2023 with contingencies that were satisfied as of September 27, 2023. The second lease was signed on September 20, 2023. The right-of-use assets and lease liabilities approximating $100 million per lease will be recorded in fiscal year 2024 at the time the leased premises are turned over to WCM. In conjunction with the commencement of the new leases, approximately $35 million of existing leases will be terminated in fiscal year 2024. Additionally, approximately $125 million is expected to be recorded as a right-of-use asset and lease liability during fiscal year 2028 when additional research space is made available for use.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

Short-Term Leases

The University has certain leases for a period of 12 months or less or that contain renewals for periods of 12 months or less. The University does not include short-term leases within the consolidated statements of financial position because it has elected the practical expedient to exclude these leases from operating right-of-use asset and lease liabilities.

B. Quantitative Disclosures

The lease cost and other required information as of June 30, are as follows:

QUANTITATIVE DISCLOSURES

	2023	2022
Lease cost		
Finance lease cost		
Amortization of right-of-use asset	$ 3,373	$ 3,203
Interest on lease liabilities	2,178	2,092
Operating lease cost	73,612	73,711
Short-term lease cost	1,642	1,054
Variable lease cost	58	95
Sublease income	(248)	(335)
Total lease cost	$ 80,615	$ 79,820

	2023	2022
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	$ 2,178	$ 2,092
Financing cash flows from finance leases	3,093	3,214
Operating cash flows from operating leases	70,412	69,874
Right-of-use assets obtained in exchange for new finance lease liabilities	958	1,646
Right-of-use assets obtained in exchange for new operating lease liabilities	35,308	25,704
Weighted-average remaining lease term		
Finance leases	23.5 years	24.0 years
Operating leases	12.7 years	13.4 years
Weighted-average discount rate		
Finance leases	3.7%	3.6%
Operating leases	3.5%	3.3%

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

C. Future Minimum Lease Payments

Future minimum lease payments and reconciliation to the consolidated statements of financial position on June 30, 2023, are as follows:

ANNUAL MINIMUM LEASE PAYMENTS

	Finance	Operating
2024	$ 4,570	$ 65,757
2025	4,111	57,752
2026	3,570	49,667
2027	3,403	47,635
2028	3,187	41,710
Thereafter	63,270	245,841
Total minimum lease payments	$ 82,111	$ 508,362
Less: Amount representing interest	(28,078)	(100,711)
Present value of net minimum lease payments	$ 54,033	$ 407,651

11. FUNCTIONAL EXPENSES AND STUDENT AID

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

FUNCTIONAL EXPENSES

	Instruction, student services and academic support	Research	Public service	Healthcare services	Institutional support	Enterprises and subsidiaries	**2023** Total
Compensation and benefits	$ 1,234,426	$ 439,293	$ 99,789	$ 1,206,410	$ 475,750	$ 134,008	$ 3,589,676
Other operating expenses	447,791	265,777	41,939	271,639	127,117	133,883	1,288,146
Maintenance and facilities costs	20,972	12,959	8,758	49,831	32,356	33,303	158,179
Interest expense	26,174	5,145	358	607	19,732	14,178	66,194
Depreciation expense	149,474	55,391	5,671	15,641	24,023	58,638	308,838
Total operating expenses	$ 1,878,837	$ 778,565	$ 156,515	$ 1,544,128	$ 678,978	$ 374,010	$ 5,411,033
Net periodic benefit cost	(2,151)	(266)	(30)	(3,542)	(1,013)	(225)	(7,227)
Non-operating foundation distributions	-	-	-	-	-	14,182	14,182
Non-capitalized plant expenses	2,754	498	63	-	730	1,692	5,737
Total	$ 1,879,440	$ 778,797	$ 156,548	$ 1,540,586	$ 678,695	$ 389,659	$ 5,423,725

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

FUNCTIONAL EXPENSES

	Instruction, student services and academic support	Research	Public service	Healthcare services	Institutional support	Enterprises and subsidiaries	**2022** Total
Compensation and benefits	$ 1,135,754	$ 409,017	$ 92,108	$ 1,113,300	$ 443,977	$ 117,806	$ 3,311,962
Other operating expenses	396,324	236,593	39,121	277,275	110,632	121,484	1,181,429
Maintenance and facilities costs	24,677	14,847	8,494	48,539	28,651	30,794	156,002
Interest expense	16,661	3,958	199	573	7,168	5,737	34,296
Depreciation expense	149,210	56,994	5,643	14,759	23,571	53,257	303,434
Total operating expenses	$ 1,722,626	$ 721,409	$ 145,565	$ 1,454,446	$ 613,999	$ 329,078	$ 4,987,123
Net periodic benefit cost	(8,292)	(1,484)	(163)	(4,605)	(2,860)	(868)	(18,272)
Non-operating foundation distributions	-	-	-	-	-	9,382	9,382
Non-capitalized plant expenses	4,259	1,268	422	-	862	1,527	8,338
Total	$ 1,718,593	$ 721,193	$ 145,824	$ 1,449,841	$ 612,001	$ 339,119	$ 4,986,571

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 $211,749 and $195,676 for the fiscal years ended June 30, 2023, and 2022, 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 $71,369 and $70,717 for the fiscal years ended June 30, 2023, and 2022, respectively.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

12. NET ASSETS

A. General Information

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

SUMMARY OF NET ASSETS

	Without donor restrictions	With donor restrictions	**2023** Total
Endowment			
True endowment	$ -	$ 7,148,935	$ 7,148,935
Funds functioning as endowment (FFE)	1,698,435	475,272	2,173,707
Total true endowment and FFE	$ 1,698,435	$ 7,624,207	$ 9,322,642
Perpetual beneficial interests	-	230,637	230,637
Total University endowment	$ 1,698,435	$ 7,854,844	$ 9,553,279
Other net assets			
Operations	$ 422,400	$ 670,153	$ 1,092,553
Student loans	10,846	60,193	71,039
Facilities and equipment	2,615,370	306,772	2,922,142
Annuity and other split-interest agreements	-	216,756	216,756
Contributions receivable, net	-	747,786	747,786
Long-term accruals	(565,429)	-	(565,429)
Total net assets	$ 4,181,622	$ 9,856,504	$ 14,038,126

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

SUMMARY OF NET ASSETS

	Without donor restrictions	With donor restrictions	**2022** Total
Endowment			
True endowment	$ -	$ 6,999,589	$ 6,999,589
Funds functioning as endowment (FFE)	1,669,735	459,195	2,128,930
Total true endowment and FFE	$ 1,669,735	$ 7,458,784	$ 9,128,519
Perpetual beneficial interests	-	220,728	220,728
Total University endowment	$ 1,669,735	$ 7,679,512	$ 9,349,247
Other net assets			
Operations	$ 518,051	$ 656,066	$ 1,174,117
Student loans	10,541	56,230	66,771
Facilities and equipment	2,538,405	237,540	2,775,945
Annuity and other split-interest agreements	-	171,864	171,864
Contributions receivable, net	-	803,204	803,204
Long-term accruals	(626,796)	-	(626,796)
Total net assets	$ 4,109,936	$ 9,604,416	$ 13,714,352

Net asset balances for operations (without donor restrictions) are affected primarily by operating activities and strategic decisions to invest expendable balances in funds functioning as endowment and capital projects. Long-term accruals represent longer-term liabilities including the unfunded amounts of pension and postretirement benefits, vacation accruals, conditional asset retirement obligations for asbestos remediation, and fair-value adjustment of interest-rate swaps.

The balance of net assets permanently restricted for the fiscal years ended June 30, 2023, and 2022 were $4,906,947 and $4,731,164, respectively, and included in with donor restrictions.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

B. Endowment

The University endowment net assets on June 30 were held in support of the following purposes:

SUMMARY OF ENDOWMENT PURPOSE

	2023	2022
Academic programs and research	$ 2,709,863	$ 2,662,782
Financial aid	2,621,279	2,549,896
General purpose and facilities support	1,921,617	1,882,713
Professorships	1,893,196	1,866,722
CU Foundation	176,687	166,406
Total true endowment and FFE, end of year	$ 9,322,642	$ 9,128,519

Of the endowment assets held at the University, 98 percent were invested in the LTIP at June 30, 2023, and 2022. The LTIP is a mutual-fund-like vehicle used for investing the University's true endowments, funds functioning as endowments, and other funds that are not expected to be expended for at least five 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. Participation in the LTIP using unrestricted funds requires a minimum investment of one hundred thousand dollars and a commitment of at least five years.

On June 30, 2023, 297 of 8,053 true endowment funds invested in the LTIP had a total historic dollar value of $233,853 and a fair value of $223,529, resulting in these endowments being underwater by a total of $10,324. On June 30, 2022, 239 of 7,944 true endowment funds invested in the LTIP had a total historic dollar value of $167,166 and a fair value of $158,004, resulting in these endowments being underwater by a total of $9,162.

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

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

SUMMARY OF ENDOWMENT ACTIVITY

	Without donor restrictions	With donor restrictions	**2023** Total
True endowment and FFE, beginning of year	$1,669,735	$7,458,784	$ 9,128,519
Investment return			
Net investment income	12,528	58,141	70,669
Net realized and unrealized gain/(loss)	43,567	204,551	248,118
Total investment return	$ 56,095	$ 262,692	$ 318,787
New gifts	43,796	198,210	242,006
Amounts appropriated for expenditure/reinvestment	(63,617)	(297,634)	(361,251)
Other changes and reclassifications	(7,574)	2,155	(5,419)
Total true endowment and FFE, end of year	$1,698,435	$7,624,207	$ 9,322,642

SUMMARY OF ENDOWMENT ACTIVITY

	Without donor restrictions	With donor restrictions	**2022** Total
True endowment and FFE, beginning of year	$1,726,967	$7,514,849	$ 9,241,816
Investment return			
Net investment income	6,052	27,130	33,182
Net realized and unrealized gain/(loss)	(21,085)	(107,459)	(128,544)
Total investment return	$ (15,033)	$ (80,329)	$ (95,362)
New gifts	1,586	264,072	265,658
Amounts appropriated for expenditure/reinvestment	(58,628)	(269,225)	(327,853)
Other changes and reclassifications	14,843	29,417	44,260
Total true endowment and FFE, end of year	$1,669,735	$7,458,784	$ 9,128,519

13. SELF-INSURANCE

The University retains some general liability and property risk through self-insured, deductible limits but purchases annual policies from third parties to provide coverage for the majority of those risks. In addition, the University has a self-funded student health plan and has an equity interest in a multi-provider captive insurance company for medical malpractice.

A. Medical Malpractice

The University obtains medical malpractice insurance through MCIC Vermont ("MCIC"). MCIC is a reciprocal risk retention group that provides medical malpractice insurance coverage and risk management services to its subscribers.

MCIC is owned by the University, New York-Presbyterian Hospital, and four other higher education institutions and their respective teaching hospitals. All of WCM's faculty physicians are enrolled in MCIC. The medical malpractice incurred but not reported liability is calculated annually on an actuarial basis.

WCM has recorded medical malpractice liabilities of $212,556 and $172,640 on June 30, 2023, and 2022, respectively, as deferred revenue and other liabilities in the consolidated statements of financial position. In addition, WCM maintains a reinsurance program with MCIC with anticipated recoveries of $159,880 and $119,777, respectively, recorded as accounts receivable (Note 3A).

B. Student Health Plan

The University has established a self-funded student health plan under Section 1124 of the New York State Insurance Law ("NYSIL"). The Student Health Plan ("SHP") provides health insurance coverage to students at the University's Ithaca-based campuses. As of July 1, 2020, with the approval of New York State Department of Financial Services ("NYS DFS"), SHP coverage was expanded to include the students at Weill Cornell Medical. Payment to the health center changed from a capitated amount per member to fee-for-service for claims adjudicated by Aetna Student Health as of August 1, 2021. This amount is included in the medical expenses for the SHP Plan year 2022-23. The table below summarizes of SHP operations occurring during the University's fiscal years ended June 30.

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

SUMMARY OF STUDENT HEALTH PLAN OPERATIONS

	2023		2022		
	July 1 - June 30 (current plan year)	**2023** Fiscal year total	July 1 - July 31 (prior plan year)	August 1 - June 30 (current plan year)	**2022** Fiscal year total
Total revenue	$ 56,269	$ 56,269	$ 3,588	$ 50,695	$ 54,283
Expenses					
Medical and prescription drug expense	49,794	49,794	3,392	40,277	43,669
Health center capitation	-	-	198	-	198
Administrative fees	5,807	5,807	951	5,248	6,199
Total expenses	$ 55,601	$ 55,601	$ 4,541	$ 45,525	$ 50,066
Net income from health plan operations	$ 668	$ 668	$ (953)	$ 5,170	$ 4,217

The University has established reserves with the amounts necessary to satisfy obligations of the plan. Based on an analysis and recommendation of a qualified actuary, and with the approval of NYS DFS, the reserve for IBNR medical claims and claims reported-but-not-paid (“RBNP”) is maintained at an amount not less than 14.5 percent of expected medical claims and 5 percent of expected pharmacy drug claims. In addition, a separate contingency reserve has been established to satisfy unexpected obligations in the event of termination of the plan. The contingency reserve is maintained at an amount not less than 5 percent of the total current plan year premiums. NYS requires that the assets of the contingency reserve consist of certain investments of the types specified in Section 1404 of NYSIL. Prior to April 2022, the contingent reserve funds were invested in the University’s long-term investment pool (LTIP). The contingent reserve funds were withdrawn from the LTIP and the cash value of $3,627 was deposited in a cash and cash equivalents account in April 2022. The cash value of the contingent reserve funds was $3,767 and $3,631 as of June 30, 2023, and 2022 respectively. Premium revenue is billed in advance of the plan year (unearned) and recognized as revenue monthly as coverage is provided. Starting in fiscal year 2021, SHP changed from annual premium billing to semester billing. With semester billing, only six months’ premium was billed in advance rather than the full annual premium. The changes in the unearned premiums and SHP reserves during the fiscal years ended June 30 are presented below.

SUMMARY OF STUDENT HEALTH PLAN UNEARNED PREMIUMS

	2023		2022	
	Unearned premiums		Unearned premiums	
	2021-2022 plan year	2022-2023 plan year	2020-2021 plan year	2021-2022 plan year
Balance as of July 1	$ -	$ -	$ 2,458	$ -
Balance as of June 30	-	249	-	-
Net change	$ -	$ 249	$ (2,458)	$ -

Notes to Consolidated Financial Statements (dollars in thousands) June 30, 2023 and 2022

SUMMARY OF STUDENT HEALTH PLAN RESERVES

	IBNR/RBNP reserve		Contingency reserve	
	2023	**2022**	**2023**	**2022**
Balance as of July 1	$ 4,260	$ 3,531	$ 3,631	$ 3,214
Balance as of June 30	5,437	4,260	3,767	3,631
Net change	$ 1,177	$ 729	$ 136	$ 417

14. CONTINGENT LIABILITIES

The University is a defendant in various legal actions, some for substantial monetary amounts that arise out of the normal course of its operations. Of note, the University and other defendants have been named in multiple lawsuits related to alleged sexual misconduct by a former physician. Although the final outcome of the actions cannot be foreseen as of the date the consolidated financial statements were issued, the University's administration is of the opinion, after taking into account insurance coverage, that eventual liability, if any, will not have a material effect on the University's financial position.

15. SUBSEQUENT EVENTS

Based on the University's evaluation of subsequent events through October 20, 2023, the date on which the consolidated financial statements were issued, there were no other events with material impact on the University's consolidated financial statements.