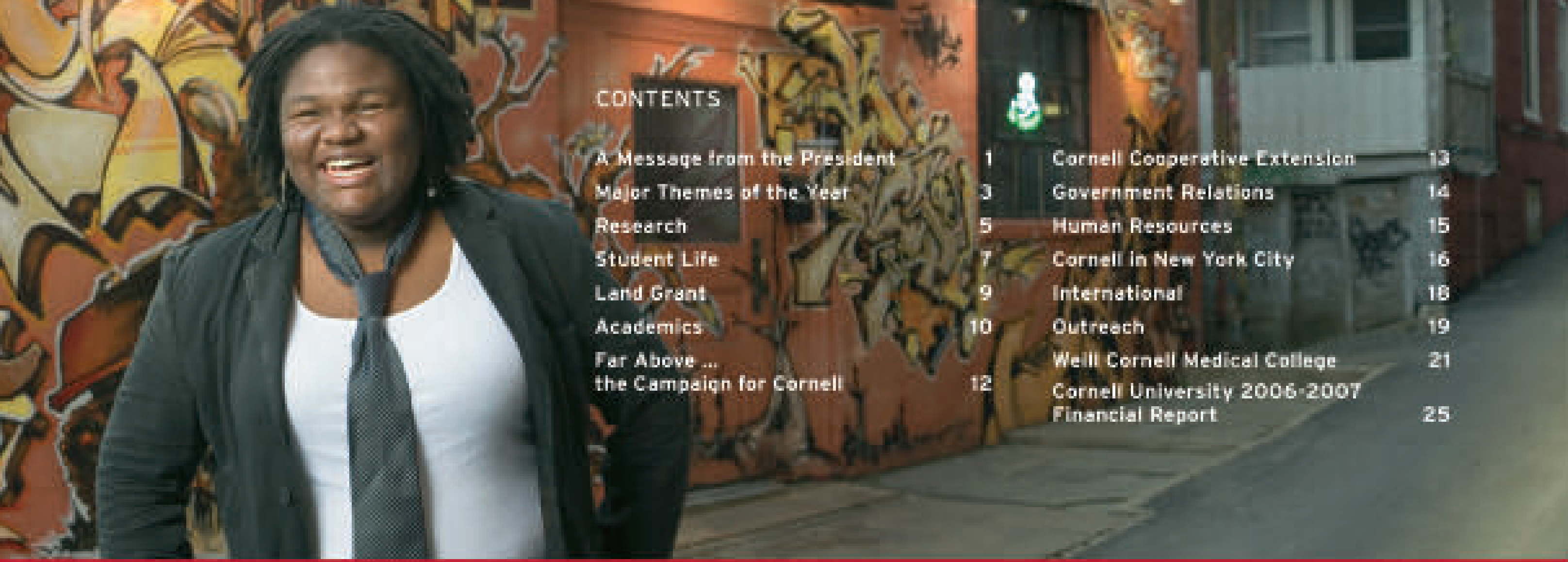
The Cornell University Report 2006-07

Cornell University



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CORNELL UNIVERSITY HIGHLIGHTS

	2006-07	2005-06	2004-05
Fall enrollment (excluding in absentia)			
Undergraduate	13,562	13,515	13,625
Graduate	4,727	4,637	4,633
Professional	2,128	2,046	1,978
Total fall enrollment	20,417	20,198	20,236
Degrees granted			
Baccalaureate degrees	3,467	3,534	3,474
Masters degrees	1,713	1,596	1,552
Ph.D. degrees	526	512*	493
Other doctoral degrees (J.D., M.D., D.V.M.)	362	379	377
Total degrees granted	6,068	6,024	5,896
Tuition rates			
Endowed Ithaca	$32,800	$31,300	$30,000
Contract Colleges			
Resident	$18,060	$17,200	$15,870
Nonresident	$31,700	$30,200	$28,400
Medical Campus	$33,775	$32,320	$31,380
Business	$38,800	$36,350	$34,400
Law	$40,580	$37,750	$35,280
Veterinary medicine	$23,000	$22,000	$20,500
Volumes in library (in thousands)	7,830	7,709	7,587
Academic workforce			
Full-time employees			
Faculty	*2,922*	*2,982*	*2,947*
Nonfaculty	*985*	*1,014*	*1,011*
Part-time employees			
Faculty	*334*	*218*	*221*
Nonfaculty	*204*	*205*	*211*
Total academic workforce	4,445	4,419	4,390
Nonacademic workforce			
Full-time employees	9,232	9,032	8,915
Part-time employees	858	814	768
Total nonacademic workforce	10,090	9,846	9,683
University Endowment			
Market value of total university endowment (in millions)	$5,424.7	$4,385.2	$3,859.6
Unit value of Long-Term Investment Pool	$66.62	$55.42	$50.11
Gifts received, excluding pledges (in millions)	$406.9	$406.7	$361.5
New York State appropriations through SUNY (in millions)	$156.6	$146.1	$135.2
Medical Physicians' Organization fees (in millions)	$438.4	$388.9	$363.0
Sponsored research volume (in millions)			
Direct expenditures	$369.0	$373.6	$360.2
Indirect-cost recovery	$116.0	$119.2	$113.8
Selected land, buildings, and equipment items and related debt (in millions)			
Additions to land, buildings, and equipment	$836.2	$463.4	$422.0
Cost of land, buildings, and equipment	$3,854.3	$3,476.3	$3,158.6
Outstanding bonds, mortgages, and notes payable	$800.1	$702.0**	$620.8**

* Numbers adjusted after publication

** Numbers adjusted due to change in financial statement presentation

A Message from the President

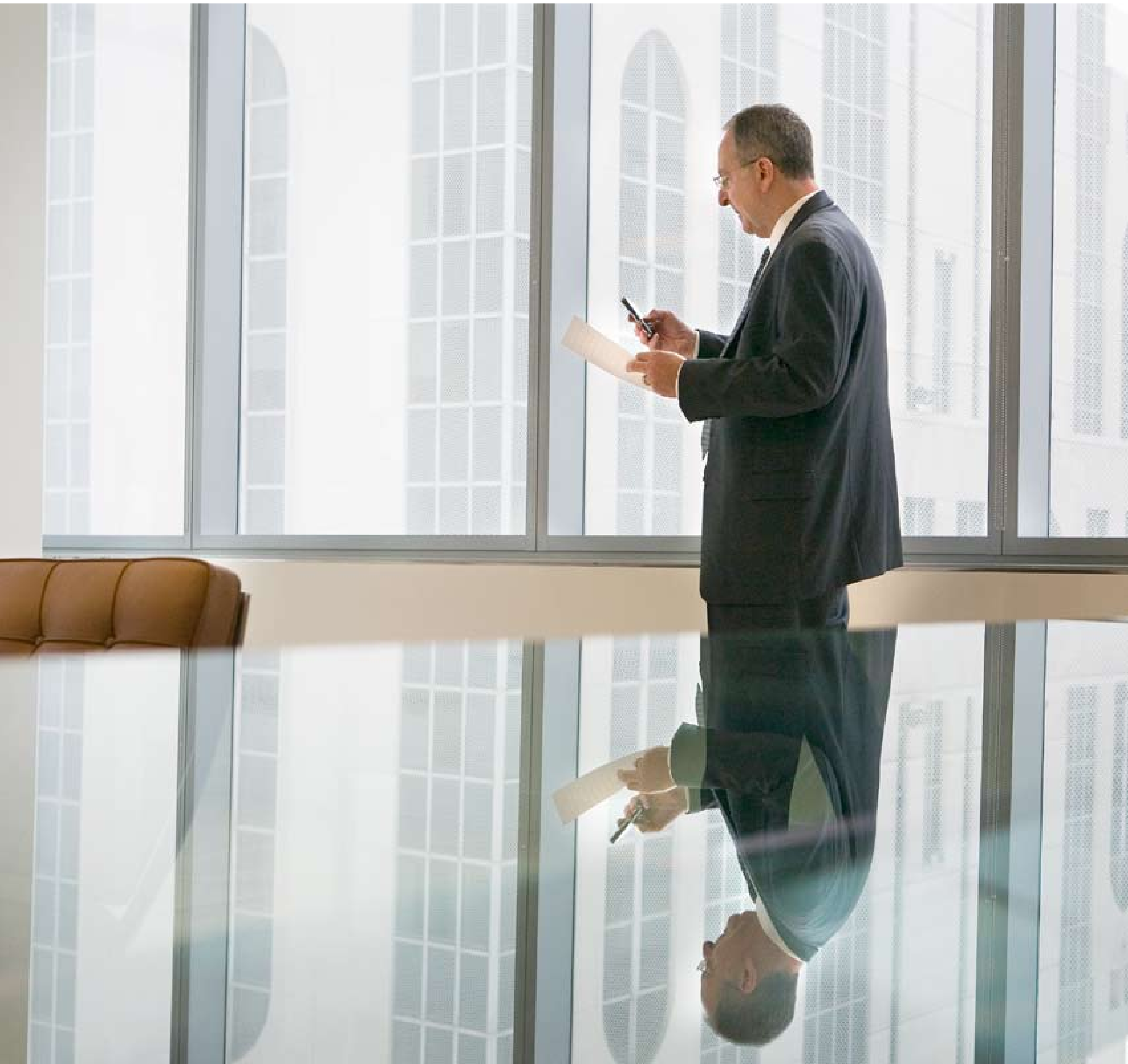
Dear Cornellians and Friends of the University,

The year that ended June 30, 2007, was one of significant achievement for Cornell: a near-record number of Cornell faculty members elected to distinguished national academies; the largest number of applications ever received for places in the first-year class; an impressive number of Rhodes, Marshall, Luce, Goldwater, Udall, and other national and international scholarships earned by our students and recent alumni; national recognitions of our efforts to be an employer of choice; the successful launch of one of the largest university-wide fund-raising campaigns in the history of American higher education; and the best year in fund-raising in the history of Cornell.

This report documents some of the ways in which Cornell has demonstrated national and international leadership this year while also advancing the priorities that will enable it to continue to attract, inspire, and support the world's best faculty, staff, and students over the longer term.

David J. Skorton

David J. Skorton
President
Cornell University



Major Themes of the Year

David J. Skorton inaugurated as Cornell's 12th president • Cornell announces $4 billion capital campaign • India trip strengthens international land grant efforts • Cornell celebrates Ezra's 200th birthday • Economic Impact on New York State report issued • Cornell responds to Virginia Tech tragedy • Sustainability efforts gain momentum • Mars rovers keep on roving

"Dance," urged Cornell's 12th president David J. Skorton in his inaugural address on September 7. "As we glimpse the first, hazy outline of our upcoming sesquicentennial, let us now accept all of the rhythms, music, planning, reconsideration, redrafting, replanning, restarting, and consummation—the dance that is and must be—Cornell."

Speaking before several thousand Cornellians on the Arts Quad, Skorton announced five propositions that outlined his vision for the university: strengthening the undergraduate experience; optimizing the employee environment; consolidating relationships among Cornell's disparate campuses; promoting the arts, humanities, and social sciences; and using Cornell's land grant and outreach missions to better serve global needs.

"We are most actualized as a faculty, staff, and student body when our efforts affect those beyond our boundaries," Skorton said. "Whether the focus is on diversity and the campus climate or on Ithaca, Tompkins County, New York State, the United States, or the global community, Cornell must look ever outward, ever more broadly."

On October 26 the university announced a bold plan to help realize that vision. With the Weill Cornell Medical College in New York City as a stage, Skorton, Provost Biddy Martin, Vice President for Alumni Affairs and Development Charlie Phlegar, Board of Trustees chair Peter Meinig, Weill Cornell Dean Antonio M. Gotto Jr., Weill Cornell Board of Overseers chair Sanford Weill, and New York mayor Michael Bloomberg formally announced Cornell's $4 billion plus capital campaign, $1.3 billion of which will be raised by Weill Cornell. It is the largest philanthropic campaign in Cornell history and among the largest ever attempted by an institution of higher education.

The next day the president presented his inaugural State of the University address in Ithaca. He outlined past accomplishments, new initiatives, and the challenges that need to be met by the campaign as the university approaches its sesquicentennial year. They include recruiting a new generation of faculty and achieving gender equity among their ranks; addressing students' financial needs; supporting humanists in the face of dwindling public funding; improving facilities; and maintaining a leading academic health center. All of these areas need to be addressed "to attract the students and faculty of tomorrow," Skorton said.

Cornell enjoyed statewide exposure in September serving as host to the election season's first gubernatorial debate between Eliot Spitzer and John Faso. Characterized by edged attacks and wry humor, the debate, held in the newly refurbished Bailey Hall, was televised across New York. It was the first New York gubernatorial debate between major party leaders in 24 years. Cornell hosted the debate

LEFT: At the celebration for the launch of Cornell's $4 billion capital campaign Oct. 27 in Barton Hall, giant screens show scenes of students and faculty at work. Frank Robinson, director of the Johnson Museum, called the production a "great work of art all on its own." RIGHT: Graduate student Alessandro Cerruti, left, works with Professor Paul Kintner on the roof of Phillips Hall, maintaining an antenna. They have found that the kinds of large solar flares expected in five years or so could produce massive outages of all GPS receivers on the day side of the Earth.

with the New York State League of Women Voters and Time Warner Cable.

The debate was just one of many events that brought notable speakers to Cornell during the year. Other visitors included Israeli elder statesman Shimon Peres, China's ambassador to the United States Zhou Wenzhong, former senator and presidential candidate George McGovern, NAACP chairman Julian Bond, veteran White House correspondent Helen Thomas, *New York Times* columnist Nicholas Kristof, Nobel laureate and former NIH director Harold Varmus, author and animal scientist Temple Grandin, and Pakistani president Pervez Musharraf, who spoke at Weill Cornell Medical College in New York City.

Seeking to extend Cornell's mission as the world's land-grant university, President Skorton led a Cornell delegation on a 10-day, four-city tour of India in January. He met and consulted with the country's prime minister, Manmohan Singh, and president, A.P.J. Abdul Kalam, as well as with influential leaders in government, industry, and education in New Delhi, Mumbai, Bangalore, and Hyderabad. These included Ratan Tata, B.Arch '62, chairman of Tata Sons Ltd., and N.R. Narayana Murthy, chairman and chief mentor of Infosys Technologies Ltd. Both men are Cornell trustees.

January also saw the kickoff of a series of events organized to celebrate the 200th birthday of Ezra Cornell. They began on the Founder's birthday, January 11, with a "Library Salute to Ezra" in the Carl A. Kroch Library. Other events included an exhibition of historic documents and objects and an academic symposium. The *Cornell Chronicle* launched "The Ezra Files," a weekly column detailing who Ezra Cornell was and how he evolved into a philanthropist dedicated to founding New York's land-grant university. The column features excerpts from letters written to and by Cornell.

In February Cornell's role as an economic engine in New York State was for the first time quantified by the inaugural study "Cornell University Economic Impact on New York State." Commissioned by President Emeritus Hunter Rawlings and endorsed by President Skorton, the study revealed that Cornell generated an estimated $3.3 billion in economic activity and supported more than 33,000 jobs in New York State in 2005. University officials regard the document as one of many that will illustrate Cornell's diverse impacts on the state's economy as they look toward shaping the university's future and how it can best interact with New York's citizens.

"The reality is that Cornell in all probability touches the state and its citizens more comprehensively than any other single university through its research, teaching, and land grant mission," said Stephen T. Golding, executive vice president for finance and administration. "The breadth of ways that Cornell impacts the state is truly amazing and should make all Cornellians very proud."

In April, Cornell, like the rest of the nation, was shaken to its core by the shootings at Virginia Tech. At a Sage Chapel memorial on April 19 President Skorton spoke of the singular spirit that joins all people. "We are one," he said. "We are one community, one people, one planet. We are here today to affirm that oneness. We will stay together, we will go forward together, we will never forget our loss. We are one."

The Virginia Tech tragedy served to hasten Cornell's emergency response efforts. Planning for a pandemic flu event had been under way since March 2006, and the university's general emergency procedures were also being revamped. Since Virginia Tech an emergency contact process has been put in place that will allow students, faculty, and staff to be quickly alerted and provided with information.

LEFT: Thurston Avenue Bridge reconstruction was under way for much of the year. RIGHT: New York gubernatorial candidates Eliot Spitzer, left, and John Faso participate in a televised debate in Bailey Hall on September 26.

This will be augmented with siren/public address systems and electronic message boards placed around campus. Cornell's Data Integrity Review Team is developing strategies to bolster Internet security.

Sustainability efforts continued to gain momentum this year. In May, the university issued its first *Green Report*, which summarizes where Cornell stands on sustainability efforts, including climate neutrality, and is expected to be updated regularly. President Skorton earlier in the year had signed a multi-university pledge to achieve climate neutrality. The American College and University Presidents Climate Commitment binds institutions to eliminating their campus greenhouse gas emissions, chief among them carbon dioxide, through comprehensive, long-term strategies. Climate neutrality means leaving a net-zero impact in terms of greenhouse gas emissions.

Finally, far above and for yet another unexpected year, the Mars rovers *Opportunity* and *Spirit* continued to explore the surface of the red planet. The rovers' longevity—they have both remained operational more than ten times longer than planned—has amazed everyone involved in the rover project and delighted space exploration fans everywhere.

Research

After great anticipation, the Joan and Sanford I. Weill Institute for Cell and Molecular Biology (ICMB) was formally launched in the spring, with the additional support of a $25 million gift from the Weills. The institute, housed in the New Life Sciences Technology Building, is central to keeping up with advances in genomics and expanding opportunities for research synergies with Weill Cor-

Notable Rankings

- ***Newsweek's*** listing of the nation's "hottest" colleges and universities **has placed Cornell at the top in the Ivy League.** *Newsweek* notes Cornell's land-grant status, which, the magazine says, emphasizes "problem-solving as well as scholarly debate."
- ***Computerworld*** magazine **has placed Cornell on its list of Best Places to Work in IT**. The 14th annual survey put Cornell in the 40th spot, using benchmarks ranging from employees' salary satisfaction to opportunities for growth and development. The survey reflects only information about Cornell Information Technologies (CIT), Cornell's centralized IT unit.
- Among all American colleges and universities, **Cornell University's motto is the best, according to *Motto* magazine's** first annual "Top 10 Motto List." Cornell's motto, "I would found an institution where any person can find instruction in any study," impressed the magazine's editors with its inspiring qualities and promise of inclusive education.
- The **College of Human Ecology's undergraduate and graduate interior design programs have been ranked the second-best program nationwide** in the annual survey conducted **by *DesignIntelligence* magazine**. Last year the programs were ranked third, but this year the only school ahead of Cornell is the Rhode Island School of Design.
- **The graduate program faculty in four medical science research specialties at Weill Cornell Medical College and Graduate School of Medical Sciences are ranked in the top 10 nationally for scholarly productivity**: physiology (third); immunology and pathology (tied for seventh); biophysics (10th). The rankings are based on the new Faculty Scholarly Productivity Index, compiled by Academic Affiliates and featured in the *Chronicle of Higher Education*.
- Cornell's **applied economics and management (AEM) major**, offered through the College of Agriculture and Life Sciences, **won Cornell the number 10 spot in *BusinessWeek's* second annual rankings of undergraduate business schools**.
- Cornell was named a **"Best Employer for Workers Over 50" by the American Association of Retired Persons,** and one of the **"100 Best Companies" for working mothers by** *Working Mother* **magazine** for the second straight year.

LEFT: Cornell President Emeritus Dale Corson and scientific instrument maker Rodney Bowman prepare the Engineering Quad's sundial for its next quarter-century and beyond. Corson, the co-designer and builder, points to calibration markings on the sundial's scale. RIGHT: SlopeRadio, Cornell's online radio station, has become an established campus presence after one semester of operation. Yaw Etse '08, right, and James Norton '08 banter on the radio program "Open Mic with Joey and Jimmy."

nell Medical College in Manhattan. As the physical and intellectual hub of interdisciplinary research toward understanding fundamental processes common to all cells, the ICMB will bring to bear all the major disciplines within the life and physical sciences. In April, internationally renowneded cell biologist Scott Emr became the center's first Frank H.T. Rhodes Class of '56 Director.

Tiny strips of vibrating silicon only a few hundred atoms thick could someday replace bulky quartz crystals in electronic circuits or be used to detect and identify bacteria and viruses. This year researchers at the Center for Nanoscale Science and Technology Facility (CNF) discovered how to measure the vibrations of nanomechanical oscillators by "tapping" with an atomic-force microscope. The discovery is among the many celebrated in June as scientists from around the world gathered to herald 30 years of vibrant inquiry that has made CNF a world leader in nanoscience and nanofabrication.

Cornell faculty have unique strengths in database, networking, and security technologies that will make vital contributions to the development of next-generation cyberinfrastructure—the computers, data storage facilities, and data communications networks needed to support research in disciplines that deal with huge collections of data such as raw census data and databases of DNA sequences. To best serve this community of scientists, the 20-year-old Cornell Theory Center, one of four National Science Foundation (NSF) supercomputing centers, has been reorganized into Cornell's Center for Advanced Computing (CAC). Its new scope, enhanced capabilities, and larger funding allocation from the Office of the Provost will allow the CAC to expand partnerships with leading universities, the NSF, other federal agencies, and industry. David Lifka, an adjunct associate professor of computing and information science, was named director.

Social science research is thriving across the campus. Current studies investigate topics as diverse as: how stereotypic beliefs associated with motherhood bias affect workplace evaluations, pay, and hiring decisions of women who are mothers; the ways in which digital technologies are transforming the character of news journalism; how well children fare in various living arrangements such as single-parent, cohabiting households, and with grandparents; the causes of persistent pockets of poverty across the African continent; whether the language of deceptive messages is different from that in messages that are not deceptive; and the impact of immigrants on American suburbs. Among the findings of social scientists published this year are that large portions prompt people to overeat, even foods they don't like; that the heavier white women are, the lower their wages; and that married graduate students, particularly males, do better in completing their education and obtaining tenure-track positions than their single counterparts while married women do no worse than those who are single.

The Ithaca-Weill competitive seed grants program was established in 2005 to foster cross-campus collaborations and to facilitate the development of grant applications based on the seed projects. A total of $1.6 million has been awarded by Cornell to 32 projects in basic and translational research as well as cross-campus training programs. A 2007 survey of faculty who received awards in the first two funding rounds reveals that researchers have been awarded $1.6 million in new funding as a direct result of their collaborations, 13 new research proposals have been submitted, 15 publications are in press, and five patents have been disclosed and one awarded. Nearly all participants commented

LEFT: A student works on his laptop in Libe Café at Olin Library. RIGHT: Cornell received a $3.3 million National Science Foundation program grant to build a "critical mass" of women faculty in engineering and sciences. Leaders of the ACCEL (Advancing Cornell's Commitment to Excellence and Leadership) program within the Provost's Office are, from left, Provost Biddy Martin; Shelley Correll, associate professor of sociology; Marjolein van der Meulen, associate professor of mechanical and aerospace engineering; Robert Harris, vice provost for diversity and faculty development; and Sheila Hemami, associate professor of electrical engineering.

on the positive impact the program has on catalyzing relationships and cultivating new contacts on the other campus.

Student Life

Donlon Hall residents were joined by some unexpected guests when President Skorton and his wife, Professor of Biomedical Sciences Robin Davisson, moved in for a week at the beginning of the fall semester. The president announced their plans to the Class of 2010 and their families at the New Student Convocation on August 19. "Don't worry: We won't be keeping an eye on you," he joked.

Like the rest of the class, Skorton said he would take the swimming test required of first-year students and participate in discussions on the first-year reading project book, F. Scott Fitzgerald's *The Great Gatsby.*

"We consider ourselves first-year students, or transfer students, after 22 and 26 years, respectively, at the University of Iowa," he said. "We hope to finish up successfully here."

On March 8 the new Noyes Community Recreation Center opened its doors as the social and recreational hub of the West Campus Residential Initiative, as well as serving students who live in the surrounding neighborhood. Features include a gymnasium fitness center, multipurpose room, bouldering wall, convenience store, and wireless Internet. Five months later Hans Bethe House, the third residential building created to bring upper-level students, faculty, and staff together through intellectual, cultural, and social activities, opened under the leadership of Porus Olpadwala, a professor of city and regional planning, as the first professor and dean of the house.

The fourth house, now under construction, has been named in honor of the late William T. Keeton, who as a teacher and author of the widely used introductory textbook *Biological Science*, revolutionized the teaching of biology in higher education.

At Becker House on a Saturday in April, house dean Cindy Hazan, an expert in human mating, and Jim Bell, a lead astronomer on NASA's Mars Rover Mission, along with two of the house's graduate resident fellows, taught 18 undergraduate residents how to create an outreach program so children from less-privileged Ithaca neighborhoods can experience some of what happens up on the hill. Sixteen boys and girls from Southside Community Center and the Greater Ithaca Activities Center (GIAC) came to the house for a day of science experiments, shared meals (including making ice cream with liquid nitrogen), and performances by four Cornell music and dance groups. In a second event, students participating in the Cornell University Becker in Service course responded to a request from seniors at GIAC that they craved more contact with young people by inviting 55 of them to dine at the house.

As a temporary means of addressing a housing shortage anticipated until the opening of the final two West Campus houses (Keeton House in the summer of '08 and one more in '09), a limited number of seniors will be allowed to live in apartments in the graduate student Hasbrouck Apartments. In addition, a new Off-campus Housing Office has been established under the direction of Kimberly Fezza. The Willard Straight Hall–based service now maintains an interactive database of rentals in the Ithaca area, and provides education and resource services to help promote safety and high quality of life for students living in the area.

In March the 6,000-strong graduate and professional students presented the *Graduate Community Initiative* to top-level administrators. Recommenda-


LEFT: Children learn from what they see–and that is why an ant, a dot, and a dust particle are among the smallest things in their world. On Jan. 27, though, their smallest got even smaller–symbolically, at least–as students from 10 elementary schools in the Finger Lakes region displayed models of microelectronic chips and rotating biological molecules, all made of Legos. RIGHT: Engineering students from across New York State visited Cornell in April for the Upstate New York American Society of Civil Engineers (ASCE) Student Conference featuring competitions to build a steel bridge and a concrete canoe.

tions in the 20-page document include: more near-campus housing and a bigger and better graduate student center (both already in the University's Master Plan). Other requests include job placement services for grads and their "trailing" spouses and partners.

Nearly 3,000 first-year and transfer students experienced again this year a provocative program on diversity titled "Tapestry of Possibilities: Diversity at Cornell 2006," a series of sketches by the Cornell student theatrical troupe, Ordinary People. Ordinary People, which created the scenes to introduce new students to the many differences in nationality and sexuality, privilege and background, body types, and learning disabilities among members of the Cornell community, was awarded the James A. Perkins Prize for Interracial Understanding and Harmony.

Other scenes—those of the horrific genocide taking place in the Darfur region of Sudan—were painted by *New York Times* reporter Nicholas D. Kristof, this year's Kaplan Family Distinguished Lecturer. Kristoff delineated why one of the methods used to terrorize the African tribes—systematic rape—cannot be deterred effectively by aid, the Bush Administration's response to the rising chaos.

Small businesses in South Africa are being given technical assistance by students in the Emerging Markets Field Course designed by applied economics and management professor Ralph Christy. For his work Christy was awarded the Kaplan Family Distinguished Family Fellow in Service-Learning Award by the Public Service Center (PSC). Raymond Craib, associate professor of history, also was honored for Farmworkers, a service-learning course that offers insights into migrant farmworkers from Mexico and Guatemala working in upstate New York.

In another PSC-sponsored event, a thousand-plus students gave their minds and muscles for a day to 40 Ithaca agencies during the 15th annual Into the Streets. They gave of their material possessions to help local nonprofit agencies as well as through profits from the sale of items they donated to the Dump and Run recycling program, and in the bargain saved 30 tons from the recycling/landfill stream.

Students ate "green" more this year because of Farm to You, a Cornell Dining program that spent about $1 million (23 percent) buying locally. To get more student ideas for how to green the campus, two student coordinators are now working closely with Dean Koyanagi, the Cornell sustainability coordinator.

Cornell took Ivy League titles this year in men's lacrosse, wrestling, men's outdoor track, volleyball, women's indoor track, and women's outdoor track, plus the league title for Sprint football and the national title for men's lightweight rowing; a second in the Temple Challenge Cup at Henley; and an undefeated regular season for the men's swimming team. In the long jump, Rayon Taylor became the first Big Red athlete to be awarded the national NCAA title in 56 years. Twenty-six student athletes became NCAA All-Americans, three in track and field.

Land Grant

To promote the visibility and explain the purpose and activities of the land grant mission, a link to a new land grant web site is now prominently displayed on the Cornell home page. The site's clean design and easy navigation offer readers a wealth of information on how the ethic of education, outreach, and applied research benefits rural New Yorkers, as well as their urban counterparts. Readers can use an interactive map to find details of the Cornell Cooperative Extension System's contributions to the citizenry of each county (and the five New York city boroughs) in the areas of: agriculture and food systems; economic and workforce development; energy; local and regional government; poverty; and schools and youth. A new theme, "Healthy New York," will be added shortly. Go directly to the site at www.cornell.edu/landgrant.

The New York State budget process was successful for a second year in a row, leading to substantial improvements in the operation budget climate for the contract colleges. The New York State Colleges of Veterinary Medicine, Agriculture and Life Sciences, and Human Ecology and the School of Industrial and Labor Relations received a 10 percent increase, including $6 million for critical maintenance funding. A portion of the increased state funding was targeted for the Empire Innovation Fund, providing resources for the contract colleges to hire new faculty.

The College of Agriculture and Life Sciences has completed a land grant mission review that will modernize and sharpen the college's land grant focus and be a model process for the other three statutory colleges.

Governor Eliot Spitzer has chosen Cornell president emeritus Hunter R. Rawlings to head a commission to submit recommendations for improving higher education in New York. The 30-member commission will make recommendations on: improving access to the state's public higher education system; expanding degree programs to reflect state and regional economic development objectives; preparing community college graduates for a smooth transition to four-year institutions or high-value jobs or both; and to enhance the capacity of the state's university research centers to regain New York's preeminent status in academic research while providing additional opportunities for high-value employment.

Although the 64-campus, 400,000-student State University of New York system (SUNY)—the largest public university system in the nation—is the primary focus of the commission, the governor also wants to assess private universities. Recommendations are expected to inform the state's 2008 higher education budget.

Academics

Provost Biddy Martin received a standing ovation from a capacity crowd at Kennedy Hall's Call Auditorium on Wednesday, March 7, at the conclusion of the inaugural Provost's Annual Academic State of the University Address. In the first such address in the university's history, Martin recounted the "remarkable focus, coherence, joy, and depth of knowledge" that faculty bring to teaching and scientific inquiry across the sciences, social sciences, and the humanities; and characterized students as the "most active and passionate synthesizers of the gifts and wonders" the faculty offer them.

In referring to the significant challenges ahead, Martin emphasized that the university will not have a world-class faculty 15 years from now unless diversity is a value made manifest when replacing up to one-third—as many as 600—of the faculty in the next decade. She called on departments to build and maintain a pool of female and minority candidates before positions became open. In Cornell's combination of rigor and the breadth and social responsibility of a land-grant university comes an "openness to new ideas, to surprising connections,

LEFT: A "C" of books: Cornell professor of art Buzz Spector used more than 800 works of literature and arts and humanities by Cornellians to create this sculpture as part of the Humanities Book Art Project. RIGHT: Tompkins Cortland Community College president Carl Haynes, Ithaca College president Peggy Williams, and Cornell president David Skorton prepare for the premiere of Skorton's radio show "Higher Ed in the Round" at Cornell's Fall Creek Studios on March 5.

and to change" that can be brought to bear in service to the future, the provost said.

The heart of the university is its faculty. Faculty members are also the economic engine of higher education: teaching and generating knowledge and intellectual property while providing a variety of services for students, government agencies, corporations, foundations, and the general public. Cornell is engaged in fierce competition with its peers for the best faculty. One hundred and twenty-four searches were conducted this year; 84 new faculty members were hired (33 percent women and 18 percent minorities). A 4 percent increase in tenured women faculty members helped to move toward the goal of a 10 percent increase by 2015 as set with support from the National Science Foundation's ADVANCE institutional transformation grant to increase the number of women in engineering and the sciences. The newly created ACCEL—Advancing Cornell's Commitment to Excellence and Leadership center—has set four initiatives in response to the findings of the Faculty Work Life Survey. These are: a recruitment initiative to support the hiring of women; a faculty members development initiative, including faculty mentoring programs; a climate initiative focusing on the training of department chairs, search committees, and faculty more generally; and an evaluation initiative that includes quantitative studies on promotion and retention.

Faculty hiring is taking new forms. For example, Michelle Kosch, an expert in 19th-century German philosophy, was a joint recruitment effort between German Studies and the Philosophy Department.

Academic programs this year focused on collaboration and partnership across disciplines, between Cornell and industry and alumni, and with other academic institutions. The Institute for Social Sciences theme project titled "Networks" involved 12 professors from 7 of our 14 colleges. A course on the subject taught by professor of computer science Jon Kleinberg and David Easley, the Henry Scarborough Professor of Social Sciences in the Department of Economics, attracted more than 200 students.

The continuing partnership between Cornell and Tsinghua University featured a faculty exchange and a series of nanotechnology workshops alternating between Beijing and Ithaca. In October, Steve Sass, a professor of materials science engineering, led a seven-member delegation from the College of Engineering to Tsinghua University to participate in the second round of nanoscience workshops.

A new program in Architecture, Art, and Planning was initiated in New York City. Two groups of architecture students from Ithaca lived and studied in New York City drawing on the vast resources in the city including many alumni. The Leland C. and Mary M. Pillsbury Institute for Hospitality Entrepreneurship was founded in the School of Hotel Administration to provide students with guidance and hands-on experience with hospitality entrepreneurs.

The College of Human Ecology developed an exchange program with Hong Kong Polytech for students in the areas of Design and Environmental Analysis and Fiber Science and Apparel Design.

The Johnson School launched the Business of Science and Technology Initiative in which engineering and MBA students worked in partnership on several significant innovation projects that were funded by corporate partners.

The Biology Scholars Program was launched in collaboration between the College of Arts and Sciences and the College of Agriculture and Life Sci-

LEFT: David Harris, deputy provost and vice provost for social sciences, makes a point about the web presence of the Diversity Council during a recent meeting in Warren Hall.
RIGHT: Renowned journalist Helen Thomas speaks with Cornell Political Coalition co-president Ben Ware '08 before her talk in Statler Auditorium April 9.

ences to mentor and advise underrepresented students in the biological sciences to support increased retention in biology fields.

The Center for Learning and Teaching and the vice provost for undergraduate education initiated a faculty seminar series to highlight innovative and effective teaching practices. Presenters and topics covered during the series included Maria Terrell, senior lecturer in the department of Mathematics, on asking good questions for deeper learning; assistant professor of hotel administration Erica Wagner on alternative assessment methods in a large course; Charles Williamson, professor, Mechanical and Aerospace Engineering, on synergy between research and teaching; and Kenneth Reardon, associate professor and chair, Department of City and Regional Planning, on field-based learning.

Far Above . . . The Campaign for Cornell

In October, Cornell embarked on the most ambitious fundraising campaign in the university's history—a $4 billion plus effort to secure private financial support "to advance education, discovery, public service, and to make transformative contributions in areas of critical social importance."

The public announcement of the campaign, which coincided with the annual joint meeting of the Board of Trustees and University Council, featured a full weekend of festivities. A Thursday morning breakfast and press conference at Weill Cornell Medical College in New York City was followed by two days of meetings, seminars, and social gatherings on the Ithaca campus. The events culminated with a special celebratory reception and dinner for invited trustees, overseers, faculty, staff, and students in Cornell's historic Barton Hall.

If the start of the academic year was noteworthy for the announcement of Cornell's future aspirations, it was made all the more remarkable, at year's close, by a number of extraordinary gifts. Of special note were the $450 million in commitments announced in June, highlighted by a $300 million commitment from Sandy '55 and Joan Weill. The Weills' gift will support several facilities and programs, including those fostering collaborations between the Ithaca and New York City campuses. The Weills were joined in the announcement by Hank and Corinne Greenberg and the Starr Foundation, as well as an anonymous donor.

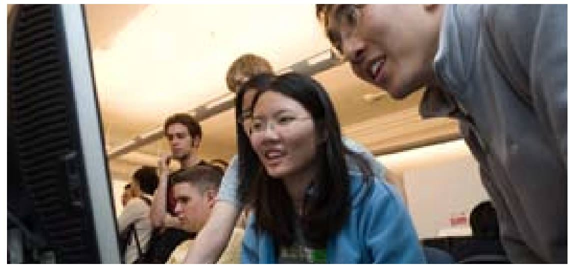
Two other gifts this year also deserve special mention: a $25 million gift from the family of Nancy '62 and Peter '61 Meinig in support of the New Life Sciences Initiative; and a $15 million gift from Leland "Lee" '69 and Mary Pillsbury to support entrepreneurship in the Hotel School.

These gifts, and thousands of others, resulted in the most successful fundraising year in Cornell's history, with nearly $760 million in new gifts and commitments.

Adding further to this banner year were unrestricted gifts to the Cornell Annual Fund. For FY '07, the Cornell Annual Fund raised a total of $18.4 million, a 29 percent increase over last year's results. These results include $6.3 million in current use unrestricted support for the general university, $7.9 million for undergraduate colleges and units, and $4.1 million for the graduate and professional schools.

These and other gifts propelled Cornell's campaign to $1.662 billion, an amount far exceeding the record-setting $1.5 billion raised during the entire length of Cornell's last university-wide campaign, which ended in 1995.

Supporting Cornell's efforts have been the activities of hundreds of volunteers throughout the



LEFT: College of Veterinary Medicine dean Michael Kotlikoff checks out a four-year-old Pekingese named Milo at the Southside Community Center Healthy Pet Clinic, which is run and staffed by current DVM students from the CU Vet School. RIGHT: Children of all ages flocked to the 2006 Game Design Showcase to try out new games. The appeal of games makes them a powerful teaching tool, says David Schwartz, director of Game Design Initiative at Cornell (GDIAC).

country—a "resource" that is the envy of many colleges and universities. Cornell's Major Gifts, President's Circle, Tower Club, and Ivy Society committees were among those contributing countless hours to the campaign. Their work, and that of the University Council and advisory councils in each of the university's colleges and major units, also bolstered these efforts. Further, Cornell's network of alumni groups—regional, class, and affinity-group organizations—continues to promote the importance of the campaign and involvement with Cornell. An estimated 1,400 networking gatherings, faculty speaker programs, and community service events were planned by these volunteer-led groups.

Together, these alumni, parents, and friends of Cornell are seeking to further bolster the university's preeminence and to ensure, as in the words of the alma mater, that Cornell remains "Far Above ..."

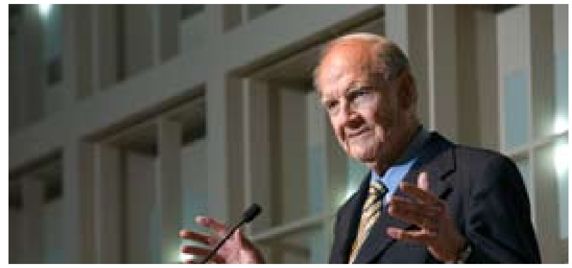
Cornell Cooperative Extension

Through Cornell Cooperative Extension (CCE), Cornell University has the capacity to bring the powerful intellectual resources of the university to New York State communities. The extension system includes faculty and staff from more than 20 departments in two colleges, 56 county associations, and a New York City office. CCE programs cover five broad areas—Agriculture and Food Systems; Children, Youth, and Families; Community and Economic Vitality; Environment and Natural Resources; and Nutrition and Health—and convey groundbreaking research and knowledge to a diverse New York landscape and population.

Cornell Cooperative Extension's Internship Program fostered outreach among Cornell University students in New York State. Working with Cornell faculty and staff members, CCE summer interns formed strong partnerships and advanced community-based work in a number of fields, including energy use and conservation, resource education for Medicare Part D, nutrient management for field crops, environmental strategies to reduce obesity, field research related to New York dairy herds, regional economic development, and agriculture, food, and community development with a focus on local foods.

Under the banner "Local Foods, Local Solutions," CCE continued to promote innovative programs that encourage New Yorkers to buy food locally. CCE's work in the area of local foods encompasses more than 60 programs, and these initiatives support agriculture, nutrition, community development, and a healthy environment in New York State. In partnership with county associations, CCE educators foster new markets for locally produced specialty foods and develop nutrition programs that take advantage of local produce. CCE regional agriculture teams—professionals knowledgeable about dairy, livestock, field crops, fruit, vegetables, and grapes and experienced in detecting emerging issues and trends in the agriculture industry—work on the ground to help New York State farmers feed New Yorkers.

This year, CCE's New York State 4-H Program took a first step toward addressing alarming trends in childhood obesity in New York State with its "Choose Health" initiative. At the 4-H Career Explorations Conference on the Cornell campus, Cornell University educators supplied hundreds of young people with pedometers to count steps toward a healthy lifestyle. The initiative, which supports a larger, statewide Cornell Cooperative Extension effort to address childhood obesity in New York, incorporated movement education, line dancing, nutritious snack alternatives, and other mea-



LEFT: An international team of scientists, including researchers from the College of Veterinary Medicine, has found a mutation in a single gene that plays a key role in determining body-size differences within and among dog breeds and probably is important in determining the size of humans as well. Shown here are Professor Carlos Bustamante, right, holding a sheltie and a shepherd mix, Badri Padhukasahasram, back, a postdoctoral researcher in the Department of Biological Statistics and Computational Biology, and Lan Zhu, postdoctoral associate in the Department of Clinical Science. RIGHT: George McGovern, the U.N. global ambassador on world hunger, addresses an audience at Statler Auditorium on April 11.

sures into a diversity of educational programming that included astronomy, natural resources, food science, energy management, and veterinary science. The initiative was carried forward to the New York State Fair, and results from both efforts will inform CCE's ongoing work in childhood obesity prevention.

Government Relations

The confluence of a turnover in the New York State executive administration, a new political party in control of the U.S. Congress, and a new president of Cornell created a perfect climate for new opportunities in government relations here in the 2006–07 academic year.

One of the primary goals of the government relations team is to advance the mission of higher education, and particularly of Cornell University, at the local, state, and federal levels. To that end the office sought to advance Cornell's visibility and participation at all levels of government, from town-gown forums to testimony before Congress.

In 2006 Cornell President David J. Skorton took over as vice chair of the Business-Higher Education Forum (BHEF), ensuring that Cornell's voice would be heard in the national arena. The BHEF is an organization of Fortune 500 CEOs, prominent college and university presidents, and foundation leaders working to advance innovative solutions to our nation's education challenges to enhance U.S. competitiveness.

In July 2007 he was invited to testify before the U.S. House of Representatives' Committee on Science and Technology, on the topic "The Globalization of R&D and Innovation: The University Response." In his oral testimony President Skorton summarized: "The most important message I want to emphasize is the enormous role higher education plays and can play in intercultural exchange and thereby in American diplomacy. I firmly believe that international education, research, and capacity building are among our country's most effective diplomatic assets."

With education and research as the university's missions, advocacy on behalf of student financial aid and funding of basic research remain government relations' top priorities. Student lobbying groups, a Legislative Advocacy Network of alumni and friends, and members of the Trustee Committee on Government Relations as well as individual trustees, all worked hard this year to advocate for increased funding in these important areas.

In January, newly elected governor Eliot Spitzer released his executive budget and announced his appointments of state agency commissioners and other key government officials. Several Cornell graduates are among his top advisors and commissioners, and a good number of Cornell trustees and alumni also have input to the governor. Governor Spitzer proposed a state budget that was very good for higher education and Cornell. It also directed new resources to revitalize upstate New York, using universities to spur technological development. The enacted 2007–08 state budget establishes a healthy funding level for SUNY and Cornell land grant colleges and continues funding for all Cornell programs in various state agencies. This year's budget also included new funding for Cornell research to solve specific problems in the areas of new plant and animal diseases.

In May, Governor Spitzer created a Public Higher Education Commission through executive order, with the intention of revitalizing the state university system. Cornell president emeritus Hunter

LEFT: From left, Howard, Itma, and Paul Milstein look at the large-scale model of the OMA-designed Paul Milstein Hall, May 24, in Hartell Gallery in Sibley Hall. RIGHT: Nancy Meinig talks about their gift of $25 million for the Life Sciences with Peter Meinig, chairman of the Board of Trustees, looking on during the trustees dinner in Duffield Hall on Friday, May 25.

Rawlings was appointed to chair this commission, whose members include Cornell trustee Bruce Raynor and trustee emeritus John Dyson. The commission is expected to propose structural and operational changes to allow state university campuses to flourish, and with the interdependence between Cornell and the state university system, it is expected that Cornell will benefit from these changes.

During the past academic year, Cornell's Office of Community Relations played a key role in connecting campus and area leaders around three important and new Cornell initiatives: Cornell's Master Plan, the transportation-focused Generic Environmental Impact Statement (t-GEIS), and a Cornell Economic Impact Statement.

The latter, now completed, has been an important tool with both public and private outreach. Work on the master plan and the t-GEIS will continue during the coming months, and town-gown communications on this front have been appreciated, effective, and important with those respective processes.

Considerable effort, coordinated through the Cornell Community Coordinating Committee, was devoted to developing guiding principles, critical areas, strategic priorities, and goals to guide the university's community investments. President Skorton and his senior staff have now approved these guiding principles.

The office also continued to build on relationships within the community through Community Relations' oversight of the University Neighborhoods Council, designed to enhance town-gown relations, and an evolving partnership with the Associate Provost for Outreach Office, particularly regarding the area's public schools and resource sharing.

Human Resources

In his inaugural address, President Skorton presented five priority considerations for Cornell University, one of which was to "optimize the environment for our staff."

The human resource–related awards garnered during the 2006–07 fiscal year are indicative of the university's commitment to this priority. In the fall of 2006, Cornell was named by *Working Mother* magazine as one of its top 100 companies for women; identified, for the second consecutive year, as one of the "Best Employers for Workers over 50" by the American Association of Retired Persons (AARP); received the Employer Appreciation Certificate in honor of National Disability Employment Awareness Month; and received the inaugural Tompkins County Large Employer of the Year award from the Tompkins County Chamber of Commerce because of its approach to diversity issues and its commitment to being a responsible city, county, and state citizen.

In the spring of 2007, Cornell was given an Equal Employment Opportunity Award by the U.S. Department of Labor's Office of Federal Contract Compliance Programs (OFCCP); recognized by the Dave Thomas Foundation for Adoption as one of the nation's "100 Best Adoption-Friendly Workplaces"; listed as the 16th best place in the country for postdoctoral researchers; and noted as one of the top 100 Places to Work in IT, based on the training programs offered to members of the staff in Cornell Information Technologies.

Events sponsored by the Office of Human Resources (OHR) were also designed to optimize the Cornell environment for both staff and faculty members. The new "Expanding Social Opportunities" program was held six times to help increase networking and community among the faculty. Six

Sharing Our World events were held for each of the following groups of Cornell staff: LGBT, staff of color, veterans, and women. Employee Celebration Day and Night were well attended by Cornell faculty, staff, retirees, and their families, at 2,300 and 1,800 respectively. Bring a Child to Work Day drew nearly 500 children and adults.

To help meet the needs of families for high-quality child care, Cornell has moved through the final stages of planning for a new on-site child-care facility on North Campus for faculty, staff, and students, currently projected for opening in the fall of 2008 and serving approximately 160 children ages five and under.

A heightened interest in personal well-being was reflected by a 30 percent increase in membership in the Wellness Program (now nearing 2,000 faculty, staff, retirees, and their spouses or same-sex partners) and by campus-wide participation in walking events. Over 270 Cornell staff members participated in the first phase of Cornell's Well-being at Work Research Project by completing online assessments of their positive emotion, work engagement, and job satisfaction.

Also invaluable in recruiting and retaining talented staff and faculty members are the career search information and assistance given this year to 80 spouses or partners of new or recruited tenured or tenure track faculty and high-level staff members; to 94 highly qualified university employees who wished to transfer within Cornell; and, through the Cornell Recruitment Partnership and monthly General Employment Sessions, to local and regional job-seekers. A new "WorkLife at Cornell" section of the *Cornell Chronicle* was also launched to enhance communication about Cornell as a workplace for staff and faculty members.

The Staff Compensation Program brought overall staff pay to a fully competitive market posture, and successor collective bargaining agreements with the building trades, police, and operating engineer unions were negotiated. OHR also helped provide tenure information for the provost's NSF ADVANCE–Institutional Transformation grant.

Finally, ongoing development of current faculty and staff members continues to have a positive impact on the Cornell environment. Over 250 people received leadership and supervisory training in 2006–07, including three sessions of a faculty development and management program presented in partnership with the Provost's Office. More than 2,000 additional staff and faculty accessed online and instructor-led workshops.

Cornell in New York City

Cornell's presence can be felt from the southern tip of Manhattan to the Weill Cornell Medical College and Weill Cornell Graduate School of Medical Sciences at Lenox Hill on the east side of the island. Cornell Cooperative Extension, Industrial and Labor Relations Extension, the College of Architecture, Art, and Planning, and several other Cornell units also engage in teaching, research, and outreach in the city.

Last fall ILR's Labor and Law Program in New York City and the Cornell Law School announced a joint initiative called "The Program on Conflict Resolution." The program, the latest in a long tradition of engagement between the two schools, will focus on raising the standards of arbitration, mediation, and other methods of alternative dispute resolution (ADR). Participants will receive a certificate in workplace ADR. A counterpart program will offer a certificate in commercial and international ADR.

On the evening of November 11 the NYPD closed down a portion of Fifth Avenue to make room for the biennial Seymour "Sy" Katz '31 parade following the Cornell-Columbia football game. Flanked by cheerleaders, baton twirlers, and 500 red-clad alums humming on kazoos, the Big Red Marching Band played its way from St. Patrick's Cathedral at 50th Street to the Cornell Club at 44th Street. There the band entertained the crowd with a curbside concert capped by a rousing rendition of the alma mater. Serving as parade grand marshal was Faith "Happy" Reichert '25, Cornell's oldest alum. Accompanied by President Skorton, she was celebrating her 105th birthday and her first Sy Katz parade on the same day.

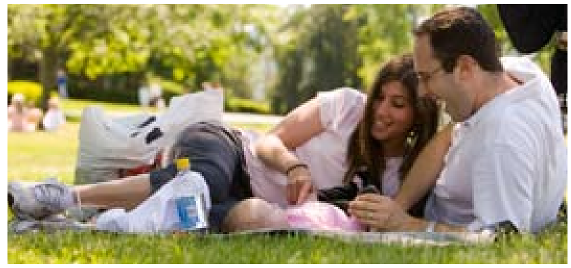
More than 200 people crowded into the West 17th Street loft space occupied by the College of Architecture, Art, and Planning in January to view the latest book sculpture by art professor Buzz Spector. The sculpture was built in the shape of a "C" and constructed from more than 800 books written by Cornell authors. "This is a material token to something that is ephemeral and weightless and something vital to all citizenship, all discourse," Spector told the audience. The sculpture was later exhibited in Cornell's Kroch Library on the Ithaca campus.

In February the inaugural "Inside Cornell" press luncheon was held at the Cornell Club. This new series brings Cornell faculty members to New York City to meet with members of the media. Brian Wansink, the John S. Dyson Professor of Marketing in the Department of Applied Economics and Management, presented his research on how advertising, packaging, and personality traits influence food choices and consumption patterns. The second luncheon, in May, featured Robert Frank, the Henrietta Johnson Louis Professor of Management in the Johnson School and the author or co-author of several books, including the much-lauded *The Winner-Take-All Society.* Both Wansink and Frank have been prominently featured in many newspapers and magazines and on news networks, including the *New York Times,* the *Wall Street Journal, Worth*, *20/20*, and the Learning Channel.

Bird watching is becoming increasingly popular in the United States, and New York City offers plenty of opportunities for avid birders. In May Cornell Cooperative Extension–NYC partnered with the Cornell Lab of Ornithology to celebrate Urban Birds—NYC! The three-day program, funded by the USDA's Cooperative State Research, Education, and Extension Service, is part of the Citizen Science project, which is designed to involve citizen participants in professional scientific research. Adults and students from throughout the city participated.

International

Despite vast cultural differences, Chinese educators who spent a week in Ithaca to learn about U.S. education proved that the two countries' systems have much more in common than might meet the eye. Fifteen high school principals and university administrators from the East China Normal University in Shanghai and with Renmin University in Beijing visited campus from July 15 to 22 for a conference tailored especially to them. Some of the similarities that emerged through meetings and roundtable discussion with local high school teachers and principals, as well as Cornell professors and administrators, include: helping students to realize their potential; allowing every child to succeed and

LEFT: President Skorton answers questions after the State of the University speech in Bailey Hall on June 9. RIGHT: Michael Pine '97 and wife, Shari, enjoy a quiet moment with four-month-old daughter, Samantha, on the Arts Quad on Saturday afternoon during Reunion Weekend.

to contribute to society; and teaching students to live in communities and respect each other.

The Cornell-China College Preparatory Program brings students from China's most prestigious high schools for the six-week summer session. In summer 2007, 33 students from Shanghai, Beijing, and Jiangsu Province attended Cornell's Summer College.

Established in summer 2006 by Cornell's president and provost, the Jeffrey Sean Lehman Fund for Scholarly Exchange with China fosters Cornell's global linkages and builds partnerships with Chinese universities. The fund supports exchanges and research collaborations between Cornell faculty members and graduate students and their counterparts at China's major research universities. Through two annual grant competitions, the fund provides grants to initiate research projects, run conferences, host visitors from China, or support faculty travel to China to work with colleagues in the region. Cornell faculty members and graduate students from any discipline are welcome to apply.

In 2006–07, Lehman grants were awarded to 18 members of the Cornell community. Among the projects funded were Cold War Studies research, labor law and trade union reform in China, water resource management in China, environmental and social impacts of the Beijing Olympics, monetary policy in China, contemporary art, soft power, and property rights in China.

The Cornell International Institute for Food, Agriculture, and Development (CIIFAD) is contributing literally, as well as figuratively, to the rebuilding of Afghanistan through its agroforestry and orchard rehabilitation programs in the Collaborative Afghanistan Initiative. CIIFAD became involved in response to a request by Senator Hillary Clinton's office to join the New York Campaign for a Green Afghanistan. Through funding from the USAID and in collaboration with Global Partnership for Afghanistan, more than 500,000 poplar trees (to provide building materials) have been planted by 432 farmers. The trees have a 95 percent survival rate.

Nearly 30 faculty members have indicated an interest in the initiative, which includes capacity building at Kabul and Balkh Universities. This summer CIIFAD director Alice Pell, a professor of animal science, and Peter Hobbs, adjunct professor of crop and soil sciences, spent a week at Kabul University in a workshop on strategic planning for the faculty of agriculture.

Outreach

As New York State's land grant university, Cornell has a special obligation to share its knowledge with the people of the state and has a well-developed system, Cooperative Extension, for the purpose. As the land grant university to the world, Cornell's outreach is national and international in scope, and its content is as diverse as the university itself.

Outreach includes everything done by faculty, staff, students, and alumni to share the university's resources beyond the academic community. The most distinctive of those resources is knowledge.

Improving and fostering outreach—the charge of the associate provost for outreach—entails making Cornell more transparent and more accessible to those who might use our resources. People at Cornell also need lines of communication to learn what is needed in the various communities to which we belong. Strengthening this two-way communication is a major theme in 2006–07 outreach activities.

Outreach to the precollege education system has received the most attention. A committee appointed by the provost to address this domain called for a


LEFT: A newly refurbished and renovated Bailey Hall opened in August 2006. The main entrance doors were restored to their original 11-foot height. RIGHT: A champagne toast and ribbon-cutting ceremony hailed the June 26 opening of the 79,000-square-foot East Campus Research Facility (ECRF), a consolidated animal research building five years in the making that will be a key part of Cornell's New Life Sciences Initiative. From left: Stephen Kresovich, vice provost for life sciences; Michele Bailey, associate vice provost for research animal resources; Michael Kotlikoff, chair of biomedical sciences in the College of Veterinary Medicine and Vet School dean; Biddy Martin, Cornell provost; Donald Smith, who stepped down as Vet School dean June 30; Kraig Adler, professor of neurobiology and behavior and former life sciences vice provost; and Barbara Lifton, New York state assemblywoman for the 125th district.

sharper focus on enabling disadvantaged youth to succeed in higher education, especially in STEM disciplines (science, technology, engineering, and math). The committee recommended two initiatives with this goal:

- Partnerships for School Improvement, aiming at the overall improvement of schools
- Individual Talent Development, fostering high academic aspirations and achievement in youth who have high potential

Using knowledge as a university's most distinctive resource, the two new initiatives are guided by the best that is known from research and practice. In addition to published sources, conferences at Harvard and Princeton Universities have contributed to program design.

The appointment of a long-time Cornell employee and respected community leader to a half-time position as liaison between Cornell and the Ithaca City School District is a concrete step toward building a partnership with our local district. We are also engaging additional school districts as partners, beginning with the rural schools that are part of the Tompkins-Seneca-Tioga BOCES district. In July 2007 Cornell hosted a Summer Institute on Rural Schools. Teams from 13 rural school districts met for two days of presentations and discussions on the theme Preparing Rural Youth for the Future. Faculty from multiple departments contributed their time and expertise to voluntarily teach and problem-solve with school teams. The very enthusiastic response of participants is encouragement to plan a similar event in the coming year. The third Professional Development Day for Educators in Central New York featured 79 workshops for more than 700 participants in March 2007.

Robert Moses, civil rights leader and educator, has continued to work with Outreach as a Rhodes Visiting Professor, engaging students and faculty in discussions on the topic "Quality Education as a Civil Right." Moses also met with school and community groups on the subjects of improving education for all and his Algebra Project, which fosters mathematics learning among disadvantaged students.

As part of a multi-departmental effort, local educators attended this year's Atkinson Lecture by Nobel Laureate Harold Varmus titled "The Future of Science in America" and participated in a private reception with him afterwards.

Continuing to build partnerships with area schools and exploring partnerships with New York City schools will have high priority in the coming year. Another priority is establishing at least two talent development programs, one local and one in New York City. Public access to Cornell resources will be improved by means of web technologies. Outreach efforts will also continue in economic and community development and in other domains.

Weill Cornell Medical College

Weill Cornell's "Discoveries That Make a Difference" Capital Campaign got off to a rousing start following its launch in October. At a press conference in June, the college announced gifts totaling \$400 million, including generous donations from Joan and Sanford Weill and Corinne and Maurice Greenberg and the Starr Foundation. The Weills' \$250 million gift, believed to be the largest gift ever to a medical institution, was accompanied by a \$50 million gift to Cornell's Ithaca campus. The historic donations will support Weill Cornell research into and treatment of obesity, diabetes, cancer, and diseases of aging, among other areas. Added to another

$250 million received since the campaign announcement, the gifts took the college halfway to its goal of raising $1.3 billion by 2011.

Antonio Gotto, the Stephen and Suzanne Weiss Dean of Weill Cornell Medical College, was honored in June with the dedication of the Antonio M. Gotto Jr., M.D., Center for Cardiology and Cardiovascular Diseases at the Vebi Koc Vakvi Foundation American Hospital in Istanbul. As Weill Cornell's dean over the last decade, Dr. Gotto has helped pioneer the concept of the globalization of medicine and medical education. The relationship between these two organizations in the United States and Turkey dates to 1998. Since that time, in its commitment to global health and education, Weill Cornell has also established a strong presence in countries as diverse as Qatar, Tanzania, Haiti, Brazil, and Austria.

The graduate program faculty in four medical science research specialties at Weill Cornell Medical College and Graduate School of Medical Sciences were ranked in the top 10 nationally for scholarly productivity. Physiology was ranked 3rd; Immunology and Pathology were each ranked 7th; and Biophysics was ranked 10th. The rankings were based on the new Faculty Scholarly Productivity Index, which was compiled by Academic Affiliates and featured in the *Chronicle of Higher Education*. "We are extremely gratified and honored by the rankings. It is through significant research that true breakthroughs in medicine and health occur," said Dean Gotto. "Our scientists in these areas and others are making remarkable advances at the molecular level that are helping to unlock the mysteries behind the human body and the malfunctions that result in serious medical disorders."

Weill Cornell researchers reported dramatic news during the year. At a press briefing led by the journal *Nature*, lead author Nicholas Schiff, M.D., associate professor of neurology and neuroscience, and co-author Joseph Fins, M.D., professor of medicine, public health, and medicine in psychiatry, reported that a 38-year-old man who had spent more than five years in a minimally conscious state as a result of a severe head injury is now communicating regularly with family members and recovering his ability to move after having his brain stimulated with pulses of electric current. The experimental study—co-led by physician-scientists at the JFK Johnson Rehabilitation Institute and the Cleveland Clinic Foundation—provides the first rigorous evidence that a prosthetic device can initiate and sustain recovery in such a severely disabled person. In addition to extensive media coverage, the news generated hundreds of inquiries from families of minimally conscious patients who are interested in the therapy.

In what could be a breakthrough in the treatment of Parkinson's disease and other neurodegenerative disorders, a team led by physician-scientists reported the results of the first-ever clinical trial using gene therapy to treat Parkinson's. Lead researcher Michael Kaplitt, M.D., Ph.D., the Victor and Tara Menezes Clinical Scholar and associate professor of neurological surgery, reported in the June 23 *Lancet* that the therapy was safe and resulted in improved motor function.

Results of a collaborative study between Weill Cornell and the Methodist Hospital in Houston showed promise in the study of speech disorders. Using functional MRI to look at the brains of songbirds, the research found that the zebra finch had a pronounced right-brain response to the sound of songs. The findings will provide a foundation for future research on speech disorders such as stutter-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Design and Environmental Analysis major Janice Hoi Sze Yeung sits in Martha Van Rensselaer Hall's "green" Human Ecology student lounge, which she helped design.

ing. Published in the *Proceedings of the National Academy of Sciences* (PNAS), the study was co-authored by Weill's Henning Voss, Ph.D., assistant professor of physics in radiology, and Methodist's Dr. Santosh A. Helekar.

In May Zev Rosenwaks, M.D., the Revlon Distinguished Professor of Reproductive Medicine in Obstetrics and Gynecology, and Linda Applegarth, Ed.D., clinical assistant professor of psychology in reproductive medicine, were featured experts on the NBC *Today Show's* four-part series on fertility, "I Want to Have a Baby." On May 7, lead in-studio guest Dr. Rosenwaks discussed the basics of reproductive medicine in a segment entitled "Fertility 101." On May 10's concluding segment, Dr. Applegarth discussed the psychological challenges of reproduction.

Weill Cornell faculty and researchers garnered many honors during the year. Dr. Joseph G. Hayes, a renowned cardiologist and pioneering advocate for the benefits of information technology in medicine, received the 27th annual Maurice R. Greenberg Distinguished Service Award, the highest honor bestowed by NewYork-Presbyterian Hospital/Weill Cornell Medical Center on a member of its professional staff. Dr. Jean W. Pape, an internationally recognized infectious disease expert, was honored with a Distinguished Service Award from the Global Health Education Consortium (GHEC) in recognition of his "outstanding and dedicated leadership in expanding and enhancing the education of physicians in the field of global health." Dr. Steven S. Gross, a leading authority and pioneer in the pharmacology of the signaling molecule nitric oxide (NO), was selected by the National Heart, Lung, and Blood Institute (NHLBI) to receive a 2007 NIH Method to Extend Research in Time (MERIT) Award, representing the fourth year the college has been selected for the prestigious honor.

New appointments in 2006-07 included the naming of Dr. K. Craig Kent as Greenberg-Starr Professor. Dr. Kent is an internationally recognized authority in vascular surgery. The professorship is named for Maurice R. Greenberg and the Starr Foundation in recognition of their $2 million commitment to endow the position. Dr. Donald J. D'Amico, an internationally recognized leader in the treatment of macular degeneration, disorders of the retina, and diabetes-related eye disease, was appointed chair of the Department of Ophthalmology at Weill Cornell and ophthalmologist-in-chief at NewYork-Presbyterian Hospital/Weill Cornell Medical Center.

Noted educator, administrator, and cardiovascular biologist Dr. David P. Hajjar was promoted to Senior Executive Vice Dean and Executive Vice Provost of Weill Cornell Medical College. Dr. Hajjar is the distinguished dean of Weill Cornell's Graduate School of Medical Sciences in New York City. He is also the Frank H.T. Rhodes Distinguished Professor of Cardiovascular Biology and Genetics, professor of biochemistry, and professor of pathology and laboratory medicine at Weill Cornell and Graduate School of Medical Sciences. Previously, Dr. Hajjar was vice provost and executive vice dean at Weill Cornell.

Cornell University 2006-2007 Financial Report

We are pleased to report a very strong financial year in 2007, which continues to support the University's ambitious strategic goals. The recently ended fiscal year saw an increase in the University's net assets in excess of one billion dollars. Investment returns of 25.9 percent contributed significantly to this year's performance by boosting total assets to a level in excess of $10 billion for the first time. Revenues from gifts and pledges continue to support capital campaign goals, and the University maintains its strategic management of debt through the use of commercial paper and tax-exempt bonds while sustaining a strong credit rating. As we look ahead, we expect the continued support of our faculty, staff, students, trustees, alumni, and others, allowing us to continue to build on our fiscal successes and provide for the future generations of Cornellians.

FINANCIAL STATEMENT FORMAT, NEW STANDARDS AND CURRENT INITIATIVES: ANOTHER BUSY YEAR

Financial Statement Format

The University's consolidated financial statements are used by many constituents: sponsors, donors, parents, students, employees, government agencies, rating agencies, and others. These users benefit from a format that is easy to understand. Toward that end, the University changed its financial statement format for fiscal year ended June 30, 2007 to facilitate comparisons over time and across organizations. In addition, the financial information for the prior fiscal year has been reclassified to conform to the current year presentation. In implementing the new format, which is detailed below, the University followed guidelines from the National Association of College and University Business Officers (NACUBO) and similar organizations.

The University no longer presents its consolidated financial statements using the disaggregation categories of general operations, physical capital, and financial capital. In addition to this change, which affects both the statement of financial position and the statement of activities, accounts receivable have been aggregated on the statement of financial position, and other minor changes have been made to this statement to better reflect liquidity and the nature of the underlying activities. The working capital line of credit is reclassified from bonds and notes payable to deferred revenue and other liabilities. Derivative instruments for managing interest rate risk are reclassified from accounts payable to prepaid expense if the fair market value adjustment at June 30 serves to decrease interest costs, or deferred revenue and other liabilities if the fair market value adjustment serves to increase interest costs.

The most significant change in presentation affects the consolidated statement of activities. This statement now presents operating activities separately from nonoperating activities. Broadly defined, operating activities include income and expenses that are (a) related to the missions of education, research, and public service, and (b) associated with activity substantially within the control of management. Operating income also includes investment return for support of current operations based on the University's payout policy established by the Board of Trustees' endowment spending rules. And, while there is no uniform definition of what constitutes "operations" for higher education, many colleges and universities report an "operating measure" as permitted by the Statement of Financial Accounting Standards 117 (SFAS 117), which is designed to reflect financial performance that is predictive of future results.

Additionally, the university has, in its consolidated statement of activities, combined certain categories in both the operating and nonoperating sections: government appropriations (whether federal or state) are reported as appropriations; interest, dividends, payout, gains, and losses (whether realized or unrealized) are reported as investment return. The investment return distributed as payout is reported in the operating section of the statement of activities; the investment return undistributed is reported in the nonoperating section. The components of income previously reported as other sources were analyzed and classified as either operating income (educational activities and other sales and services) or nonoperating income (other). Additionally, the University now reports payments from New York Presbyterian Hospital as revenues, not as a reduction of expenses. Compensation and benefits were combined into one line item, to reflect the overall costs associated with employment. Also combined were the three separate line items for federal, state, and private grants into grants, contracts and similar agreements. Both direct and indirect cost recoveries for sponsored projects are now reported to provide additional information important for readers.

Nonoperating activities include investment return net of amounts distributed to fund current operations; new gifts for endowments and/or physical plant (primarily buildings); and present-value adjustments to split-interest agreements.

The University has revised certain footnotes and tables to enhance clarity for the readers, consistent with the new financial statement format. In particular, the "Investments at Fair Value" table (see note 3-A) has been revised to disclose information in categories consistent with those often used in the investment community: domestic equity, foreign equity, absolute return, hedged equity, fixed income, private equity, and real estate.

NEW STANDARDS

Financial Standards Accounting Board

The Financial Standards Accounting Board (FASB) has undertaken a comprehensive project on accounting for postretirement benefits. In September 2006, as part of this project, FASB issued Statement of Financial Accounting Standards 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS 158). The statement is effective for fiscal year 2007, and reflects FASB's concern that footnote disclosure does not provide sufficient information for employees and others about the over-funded or under-funded status of employee benefits. The statement requires recording the "funding status" in the financial statements. For fiscal year 2007, Cornell recorded a decrease in net assets for the under-funded liability of $77 million in the consolidated statement of activities. The amount represents the recognition of the liability in compliance with SFAS 158; the increase to the liability for SFAS 158 is recorded in deferred benefits on the statement of financial position. (See notes to consolidated financial statements 1-O and 5-C.)

Auditing Standards Board

The American Institute of Certified Public Accountants (AICPA), through its Auditing Standards Board (ASB), has continued to focus on internal controls and issued Statement of Auditing Standard 112, Communicating Internal Control Related Matters Identified in an Audit (SAS 112), effective for fiscal year 2007. SAS 112 introduces and defines critical terms related to the internal control environment the auditors must evaluate for financial reporting: "control deficiency," "significant deficiency," and "material weakness." In addition, the statement identifies which deficiencies must, by regulation, be communicated, and to whom.

To ensure consistency with the Statement of Auditing Standards, the Office of Management and Budget (OMB) announced a revision to Circular A-133 (Audits of States, Local Governments and Non-Profit Organizations). OMB updated internal control terminology in A-133 to ensure that OMB's terminology is consistent with SAS 112.

Government Regulations and Emerging Issues

Congress continues to focus on exempt organizations, particularly in the committee work of Senators Grassley and Baucus. There is an ongoing concern that the activities of exempt organizations are not sufficiently transparent to the public and regulatory authorities. In response to these concerns, both federal and state agencies are focusing attention on the activities of exempt organizations and vendors who serve them (such as financial institutions serving the student loan market).

Cornell continues to work closely with its peer institutions and professional organizations on issues that affect universities. The Internal Revenue Service (IRS), in response to these efforts, issued a favorable ruling, Rev. Proc 2007-47, addressing federally sponsored research and its impact on private use of facilities financed with tax-exempt bonds. The issue of private use is extremely important, because it can affect the tax exemption of the bonds. The 2007 ruling provides important and favorable clarification: the rights that inure to the federal government under the Bayh-Dole Act for federally sponsored research will generally not create private use.

> "Investment returns of 25.9 percent contributed significantly to this years's performance, by boosting total assets to a level in excess of $10 billion for the first time."

Cornell is working closely with its peers and professional organizations to identify and submit to the IRS their shared concerns about the proposed changes to the annual information return for exempt organizations (i.e., 990). Many of the proposed changes create significant additional administrative burden. Therefore, the goal of this collaboration is to create changes that are acceptable to the IRS and practicable for tax-exempt organizations.

CURRENT INITIATIVES

Ten-Year Financial Plan

Operating measures, reflected in Cornell's new presentation, are important not merely for a particular fiscal year, but are useful in developing projections of future financial results and their impact on cash flows and financial ratios, essential for sound strategic planning.

In fiscal year 2007, Cornell began a comprehensive project to envision and engineer the University's economic profile for the next ten years in an effort to ensure that the University maintains its financial strength while meeting its strategic goals. The preparation of detailed capital and operating budgets, as well as pro forma financial statements for a future ten-year period, should help management make the wisest financial and economic decisions. The ten-year projection, now reported in a format based on an operating measure similar to the consolidated statement of activities, will be reevaluated each year based on actual results and changes in the University's strategic plan.

Financial Systems

The PeopleSoft/Oracle Student Services System began its rolling implementation in fiscal year 2007, and all modules for student services are expected to be implemented by fall 2008. The application, when fully implemented, will provide the structure to manage student services as a whole, including prospect, applicant, admissions, financial aid, and student financials. In addition, the system will provide data delivery through a student data warehouse.

> "In fiscal year 2007, Cornell began a comprehensive financial project to envision and plan the University's economic profile for the next ten years."

Cornell continues to be a key partner in the Kuali Financial System (KFS) Open Source Project. KFS will replace Cornell's legacy mainframe financial system with an up-to-date application. Cornell's Ithaca and Medical College campuses became partners in a parallel effort, the Kuali Research Administration (KRA) Project, to begin planning for the implementation of a research administration system to support the ever-increasing interdisciplinary research between campuses.

FINANCIAL YEAR IN REVIEW

2007 was an extraordinary year; the balance sheet reflects a healthy net asset growth, enhancing the University's strong financial position. The University's net assets increased by $1.3 billion or approximately 19 percent, to over $7.8 billion, with an increase in every net asset restriction classification: unrestricted-22 percent; temporarily restricted-20 percent and permanently restricted-11 percent. These overall results derive from operating and nonoperating activities, with the most significant growth in nonoperating income.

Operating Income:

The University earned $31.4 million from its net operating activities for fiscal year ended June 30, 2007, demonstrating continued financial strength from mission-related activities. However, the 2007 income from operations is 56 percent lower than last year's operating income of $72 million. This decrease in net operating income from prior year is easily identified: operating expenses increased by 4.5 percent and operating income increased by only 2.7 percent. A full understanding of this decrease requires review of specific components of both operating income and expense.

Although overall contribution income increased by 32 percent for fiscal year ended June 30, 2007, the increase is exclusively in nonoperating income. Contributions for operations, in fact, decreased by $52 million from $271.1 million for fiscal year ended June 30, 2006, to $219.1 million for fiscal year ended June 30, 2007. A primary reason is this: in response to Cornell's strategic initiatives for the capital campaign, Cornell's donors have often restricted their gifts to buildings and/or permanent endowment. Gifts with these restrictions are now reported in the nonoperating section of the consolidated statement of activities.

Investment returns that are distributed for operations increased by 17 percent, from $248.3 million for fiscal year ended June 30, 2006, to $290.6 million for fiscal year ended June 30, 2007. The Board of Trustees authorized an increase in payout from the long-term investment pool (LTIP) from $2.30 per unit in fiscal year ended June, 30 2006, to $2.42 per unit for fiscal year ended June 30, 2007. The payout from the pooled balances income fund (PBIF) also increased in 2007. Although some members of Congress have suggested that not-for-profit institutions are spending too little of their investment assets for mission-related activities, this is not true for Cornell or many other research universities.

The revenues from Medical Physicians' Organization increased by $49.5 million, or 12.7 percent. This increase was created by many factors; most significantly an increase in patient visits resulting from both strategic recruitment of faculty and the opening of the Weill Greenberg Center for ambulatory care, a state-of-the-art facility, as well as enhanced operating practices.

LONG-TERM INVESTMENT POOL

Source and applications (in millions)
Beginning market value
Gifts and other additions
Withdrawals
Realized and unrealized gains (losses)
Ending market value
Unit value at year end (in dollars) *

* Unit values adjusted for 2 for 1 unit split on July 1, 1998

Income from grants, contracts, and similar agreements declined by approximately 3 percent, or $15.5 million, caused almost exclusively by reductions in federal awards, a reality that affects not only Cornell, but also many other major research universities. Organizations that track trends in federal research expenditures, such as The American Association for the Advancement of Science, note that, with considerable concern shared by the University, federal expenditures have been flat or declining for the past several years.

Cornell continues to manage its costs effectively, but increases in salaries, benefits, and depreciation create an unavoidable increase in operating expenses. And although the increase in salary and benefit costs this year was only 5 percent (not significantly higher than the annually adjusted Consumer Price Index in 2007), labor costs represent approximately 65 percent of the University's total costs and, therefore, even modest percentage increases create a significant impact on net operating income.

The increase in depreciation expense from $128.2 million for fiscal year ended June 30, 2006 to $147.6 million for fiscal year ended June 30, 2007 is due primarily to the ongoing expansion of Cornell's facilities. In fiscal year 2007, the University placed in service the following major projects: Weill Greenberg Center, West Campus Residence Initiative House #3, West Campus Noyes Community Building, Duffield Hall Fit Out, Bailey Hall, East Hill Office Building, and the Library Annex Storage Module.

Nonoperating Income:

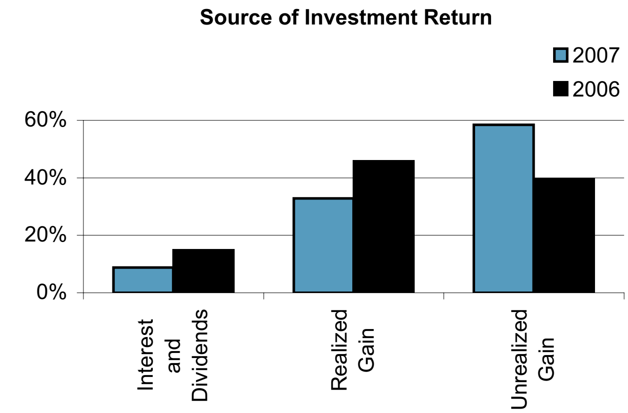
As mentioned earlier, donors continue to provide major support to the University, especially during the capital campaign, now in progress. Contributions for buildings and permanent endowment increased by 132 percent from $138.4 million for fiscal year ended June 30, 2006, to $321.4 million for fiscal year ended June 30, 2007. Many of these gifts are pledges for future payments and, therefore, the increase in contributions has a direct impact on the contributions receivable on the consolidated statement of financial position. Contributions receivable, net of allowances and discounts, increased by 48 percent from $335.6 million for fiscal year ended June 30, 2006 to $495.9 million for fiscal year ended June 30, 2007.

The nonoperating investment return increased by over 103 percent from $448.2 million to $911.5 million. The University's returns clearly outperformed the market. The Dow increased by 20 percent during fiscal year 2007; Cornell's overall investment returns were 25.9 percent. The per-unit value of LTIP shares at June 30, 2007 is $66.62 compared to $55.42 for fiscal year ended June 30, 2006. It is important to emphasize that the 2007 per-unit value now exceeds the previous, post-stock-split, all-time high of $58.16, achieved in 1999-2000.

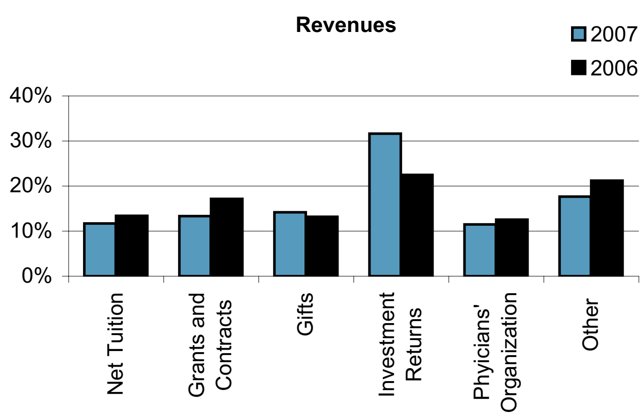
In total, operating and nonoperating investment income was $1.2 billion in 2007, compared to $696.6 million in 2006. The major increase is in unrealized gains, now 58 percent of total return compared to 39 percent in the prior year. In

1997–98	1998-99	1999-00	2000–01	2001–02	2002-03	2003-04	2004-05	2005-06	2006-07
$ 2,043.4	$ 2,427.6	$ 2,760.3	$ 3,288.0	$ 3,043.9	$ 2,750.4	$ 2,720.8	$ 3,070.2	$ 3,623.2	$ 4,180.4
98.9	147.8	146.4	135.4	132.5	124.3	88.9	234.8	202.0	128.7
(32.1)	(40.5)	(55.5)	(84.6)	(110.5)	(128.1)	(116.4)	(37.1)	(33.7)	(125.1)
317.4	225.4	436.8	(294.9)	(315.5)	(25.8)	376.9	355.3	388.9	1013.5
$ 2,427.6	$ 2,760.3	$ 3,288.0	$ 3,043.9	$ 2,750.4	$ 2,720.8	$ 3,070.2	$ 3,623.2	$ 4,180.4	$ 5,197.5
$ 47.65	$ 51.16	$ 58.16	$ 51.85	$ 44.95	$ 42.65	$ 46.51	$ 50.11	$ 55.42	$ 66.62

fact, unrealized gains alone of $702.3 million, at fiscal year ended June 30, 2007, exceed the total investment income for fiscal year ended June 30, 2006, which was $696.6 million.



Nonoperating contributions and investment returns are the primary reasons for the extraordinary performance in 2007. The markets often remind us, as they did shortly after fiscal year-end, that they can be volatile. As our Subsequent Event note 12 discloses, Cornell incurred a loss of approximately $20 million on a fund that liquidated in July due to sudden changes in market conditions.



Financial Position:

Many of the significant changes in the University's consolidated statement of financial position are directly related to operating and non-operating income. Specifically, for fiscal year ended June 30, 2007, there is a 48 percent increase in contributions receivable, a 21 percent increase in investments, and a 13 percent increase in land, buildings, and equipment.

The decrease in deferred revenues and other liabilities of 22 percent, however, is not related to operating or nonoperating income, but primarily to a $23.9 million reduction in the line of credit. This reduction does not signify a shift in strategy about borrowing. The University, because of favorable interest rates, used commercial paper to meet cash flow needs as well as short-term funding for projects. The 14 percent increase in bonds and notes payable reflects the planned, increased use of commercial paper.

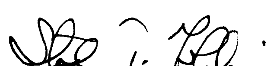
Deferred benefits increased 44 percent, based primarily on the SFAS 158 requirement to record an additional liability of $77.1 million for the unfunded, postretirement benefits. There were also increases in the annual costs for postretirement benefits, vacation accruals, and other benefits that had an impact on the increase in deferred benefits ($260.8 million at fiscal year ended June 30, 2006 compared to $374.6 million at fiscal year ended June 30, 2007).

Summary:

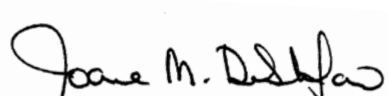
To support the University's key strategic priorities for academic excellence, access to and quality of undergraduate education, global outreach, etc., Cornell continues to align resources with priorities.

Cornell's financial performance in fiscal year ended June 30, 2007 has enhanced the resource base to support strategic initiatives. Net assets increased by 19 percent from $6.6 billion to $7.8 billion during this period, with the greatest percentage increase in unrestricted net assets of approximately 22 percent, from $4.4 billion to $5.3 billion.

To properly align resources and priorities, it is useful to identify resources likely to be under the control of management – generally defined as operating income and expenses. Nonoperating income is affected by external factors less likely to be in management's control. The new financial statement format, by reporting an operating measure, seeks, among other things, to provide better information useful in planning for an effective alignment of resources to priorities.



Stephen T. Golding
Executive Vice President for
Finance and Administration



Joanne M. DeStefano
Vice President for Financial Affairs
and University Controller

MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

The Trustees of Cornell University through its Audit Committee, comprised of trustees not employed by the University, are responsible for engaging independent accountants and meeting with management, internal auditors, and the independent accountants to ensure that all are carrying out their responsibilities. Both internal auditors and the independent accountants have full and free access to the Audit Committee.

David J. Skorton President Cornell University	Stephen T. Golding Executive Vice President for Finance and Administration	Joanne M. DeStefano Vice President for Financial Affairs and University Controller

Independent Auditors' Report

The Board of Trustees
of Cornell University:

We have audited the accompanying consolidated statement of financial position of Cornell University as of June 30, 2007, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2006 consolidated financial statements and, in our report dated September 28, 2006, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cornell University as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in notes 1(O) and 5(C) to the consolidated financial statements, in 2007 the University adopted the provisions of Financial Accounting Standards Board Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans.*

KPMG LLP

Albany, New York
September 20, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2007 (in thousands)

(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2006)

		2007	2006
	Assets		
1	Cash and cash equivalents	$ 27,569	$ 23,089
2	Collateral for securities loaned	346,804	232,455
3	Accounts receivable, net (note 2-A)	247,965	209,125
4	Contributions receivable, net (note 2-B)	495,910	335,625
5	Inventories and prepaid expenses	75,176	62,727
6	Student loans receivable, net (note 2-C)	64,931	63,707
7	Investments (note 3)	6,369,225	5,260,449
8	Land, buildings, and equipment, net (note 4)	2,348,223	2,085,076
9	Funds held in trust by others	103,550	111,752
10	Total assets	$ 10,079,353	$ 8,384,005
	Liabilities		
11	Accounts payable and accrued expenses	$ 245,374	$ 208,066
12	Payable under securities loan agreements	346,804	232,455
13	Deferred revenue and other liabilities	120,210	154,417
14	Obligations under split interest agreements	125,131	103,585
15	Deferred benefits (note 5)	374,557	260,802
16	Funds held in trust for others (note 6)	184,830	93,404
17	Bonds and notes payable (note 7)	800,107	702,064
18	Government advances for student loans	43,875	43,857
19	Total liabilities	2,240,888	1,798,650
	Net assets (note 10)		
20	Unrestricted	5,303,889	4,351,561
21	Temporarily restricted	777,922	646,190
22	Permanently restricted	1,756,654	1,587,604
23	Total net assets	7,838,465	6,585,355
24	Total liabilities and net assets	$ 10,079,353	$ 8,384,005

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

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2006)

		Unrestricted	Temporarily Restricted
	Operating revenues		
1	Tuition and fees	$ 633,387	$ -
2	Scholarship allowance	(189,225)	-
3	Net tuition and fees	444,162	-
4	State and federal appropriations	173,360	-
5	Grants, contracts and similar agreements		
6	Direct	381,003	-
7	Indirect cost recoveries	119,837	-
8	Contributions	91,188	127,948
9	Investment return, distributed	216,355	74,300
10	Medical Physicians' Organization	438,355	-
11	Auxiliary enterprises	134,377	-
12	Educational activities and other sales and services	304,861	-
13	Net assets released from restrictions	130,116	(130,116)
14	Total operating revenues	2,433,614	72,132
	Operating expenses (note 9)		
15	Compensation and benefits	1,620,037	-
16	Purchased services	114,785	-
17	Supplies and general	440,481	-
18	Utilities, rents and taxes	120,853	-
19	Interest expense	30,509	-
20	Depreciation	147,639	-
21	Total operating expenses	2,474,304	-
22	Change in net assets from operating activities	(40,690)	72,132
	Nonoperating revenues and (expenses)		
23	State and federal appropriations for capital acquisitions	25,220	-
24	Grants, contracts and similar agreements for capital acquisitions	6,805	-
25	Contributions for capital acquisitions, trusts and endowments	19,137	149,033
26	Investment return, net of amount distributed	911,254	3,162
27	Change in value of split interest agreements	2,959	3,528
28	Other	21,754	-
29	Net asset released for capital acquisitions and reclassifications	83,022	(96,123)
30	Change in net assets from nonoperating activities	1,070,151	59,600
31	Change in net assets before cumulative effect and effect of adoption of FASB Statement No.158	1,029,461	131,732
32	Cumulative effect of change in accounting principle	-	-
33	Effect of adoption of FASB Statement No.158 (notes 1-O, 5-C)	(77,133)	-
34	Change in net assets	952,328	131,732
35	Net assets, beginning of the year	4,351,561	646,190
36	Net assets, end of the year	$ 5,303,889	$ 777,922

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

Permanently Restricted	2007 Total	2006 Total	
$ -	$ 633,387	$ 593,194	1
-	(189,225)	(177,999)	2
-	444,162	415,195	3
-	173,360	162,839	4
			5
-	381,003	394,082	6
-	119,837	122,273	7
-	219,136	271,170	8
-	290,655	248,388	9
-	438,355	388,871	10
-	134,377	125,975	11
-	304,861	310,999	12
-	-	-	13
-	2,505,746	2,439,792	14
-	1,620,037	1,541,207	15
-	114,785	116,210	16
-	440,481	431,979	17
-	120,853	121,544	18
-	30,509	28,584	19
-	147,639	128,246	20
-	2,474,304	2,367,770	21
-	31,442	72,022	22
-	25,220	25,547	23
-	6,805	15,744	24
153,244	321,414	138,392	25
(2,955)	911,461	448,164	26
5,660	12,147	16,639	27
-	21,754	15,573	28
13,101	-	-	29
169,050	1,298,801	660,059	30
169,050	1,330,243	732,081	31
-	-	(17,192)	32
-	(77,133)	-	33
169,050	1,253,110	714,889	34
1,587,604	6,585,355	5,870,466	35
$ 1,756,654	$ 7,838,465	$ 6,585,355	36

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2006)

		2007	2006
	Cash flows from operating activities		
1	Change in net assets	$ 1,253,110	$ 714,889
	Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities		
	Nonoperating items		
2	Contributions for capital acquisitions, trusts and endowments	(240,231)	(144,342)
3	Gifts in kind	(10,211)	(4,538)
4	Income for endowments and other donor restricted funds	(7,588)	(11,458)
	Non-cash items		
5	Depreciation	147,639	128,246
6	Net realized (gains)/losses on investments	(394,161)	(318,560)
7	Net unrealized (gains)/losses on investments	(702,309)	(274,997)
8	Loss on equipment disposals	5,580	4,105
9	Accretion of bond discount	228	1,367
10	Cumulative effect of change in accounting principle	-	17,192
11	Effect of adoption of FASB Statement No. 158	77,133	-
12	Other non-cash items	(21,619)	(20,007)
	Change in assets and liabilities		
13	Accounts receivable, net	(38,840)	9,328
14	Contributions receivable, net	(160,285)	(23,676)
15	Inventories and prepaid expenses	(13,012)	(14,927)
16	Accounts payable and accrued expenses	37,308	(24,683)
17	Deferred revenue and other liabilities	(34,207)	15,036
18	Deferred benefits	36,622	53,363
19	Government advances for student loans	18	(962)
20	Net cash provided/(used) by operating activities	(64,825)	105,376
	Cash flows from investing activities		
21	Proceeds from the sale and maturities of investments	8,049,830	10,351,677
22	Purchase of investments	(8,036,595)	(10,406,671)
23	Acquisition of land, buildings, and equipment (net)	(406,155)	(340,649)
24	Student loans granted	(15,725)	(15,331)
25	Student loans repaid	14,466	16,932
26	Change in funds held in trust for others	91,426	(5,887)
27	Net cash used by investing activities	(302,753)	(399,929)
	Cash flows from financing activities		
	Resources for long-term purposes		
	Contributions restricted to		
28	Investment in endowments	101,531	73,971
29	Investment in physical plant	116,213	51,538
30	Investment subject to living trust agreements	22,487	18,833
31	Income for endowments and other donor restricted funds	7,588	11,458
	Other financing activities		
32	Principal payments of bonds and notes payable	(117,936)	(278,324)
33	Proceeds from issuance of bonds and notes payable	215,751	402,643
34	Bond issuance costs incurred	(3,324)	(3,312)
35	Change in obligations under living trust agreements	29,748	(13,708)
36	Net cash provided by financing activities	372,058	263,099
37	Net change in cash and cash equivalents	4,480	(31,454)
38	Cash and cash equivalents, beginning of year	23,089	54,543
39	Cash and cash equivalents, end of year	$ 27,569	$ 23,089
	Supplemental disclosure of cash flow information		
40	Cash paid for interest	$ 33,682	$ 25,799

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

1. SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Organization

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

B. Basis of Presentation

The accompanying consolidated financial statements have been prepared on an accrual basis in accordance with U.S. generally accepted accounting principles and presented in accordance with the AICPA Audit and Accounting Guide for Not-for-Profit Organizations (the Guide). The standards for general purpose financial statements of not-for-profit organizations require a statement of financial position, a statement of activities, and a statement of cash flows, and that they be displayed based on the concept of net assets. The Guide requires presentation of revenues, expenses, gains, losses, and net assets in three categories based on the presence or absence of donor-imposed restrictions: permanently restricted, temporarily restricted, and unrestricted.

Permanently restricted net assets include the historical dollar amount of gifts, pledges, trusts, and gains explicitly required by donors to be permanently retained. Pledges and trusts are reported at their estimated fair value on the date of donation.

Temporarily restricted net assets include gifts, pledges, trusts, income, and gains that can be expended, but for which the donor restrictions have not yet been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors or implied by the nature of the gift (e.g., future capital projects, pledges to be paid in the future, life income funds).

Unrestricted net assets are the remaining net assets of the University, including appreciation on true endowments where the donor restrictions are deemed to have been met.

Expiration of donor restrictions is reported in the consolidated statement of activities as net assets released from restrictions. The expiration is recorded as a reclassification from temporarily restricted net assets to unrestricted net assets.

The consolidated statement of activities presents the changes in net assets of the University from both operating and nonoperating activities. Operating activities are primarily revenues and expenses that relate to carrying out the University's educational, research, and public service missions. Operating revenues include investment income and appreciation utilized to fund current operations, the largest portion of which is the distribution of investment payout as determined by the University's spending policy. Nonoperating activities primarily consist of the excess of investment earnings over amounts utilized in operating activities, contributions and net assets released from restrictions for endowment and facilities, and other activities not in direct support of the University's annual operations.

All numbers in the consolidated financial statements and accompanying notes are presented, unless otherwise indicated, in thousands.

C. Cash and Cash Equivalents

The University considers all instruments that bear original maturity dates of ninety days or less to be cash equivalents. The carrying amount of cash equivalents approximates fair value because of the short maturity.

D. Collateral for Securities Loaned

The University has an agreement with its investment custodian to lend university securities to approved brokers in exchange for a fee. The agreement specifies that, to limit the University's risk, the securities on loan must be collateralized by cash deposits. Cash collateral is reported as both an asset and liability of the University. The collateral is invested in short-term securities, and the earnings are recorded as additional income to the investment pools.

E. Contributions

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

F. Investments

The University's investments are recorded in the consolidated financial statements at fair value. The value of publicly traded securities is based upon quoted market prices and exchange rates, if applicable. Nonmarketable securities are recorded at the estimated fair value provided by external investment managers. These investments are generally less liquid than other investments and the values reported by the general partner or investment manager may differ from the values that would have been reported had a ready market for these securities existed. The University believes the carrying amount of these financial instruments is a reasonable estimate of fair value.

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

G. Derivative Instruments and Hedging Activities

The University holds derivative instruments for investment, and records the fair value within the applicable portfolio. The change in the fair value of a derivative instrument held for investment is included in nonoperating investment return in the consolidated statement of activities.

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

H. Land, Buildings, and Equipment

Physical plant and equipment are stated 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 lives of the assets and is reflected as an operating expense. Expenditures associated with the construction of new facilities are recorded as construction in progress until the projects are completed.

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

I. Funds Held in Trust by Others

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

J. Living Trust Agreements

The University's living trust agreements with donors consist primarily of charitable gift annuities, charitable remainder trusts, and pooled income funds 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 trust agreements. Contribution revenue and the assets related to living trust agreements, net of related liabilities, are classified as increases in temporarily restricted net assets or permanently restricted net assets. Liabilities associated with charitable gift annuities and charitable remainder trusts represent the present value of the expected payments to the beneficiaries over the term of the agreement. 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 actuarial assumptions and amortization of the discount are recorded as changes in value of split interest agreements in the appropriate restriction category in the nonoperating section of the consolidated statement of activities.

K. Sponsored Agreements

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

L. Medical Physicians' Organization

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

M. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period. The University uses a discount rate based on Moody's AA rating for calculating present value. Actual results may differ from those estimates.

N. Comparative Financial Information

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

O. Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 158: *Employers' Accounting for Defined Benefit Pension and other Postretirement Benefit Plans* (FAS 158), effective for fiscal year ended June 30, 2007. FAS 158 requires recognition of the funded status of these employee benefit plans on the consolidated statement of financial position as either a prepaid expense or accrued liability. The gain or loss related to recording the funded status in compliance with FAS 158 is presented as a separate line in unrestricted net assets and not as operating income or expense on the consolidated statement of activities. The University recorded an additional liability of $77,133 to reflect the unfunded status of its plans at June 30, 2007.

(dollars in thousands)

In the year ended June 30, 2006, the University, following guidelines issued in FASB Interpretation No. 47: *Accounting for Conditional Asset Retirement Obligations* (FIN 47), recorded a reduction of unrestricted net assets of $17,192, primarily for the estimated costs of future asbestos removal. This adjustment is reflected as a cumulative effect of change in accounting principle in the summarized statement of activities for the year ended June 30, 2006.

P. Reclassifications

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

Q. Income Taxes

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related income pursuant to the appropriate sections of the Internal Revenue Code.

2. RECEIVABLES

A. Accounts Receivable

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

SUMMARY OF ACCOUNTS RECEIVABLE

	2007	2006
Grants and contracts	$ 49,996	$ 43,709
Patients (net of contractual allowances)	75,512	66,278
Student accounts	5,766	4,471
Other	133,146	109,868
Subtotal	$ 264,420	$ 224,326
Less: allowance for doubtful accounts	(16,455)	(15,201)
Net accounts receivable	$ 247,965	$ 209,125

The patient accounts receivable for medical services were comprised of the following at June 30, 2007 and 2006, respectively: commercial third parties 54 percent and 59 percent; federal/state government 14 percent and 12 percent; and patients 32 percent and 29 percent. The other accounts receivable include payments expected from the Dormitory Authority of the State of New York (DASNY) for reimbursement of construction, the New York-Presbyterian Hospital for services provided by the Medical College, sponsoring agencies for grants and contracts, and matured bequests.

B. Contributions Receivable

Unconditional promises to give, or pledges, are recorded in the consolidated financial statements at present value using discount rates ranging from 5 percent to 7 percent. Contributions are expected to be realized as follows:

SUMMARY OF CONTRIBUTIONS RECEIVABLE

	2007	2006
Less than one year	$ 147,653	$ 161,661
Between one and five years	243,849	227,282
More than five years	448,769	60,172
Gross contributions receivable	$ 840,271	$ 449,115
Less: unamortized discount	(318,260)	(95,826)
Less: allowance for uncollectible amounts	(26,101)	(17,664)
Net contributions receivable	$ 495,910	$ 335,625

(dollars in thousands)

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

EXPECTED PURPOSE OF CONTRIBUTIONS RECEIVABLE

	2007	2006
Support of University operations	$ 239,604	$ 231,067
Capital purposes	117,383	40,596
Endowments and similar funds	138,923	63,962
Net contributions receivable	$ 495,910	$ 335,625

At June 30, 2007 and 2006, conditional promises not reflected in the consolidated financial statements, which consist primarily of bequest intentions, were approximately $160,273 and $128,502, respectively.

C. Student Loans Receivable

The University participates in various federal revolving loan programs, in addition to administering institutional loan programs. Loans receivable from students as of June 30 are as follows:

SUMMARY OF STUDENT LOANS RECEIVABLE

	2007	2006
Federal revolving loans	$ 48,225	$ 48,462
Institutional loans	26,498	25,062
Gross student loans receivable	$ 74,723	$ 73,524
Less: allowance for doubtful accounts	(9,792)	(9,817)
Net student loans receivable	$ 64,931	$ 63,707

The allowance for doubtful accounts is for loans in both repayment status and those not yet in repayment status because the borrowers are still in school or in the grace period following graduation.

Due to the nature and terms of student loans, which are subject to significant restrictions, it is not feasible to determine the fair value of such loans.

3. INVESTMENTS

A. General Information

The University's investment holdings as of June 30 are summarized in the following table:

INVESTMENTS AT FAIR VALUE

	2007	2006
Cash and cash equivalents	$ 137,757	$ 181,968
Domestic equities	923,789	929,441
Foreign equities	1,097,843	896,782
Absolute return	519,094	463,693
Hedged equities	1,299,482	980,944
Fixed income	728,462	679,207
Private equities	738,445	545,693
Real assets	892,774	551,556
Other	31,579	31,165
Total	$ 6,369,225	$ 5,260,449

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

Under the terms of certain limited partnership agreements, the University is obligated to make additional capital contributions up to contractual levels. At June 30, 2007 and 2006, the University had commitments of $1,066,802 and $1,083,357, respectively, for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses. The University maintains sufficient liquidity in its investment portfolio to cover such calls.

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

INVESTMENTS POOLS/CATEGORIES AT FAIR VALUE

	2007	2006
Working capital	$ 3,807	$ 22,735
Intermediate-term (PBIF)	609,353	540,290
Long-term investment pool (LTIP)	5,197,503	4,180,389
Separately invested portfolio	478,902	360,682
Pooled life income funds	16,935	17,712
Other	62,725	138,641
Total	$ 6,369,225	$ 5,260,449

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

SUMMARY OF INVESTMENT RETURN

	2007	2006
Interest and dividends, net of investment fees	$ 105,646	$ 102,995
Net realized gains	394,161	318,560
Net unrealized gains	702,309	274,997
Total investment return	$ 1,202,116	$ 696,552
Investment return, distributed	$ 290,655	$ 248,388
Investment return, undistributed	911,461	448,164
Total investment return	$ 1,202,116	$ 696,552

B. Long-Term Investment Pool

The LTIP is a mutual fund-like vehicle used for investing the University's true endowment funds, funds functioning as endowment, and other funds that are not expected to be expended for at least three years. The objective is to achieve a total return, net of expenses, of at least 5 percent in excess of inflation, as measured by a rolling 5-year average of the Consumer Price Index.

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 market values. At June 30, 2007 and 2006, the fair values per unit were $66.62 and $55.42, respectively. The total return on the University's long-term investments, of which the LTIP is the major component, was 25.9 percent for the year ended June 30, 2007. The changes in the fair value and cost of the LTIP and information about its participating units as of June 30, 2007 and 2006 are as follows:

SUMMARY INFORMATION - LONG-TERM INVESTMENT POOL

	Fair value (in thousands)	Cost (in thousands)	Appreciation (in thousands)	Fair value per unit	Number of units
End of year	$ 5,197,503	$ 3,800,321	$ 1,397,182	$ 66.62	78,016,232
Beginning of year	$ 4,180,389	$ 3,426,160	$ 754,229	$ 55.42	75,425,544
Unrealized net gain for year			$ 642,953		
Realized net gain for year			$ 370,533		
Net gain for year			$ 1,013,486		

(dollars in thousands)

The University has a total distribution policy. Under this policy, a distribution is provided from the pool that is independent of the cash yield and investment changes occurring in a given year. This insulates investment policy from budgetary pressures and insulates the distribution from fluctuations in capital markets. Distributions from the pool are approved by the Board of Trustees as part of the financial planning process. The annual distribution is set so that, over time, a sufficient portion of the return is reinvested to maintain the purchasing power of the endowment and provide reasonable growth in support of program budgets.

For the year ended June 30, 2007, distributions for investment payout totaled $185,508 ($2.42 per unit). $167,674 was paid out for the University's operations, and the balance of the distribution in the amount of $17,834 was either returned to principal or distributed to funds held in trust for others. The distribution for the year ended June 30, 2007 was comprised of $44,726 in net investment income and $140,782 paid from accumulated gains. For the year ended June 30, 2006, the investment payout was $168,955 ($2.30 per unit), and was comprised of $45,193 in net investment income and $123,762 paid from accumulated gains.

C. Separately Invested Portfolio, Pooled Life Income Funds, and Other

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

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

Other investments consist primarily of University funds on deposit at DASNY as reserves for retirement of debt and bond proceeds not yet expended. The total funds on deposit are $37,480 and $113,809 as of June 30, 2007 and 2006, respectively. The amount of bond proceeds not yet expended included in the total reserves at DASNY are $21,550 and $77,546 as of June 30, 2007 and 2006, respectively.

D. Derivative Financial Instruments

The University has approved the use of derivatives by outside investment managers, based on investment guidelines negotiated at the time the manager was appointed. They are used to adjust fixed income duration and rates, to create "synthetic exposures" to certain types of investments, and to hedge foreign currency fluctuations.

Certain investment transactions, including derivative financial instruments, involve counterparty credit exposure. The University's investment guidelines require that investment managers use only counterparties with very strong credit ratings for these derivatives. For the years ended June 30, 2007 and 2006, the University recorded an unrealized gain of $2,385 and $5,768, respectively.

4. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are detailed as follows:

LAND, BUILDINGS, AND EQUIPMENT

	Book value at June 30, 2006	Additions	Disposals and closed projects	Book value at June 30, 2007
Land, buildings, and equipment	$ 2,197,336	$ 426,396	$ (7,530)	$ 2,616,202
Furniture, equipment, books, and collections	843,865	73,479	(30,824)	886,520
Construction in progress	435,101	336,297	(419,806)	351,592
Total before accumulated depreciation	$ 3,476,302	$ 836,172	$ (458,160)	$ 3,854,314
Accumulated depreciation	(1,391,226)			(1,506,091)
Net land, buildings, and equipment	$ 2,085,076			$ 2,348,223

Certain properties to which the University does not have title are included in physical assets at net book value as follows: (1) land, buildings, and equipment of the Contract Colleges aggregating $368,215 and $343,018 at June 30, 2007 and 2006, respectively, the acquisition cost of which was borne primarily by New York State and (2) land, buildings, and equipment for which title rests with government and corporate agencies aggregating $17,293 and $21,600 at June 30, 2007 and 2006, respectively.

(dollars in thousands)

5. DEFERRED BENEFITS

A. General Information

Accrued employee benefit obligations as of June 30 include:

SUMMARY OF DEFERRED BENEFITS

	2007	2006
Postemployment benefits	$ 21,765	$ 23,481
Pension and other postretirement benefits	212,066	119,451
Other deferred benefits	140,726	117,870
Total deferred benefits	$ 374,557	$ 260,802

Accrued postemployment benefits include workers' compensation and medical continuation benefits for those on long-term disability. The University also provides various benefits to former or inactive employees after employment, but before retirement, that are recognized when they are earned.

B. Pension and Postretirement Plans

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

The primary defined contribution plans for Endowed Ithaca and for exempt employees (those not subject to the overtime provisions of the Fair Labor Standards Act) at the Medical College are carried by the Teachers Insurance and Annuity Association, the College Retirement Equities Fund, the Vanguard Group (Medical College only), and Fidelity Investments (Endowed Ithaca only), all of which permit employee contributions. Total pension costs of the Endowed Ithaca and Medical College plans for the years ended June 30, 2007 and 2006 amounted to $72,771 and $68,812, respectively.

The Medical College maintains a defined benefit plan for non-exempt employees. The defined benefit plan for exempt employees was frozen in 1976, and the accrued benefits were merged with the active non-exempt retirement plan in 1989.

In addition, certain non-exempt employees of Endowed Ithaca are covered by the Cornell University Retirement Plan for Non-Exempt Employees of the Endowed Colleges at Ithaca (NERP), a defined benefit plan. In June 2006, the Board of Trustees voted to terminate this frozen plan effective December 31, 2006, with all surplus assets inuring to the plan participants. During the year ended June 30, 2007, lump sum payments were made to, or annuity contracts were purchased for, retirees and former employees with a vested benefit in NERP. The settlements totaled $19,281. The University has received authorization from the Internal Revenue Service to proceed with settlements for all remaining plan participants.

In accordance with Employee Retirement Income Security Act (ERISA) requirements for the defined benefit plans, the University must fund annually with an independent trustee an actuarially determined amount that represents normal costs plus amortization of prior service costs over a forty-year period that began on July 1, 1976.

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

C. Obligations and Funded Status

FAS 158 requires employers to recognize the over-funded or under-funded status of defined benefit pension and postretirement plans as assets or liabilities in its statement of financial position. The incremental effect of adopting FAS 158 was an increase in deferred benefits liability of $77,133.

(dollars in thousands)

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

SUMMARY OF OBLIGATIONS AND FUNDED STATUS

	Pension benefits		Other postretirement	
	2007	2006	2007	2006
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	$ 64,846	$ 63,399	$ 101,552	$ 86,010
Actual return on plan assets	7,801	5,083	21,276	10,679
Employer contribution	3,800	900	5,093	4,863
Benefits paid	(4,056)	(4,536)	-	-
Settlements	(19,281)	-	-	-
Fair value of plan assets at end of year	$ 53,110	$ 64,846	$ 127,921	$ 101,552
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	$ 67,721	$ 70,861	$ 314,733	$ 337,159
Service cost (benefits earned during the period)	3,212	3,450	13,660	16,124
Interest cost	4,028	3,543	18,734	17,492
Plan amendments	-	-	-	-
Actuarial (gain)/loss	8,295	(5,597)	(11,435)	(45,837)
Settlements	(19,281)	-	-	-
Benefits paid	(4,056)	(4,536)	(9,596)	(10,205)
Projected benefit obligation at end of year	$ 59,919	$ 67,721	$ 326,096	$ 314,733
FUNDED STATUS				
Funded status	$ (6,809)	$ (2,875)	$ (198,175)	$ (213,181)
Unrecognized net transition obligation	-	-	-	25,510
Unamortized prior service cost	-	-	-	903
Unrecognized actuarial (gain)/loss	-	11,872	-	75,403
Accrued benefit liability recognized in the consolidated statement of financial position	$ (6,809)	$ 8,997	$ (198,175)	$ (111,365)
AMOUNTS RECORDED IN UNRESTRICTED NET ASSETS NOT YET AMORTIZED AS COMPONENTS OF NET PERIODIC BENEFIT COST				
Net transition obligation	-		$ 21,866	
Prior service cost	-		639	
Net actuarial (gain)/loss	5,992		48,636	
Amount recognized as reduction in unrestricted net assets	$ 5,992		$ 71,141	

The accumulated benefit obligation for the pension plans was $46,737 at June 30, 2007 and $55,798 at June 30, 2006. 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.

(dollars in thousands)

D. Net Periodic Benefit Cost

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

NET PERIODIC BENEFIT COST

	Pension benefits		Other postretirement	
	2007	2006	2007	2006
Service cost (benefits earned during the period)	$ 3,212	$ 3,450	$ 13,660	$ 16,124
Interest cost	4,028	3,543	18,734	17,492
Expected return on plan assets	(4,923)	(4,741)	(8,309)	(7,025)
Amortization of initial transition obligation	-	-	3,644	3,644
Amortization of prior service cost	-	-	264	313
Amortization of net (gain)/loss	612	1,280	2,365	7,133
Settlement (gain)/loss	10,685	-	-	-
Net periodic benefit cost	$ 13,614	$ 3,532	$ 30,358	$ 37,681

The amounts of transition obligation, prior service costs, and actuarial gains/losses that will be amortized into net periodic benefit cost for the year ending June 30, 2008 are estimated as follows:

ESTIMATED COMPONENTS OF NET PERIODIC BENEFIT COST

	Pension benefits	Other postretirement
Transition obligation	$ -	$ 3,644
Prior service cost	-	264
Net actuarial (gain)/loss	309	1,382
Total	$ 309	$ 5,290

E. Actuarial Assumptions

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

SUMMARY OF ACTUARIAL ASSUMPTIONS

	Pension benefits		Other postretirement	
	2007	2006	2007	2006
USED TO CALCULATE BENEFIT OBLIGATIONS AT JUNE 30				
Discount rate	6.00%	6.00%	6.00%	6.00%
Rate of compensation increase	6.10%	6.10%		
USED TO CALCULATE NET PERIODIC COST AT JULY 1				
Discount rate	6.00%	5.00%	6.00%	5.00%
Expected return on plan assets	8.00%	8.00%	8.00%	8.00%
Rate of compensation increase	6.10%	6.10%		
ASSUMED HEALTHCARE COST TREND RATES				
Healthcare cost trend rate assumed for next year			8.00%	9.00%
Ultimate trend rate			5.00%	5.00%
Years to reach ultimate trend rate			3	4

The healthcare cost trend rate assumption has a significant effect on the amounts reported for other postretirement (healthcare) plans. Increasing the healthcare cost trend rate by 1 percent in each future year would increase the benefit obligation by $56,988 and the annual service and interest cost by $6,754. Decreasing the healthcare cost trend rate by 1 percent in each future year would decrease the benefit obligation by $45,820 and the annual service and interest cost by $5,297.

(dollars in thousands)

F. Plan Assets

The plan assets for Endowed Ithaca and the Medical College are invested with an outside trustee for the sole benefit of the plan participants. Consistent with that objective, investments are managed to maximize total return while maintaining a prudent limitation on risk.

Risk mitigation is achieved by diversifying investments across multiple asset classes, by investing in high quality securities, and by permitting flexibility in the balance of investments in the permitted asset classes. The expected return on assets was derived based on long-term assumptions of inflation, real returns (primarily historically based), anticipated value added by the investment managers, and expected average asset class allocations. The expected returns on plan assets by category are 9.25 percent on equity securities, 6.00 percent on debt securities, and 7.50 percent on real estate.

Plan asset allocations by category at June 30 are as follows:

SUMMARY OF PLAN ASSETS

	Target allocation	Pension benefits 2007	Pension benefits 2006	Other postretirement 2007	Other postretirement 2006
PERCENTAGE OF PLAN ASSETS					
Equity securities	39-85%	52.0%	61.0%	70.1%	75.0%
Debt securities	15-55%	44.6%	33.0%	29.9%	25.0%
Real estate	0-5%	3.4%	6.0%	0.0%	0.0%
Total		100.0%	100.0%	100.0%	100.0%

G. Expected Contributions and Benefit Payments

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

EXPECTED CONTRIBUTIONS AND BENEFIT PAYMENTS

	Pension benefits	Other postretirement Employer paid	Other postretirement Government subsidy
UNIVERSITY CONTRIBUTIONS			
2008	$ 3,000	$ 5,336	
FUTURE BENEFIT PAYMENTS			
2008	$ 9,190	$ 10,957	$ 1,544
2009	2,778	11,944	1,735
2010	2,841	13,101	1,918
2011	3,478	14,334	2,096
2012	3,727	15,422	2,285
2013-2017	22,309	97,467	14,983

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

H. Contract College Employees

Employees of the Contract Colleges are covered under the New York State pension plans. Contributions to the state retirement system and other employee benefit costs are paid directly by the state. The amounts of the direct payments applicable to the University as revenue and expenditures are not currently determinable and are not included in the consolidated financial statements. The University reimburses the state for employee benefit costs on certain salaries, principally those associated with externally sponsored programs. The amount reimbursed to the state during the years ended June 30, 2007 and 2006, was $17,488 and $17,889, respectively, and are included in operating expenses.

(dollars in thousands)

6. FUNDS HELD IN TRUST FOR OTHERS

The University, in limited instances, invests funds as a custodian for other closely related parties. Independent trustees are responsible for the funds and for the designation of income distribution. The New York Hospital-Cornell Medical Center Fund, Inc., which benefits the New York Weill Cornell Medical Center of the New York-Presbyterian Hospital, is the major external organization invested in the University's long-term investment pool with assets having a market value of $186,461 and $96,824 at June 30, 2007 and 2006, respectively. Of these investments, a portion of the future income stream has been directed in perpetuity to benefit the Medical College. The present value of this income stream, calculated to be $74,141 and $57,241 at June 30, 2007 and 2006, respectively, has been recorded as a reduction of the funds held in trust for others liability.

7. BONDS AND NOTES PAYABLE

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

SUMMARY OF BONDS AND NOTES PAYABLE

	2007	2006	Interest rates	Maturity date
Dormitory Authority of the State of New York (DASNY)				
Revenue Bond Series				
1990B	$ 57,300	$ 57,800	3.04 to 4.05*	2025
2000A	58,320	59,960	2.99	2029
2000B	76,765	78,615	4.63	2030
2004	90,150	92,100	3.51	2033
2006	239,750	248,570	4.00 to 5.00	2035
1993 Student loan bond capital appreciation	-	1,155	n/a	2007
1995 Student loan bond capital appreciation	6,339	8,150	5.80 to 6.15	2008
Tax-exempt commercial paper	89,005	19,205	2.99 to 3.72*	2037
Bond Series 1987B	10,370	11,760	11.11	2012
Taxable commercial paper	86,979	37,791	5.08 to 5.40*	-
Industrial Development Agency				
2000	4,335	5,290	5.00 to 5.25	2011
2002A	42,710	42,780	4.52	2030
2002B	15,390	15,390	4.33	2015
Student Loan Marketing Association	5,340	5,635	5.75 to 6.50	2019
Urban Development Corporation	2,750	2,875	-	2029
Capitalized leases				
312 College Ave	11,296	11,836	various	2020
Other	3,308	3,152	various	2009-2029
Total bonds and notes payable	$ 800,107	$ 702,064		

** Rates presented are the actual rates paid during the year ended June 30, 2007. These rates are variable based on market conditions.*

The University's bonds and notes payable had a carrying amount of $800,107 and $702,064 at June 30, 2007 and 2006, respectively, compared to an estimated fair value of approximately $808,513 and $710,655 at June 30, 2007 and 2006, respectively. The estimated fair value of bonds is based on quoted market prices for the same or similar issues. The market prices utilized reflect the amount a third party would pay to purchase the bonds and not an additional liability to the University. Interest expense during the years ended June 30, 2007 and 2006 was approximately $30,280 and $27,217, respectively. Effective for the year ended June 30, 2007, the University capitalized interest on self-constructed assets, such as buildings, in the amount of $4,218.

(dollars in thousands)

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

Under agreement with DASNY, certain revenues, principally rental income from facilities financed by bond proceeds plus a portion of tuition, are pledged by the University to meet debt service requirements. Also, certain revenue bonds require compliance with an asset-to-liability ratio and an unencumbered securities-to-operating-expense ratio.

The University has eight interest rate swap agreements to exchange variable rate debt for a fixed rate obligation without the exchange of the underlying principal amount. Net payments or receipts under the swap agreements are recorded as adjustments to interest expense. Three of the eight interest rate swap agreements are forward-starting swaps negotiated in the year ended June 30, 2007. Under four agreements in effect at June 30, 2007, the counterparty pays the University a variable interest rate equal to the Securities Industry and Financial Markets Association (SIFMA) index (formerly the Bond Market Association index), and under four other agreements, the counterparty pays a variable interest rate equal to a percentage of the one month London Interbank Offered Rates (LIBOR) rate. Detailed information about the interest rate swaps is shown in the following table:

SUMMARY OF INTEREST RATE SWAPS

Notional amount	Interest rate	Commencement	Expiration date	Basis
$ 78,320	2.99%		October 1, 2007	SIFMA
15,390	4.33%		July 1, 2010	SIFMA
42,710	4.52%		July 1, 2030	SIFMA
76,100	4.63%		July 1, 2030	LIBOR
90,150	3.51%		July 1, 2033	LIBOR
200,000	3.84%	July 1, 2008	July 1, 2037	SIFMA
200,000	3.45%	July 1, 2010	July 1, 2039	LIBOR
200,000	3.48%	July 1, 2012	July 1, 2041	LIBOR

The University continues to issue tax-exempt commercial paper under an agreement entered into in the year ended June 30, 1999. The University amended the agreement in the year ended June 30, 2007, increasing the maximum amount outstanding at any one time from $100,000 to $200,000. In addition, there is no longer a cap on the maximum amount of commercial paper to be issued for the program. The funds may be used for capital projects and equipment purchases for the Ithaca and Medical College campuses.

The University also has a taxable commercial paper program to finance working capital, capital projects, and equipment purchases for the Ithaca and Medical College campuses. The University amended the program in the year ended June 30, 2007, increasing the maximum amount outstanding at any one time from $100,000 to $200,000.

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

ANNUAL DEBT SERVICE REQUIREMENTS

Year	Principal	Interest	Total
2008	$ 25,031	$ 36,703	$ 61,734
2009	22,672	35,326	57,998
2010	23,248	34,264	57,512
2011	23,853	33,077	56,930
2012	24,518	31,752	56,270
Thereafter	680,785	439,120	1,119,905
Total	$ 800,107	$ 610,242	$ 1,410,349

The University increased the working capital line of credit from $75,000 to $100,000 for short-term cash flow needs in the year ended June 30, 2007. As of June 30, 2007 and 2006, the $30,500 and $54,400, respectively, borrowed against the line of credit is recorded as other liabilities in the consolidated statement of financial position.

(dollars in thousands)

8. OPERATING LEASES

Although the University generally purchases, rather than leases, machinery and equipment, the University does enter operating lease agreements for the use of real property. Total lease expense was $18,011 and $15,444 for the years ended June 30, 2007 and 2006, respectively. The future annual minimum lease payments in the following table are payments under operating leases expiring at various dates through November 1, 2054.

ANNUAL MINIMUM OPERATING LEASE PAYMENTS

Year		Payments
2008	$	16,755
2009		15,652
2010		15,259
2011		13,891
2012		11,437
Thereafter		69,897
Total minimum operating lease payments	$	142,891

9. FUNCTIONAL EXPENSES AND STUDENT AID

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

FUNCTIONAL EXPENSES

		2007		2006
Instruction	$	555,434	$	534,837
Research		505,452		497,933
Public service		108,847		105,893
Academic support		236,784		220,012
Student services		111,279		106,667
Medical services		412,270		392,079
Institutional support		360,426		330,948
Enterprises and subsidiaries		183,812		179,401
Total expenses	$	2,474,304	$	2,367,770

The expenses for operations and maintenance of facilities, depreciation, and interest are allocated to functional categories based on square footage. The amount allocated for operations and maintenance was approximately $143,344 and $138,221 for the years ended June 30, 2007 and 2006, respectively.

Student financial assistance, other than assistance in exchange for services, 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 a discount from tuition revenue, not an expense. Total financial assistance classified as instruction expense was $23,401 and $21,463 for the years ended June 30, 2007 and 2006, respectively.

(dollars in thousands)

10. NET ASSETS

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

SUMMARY OF NET ASSETS

	Unrestricted	Temporarily restricted	Permanently restricted	2007 Total	2006 Total
Operations	$ 17,979	$ 391,996	$ -	$ 409,975	$ 444,818
Student loans	7,064	-	30,711	37,775	41,458
Facilities and equipment	1,702,323	154,497	-	1,856,820	1,621,301
Endowment and similar funds	3,576,523	163,741	1,684,469	5,424,733	4,385,161
Living trust funds	-	67,688	41,474	109,162	92,617
Total net assets	$ 5,303,889	$ 777,922	$ 1,756,654	$ 7,838,465	$ 6,585,355

11. CONTINGENT LIABILITIES

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

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

12. SUBSEQUENT EVENT

In July 2007, a hedge fund in which the University was invested was unexpectedly liquidated. The University estimates its loss at approximately $20,000.

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