The Cornell University Report 2007-08

Cornell University

CONTENTS

CORNELL UNIVERSITY HIGHLIGHTS

	2007-08	2006-07	2005-06
Fall enrollment (excluding in absentia)			
Undergraduate	13,510	13,562	13,515
Graduate	4,945	4,727	4,637
Professional	2,191	2,128	2,046
Total fall enrollment	20,646	20,417	20,198
Degrees granted			
Baccalaureate degrees	3,431	3,467	3,534
Masters degrees	1,750	1,713	1,596
Ph.D. degrees	517	526	515
Other doctoral degrees (J.D., M.D., D.V.M.)	369	362	379
Total degrees granted	6,067	6,068	6,024
Tuition rates			
Endowed Ithaca	$34,600	$32,800	$31,300
Contract Colleges			
Resident	$19,110	$18,060	$17,200
Nonresident	$33,500	$31,700	$30,200
Medical Campus	$39,180	$33,775	$32,320
Business	$42,700	$38,800	$36,350
Law	$43,620	$40,580	$37,750
Veterinary medicine	$24,000	$23,000	$22,000
Volumes in library (in thousands)	7,952	7,830	7,709
Academic workforce			
Full-time employees			
Faculty	2,996	2,922	2,982
Nonfaculty	980	985	1,014
Part-time employees			
Faculty	336	334	218
Nonfaculty	213	204	205
Total academic workforce	4,525	4,445	4,419
Nonacademic workforce			
Full-time employees	9,665	9,232	9,032
Part-time employees	851	858	814
Total nonacademic workforce	10,516	10,090	9,846
University Endowment			
Market value of total university endowment (in millions)	$5,385.4	$5,247.0*	$4,385.2
Unit value of Long Term Investment Pool	$65.37	$66.62	$55.42
Gifts received, excluding pledges (in millions)	$409.4	$406.9	$406.7
New York State appropriations through SUNY (in millions)	$170.4	$156.6	$146.1
Medical Physicians' Organization fees (in millions)	$451.4	$438.4	$388.9
Sponsored research volume (in millions)			
Direct expenditures	$365.6	$369.0	$373.6
Indirect-cost recovery	$113.4	$116.0	$119.2
Selected land, buildings, and equipment items and related debt (in millions)			
Additions to land, buildings, and equipment	$860.4	$836.2	$463.4
Cost of land, buildings, and equipment	$4,244.1	$3,854.3	$3,476.3
Outstanding bonds, mortgages, and notes payable	$999.1	$800.1	$702.0

* Number restated

A Message from the President

Dear Cornellians and Friends of the University,

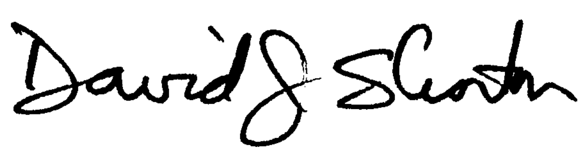
The year that ended June 30, 2008, was remarkable for its successes and its challenges. First, there is much good news to report:

Our Class of 2012 was chosen from the largest applicant pool in Cornell history, and they are already contributing to the university academically, culturally, and through public service and civic engagement. Our faculty, the core strength of the institution, continues to innovate and excel in teaching, discovery, creativity, and outreach and to attract high levels of research funding in a very competitive environment. Our staff colleagues are a critical part of the fabric of excellence at Cornell, and the university again received several awards in recognition of our efforts to create a productive, welcoming environment for all Cornell employees. Despite the challenges of the national, state, and regional economies, the alumni and friends of Cornell continue to be incredibly generous, propelling Far Above … The Campaign for Cornell beyond the $2.25 billion mark on the way to its $4 billion goal.

We have adopted a strategic plan that sets five overarching goals for the university that serve to unite and guide the institution's long-term course as well as specific strategies the university is using to reach them. In addition, we have completed the 2008 Cornell Master Plan for the Ithaca Campus, which provides an integrated framework to guide the campus's long-term physical development.

I invite you to learn more about the ways in which Cornell has demonstrated national and international leadership this year while also positioning itself for continued excellence in its core missions of teaching, research and creative work, and outreach.

Best regards,

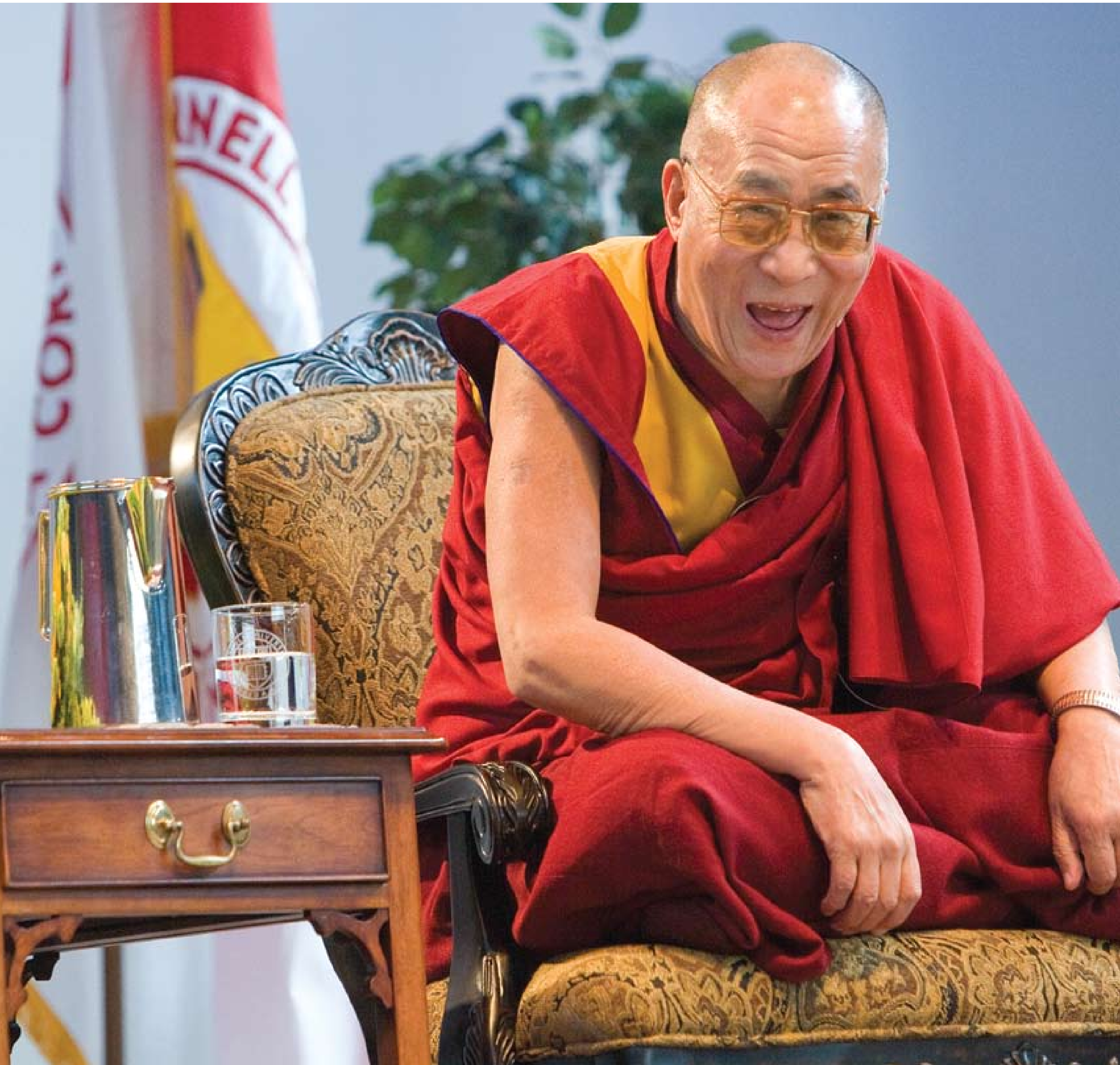


David J. Skorton
President
Cornell University

In October 2007 Cornell was privileged to host one of the world's foremost spiritual leaders, His Holiness the Dalai Lama, whose message of tolerance and peace speaks directly to the moral thinker who resides in each of us whatever our worldview may be. The Dalai Lama's ethos is one to be emulated, given the disturbing increase of high-profile news stories reporting incidents of intolerance across America and right here in Ithaca.

"Let us remember the Dalai Lama's message: We are brothers and sisters, all part of the same humanity."

President David J. Skorton



Major Themes of the Year

Dalai Lama visits Ithaca • President Skorton urges Cornell to help reduce global inequities • new mass casualty unit provides care for up to 100 people • Cornell plans to invest $20 million in the local area • a sweeping new financial aid initiative is announced • Cornell master and strategic plans completed • Weill Cornell Medical College in Qatar graduates first class • victims of China earthquake mourned

Themes

Calling international education and research among the nation's most effective diplomatic assets, President David Skorton told the U.S. House of Representatives Committee on Science that Cornell is playing an active role by increasing its presence around the world. Testifying before the committee in July, Skorton echoed a theme from his first commencement address several weeks earlier, in which he urged Cornell—and higher education in general—to play a role in reducing global inequities.

"I am calling for a new national approach, with university teaching, research, and outreach at its center, to address the socioeconomic inequalities that threaten our nation and the world, and to spur economic growth through innovation and capacity building as the Marshall Plan did 60 years ago through aid and joint planning," Skorton wrote in his 22-page official testimony before the committee.

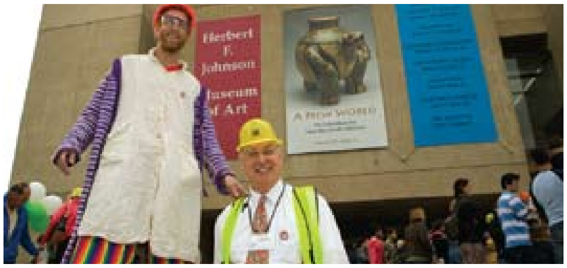
When students arrived in September they added a new task to their to-do lists: log onto "Who I Am" and provide emergency contact information. The new service is part of Cornell's ongoing emergency planning effort. During the course of the year four strategies for notifying students, faculty, and staff were tested: text messaging, voicemail, e-mail, and sirens. In addition, the largest mass casualty unit in Tompkins County was made operational in the fall. The 16-foot-long red trailer carries everything from bandages to generator-powered floodlights and can provide medical care for up to 100 people.

In October President Skorton announced the university's plans to invest $20 million over the next decade in the Ithaca and Tompkins County communities. He outlined six broad areas in which Cornell would work actively with local partners in the years ahead: housing, transportation, economic development, educational services, health care, and the environment. The first projects, to be carried out in 2009, were announced in June.

Investment in Cornell students also received a boost. Building on a long history of need-blind admissions and need-based aid, Provost Carolyn A. "Biddy" Martin announced in January a sweeping new financial aid initiative, starting in 2008–09, to eliminate need-based loans for all undergraduate students from families with incomes under $75,000. Approximately 4,500 students will be affected.

"This initiative will strengthen the economic diversity of our student body and, most important, free our students to pursue studies and careers that match their skills and interests, rather than those that ensure they will be able to repay their loans," noted Deputy Provost David Harris.

Having been named the "Hottest Ivy" by *Newsweek* magazine in August, Cornell announced in



LEFT: Johnson Museum director Frank Robinson, with a tall friend, celebrates the museum's expansion at a community party. RIGHT: The goals of the Tern Restoration Project are to protect, manage, and enhance the breeding population of common (state endangered), roseate (state and federally endangered), and arctic terns (state threatened) on Seavey Island and protect the population on White Island, New Hampshire.

April a record number of applicants for freshman admission. Some 33,011 high school seniors vied for entry into the class of 2012, a 9 percent increase from 2007 and a 17 percent increase from 2006. Those were also record years.

On a visit to New Orleans in March, President Skorton shared a stage at Tulane University with former U.S. president Bill Clinton at the inaugural meeting of the Clinton Global Initiative University (CGI U). Appearing before student leaders from 40 states and 15 countries, Skorton spoke about the obligation of modern universities in closing the economic divide. He also announced that the Cornell Center for a Sustainable Future will be the university's commitment to CGI U. The center will develop practical solutions to the multitude of problems that pose grave threats to present and future human welfare and develop real-world solutions to sustainability problems.

Two visionary planning documents were completed this year. In March, the first draft of Cornell's Campus Master Plan—designed to provide a context for physical changes on campus over the next 25-plus years—was approved by the Board of Trustees. Driven by academic planning priorities, the master plan provides a set of guidelines for locating the university's research, teaching, residential, and recreational priorities and programs. It also offers a campus-wide frame of reference for the university's current capital plan and links local and precinct plan goals to the broader plan. The plan is available at www.masterplan.cornell.edu.

In May, the university released its strategic master plan, envisioning Cornell as "the exemplary, comprehensive research university" of the 21st century. Just eight pages in length (plus a two-page executive summary and 23 pages of appendices comprising plan summaries from every college and administrative unit), the plan sets out Cornell's objectives for building on its stature as a private university with a public mission. The ambitious goals include recruiting exceptional teachers, students, and staff; attracting the best students regardless of their ability to pay; and extending Cornell's role in public service in the United States and around the world. The plan can be viewed at www.cornell.edu/president/strategic-plan.cfm.

A decade ago Cornell set out to become the first American medical school to offer the M.D. degree at an overseas campus. On May 8, 15 newly minted M.D.s received their degrees from the Weill Cornell Medical College in Qatar. The nine women and six men in the inaugural class came from Bosnia, Nigeria, India, Syria, the United States, Israel, and Qatar.

"As these students become practitioners around the world, they have the opportunity to bring medical care to underserved populations and to encourage others to seek medical education," President Skorton noted in his address to the graduates.

A week later the Cornell campus community gathered at Sage Chapel to remember the more than 21,000 victims killed in the magnitude 7.9 earthquake that struck Sichuan province, China, on May 12. "Time is running out," said senior Mimi Yang, a native of the Sichuan province city of Shifang. "It's been four days since the earthquake struck, but there have still been survivors found among the rubble. There is still hope . . . . To all the victims of the earthquake, may you rest in peace."

A new match-making service was created during the year to facilitate research collaboration between Cornell's Ithaca and New York City campuses. The service, one of the resources in the newly designed

LEFT: David Bathrick, the Jacob Gould Schurman Professor of Theatre, Film, and Dance and professor of German studies, has retired after 20 years at Cornell and returned to Bremen, Germany. RIGHT: Students in the Art of Horticulture class pose at the top of the spiral-pathway sculpture they created (and get hosed down in the process) on Cornell's turfgrass plots.

intercampus initiatives web site (http://intercampusaffairs.cornell.edu), allows researchers to enter information about their work and expertise, as well as what they're looking for in a collaborator.

Each semester, members of the Mortarboard Senior Honor Society ask a professor to speak as if it were his or her last time addressing the Cornell community. In his "Last Lecture" delivered in April, President Skorton stressed humility and humanitarianism. Higher education has the potential to enrich lives, he said. Having access to it means we are privileged people with a chance to make a difference. As a leader, he stressed how crucial it is not to be invested in any one point of view. Open-mindedness is the key to successful leadership because, he said, "leaders serve everyone."

As the year drew to a close, the Cornell community discovered it was losing one of its most dedicated faculty members and administrators when it was announced that Provost Martin would become the next chancellor of the University of Wisconsin–Madison, her graduate alma mater. She was to begin her new position in September after 25 years at Cornell. Describing her move as "a great source of pride for the entire Cornell community and a great day for Wisconsin," President Skorton added, "Biddy Martin will bring to her new responsibilities a deep academic sensibility and wealth of experience dealing with the many issues and constituencies that play such a critical role in the life of the university. We will greatly miss her intellect, leadership, and friendship."

Student Life

The West Campus House System continued to expand in 2007–08 with the addition of the William Keeton House. Jefferson Cowie, professor of labor history in the School of Industrial and Labor Relations, was appointed house professor and dean of Keeton House, which was scheduled to open in August 2008. Generous gifts from two alumni this year helped create a vibrant future for students who choose this innovative undergraduate living and learning environment. The first, made by Harold Tanner '52, Board of Trustees chairman emeritus, endows 30 Hunter R. Rawlings III House Fellows affiliated with each of the three houses—Alice Cook, Carl Becker, and Hans Bethe—that opened during Rawlings' tenure as the university's 10th president. The house fellows—faculty and senior staff—provide intellectual stimulation outside the classroom by expanding students' exposure to research, educational, and cultural opportunities through formal programming, mentoring, and casual discussions. The second, a gift of $1.5 million to endow programming, was made by Larry Salameno '66. It provides permanent funding for activities such as guest speakers, field trips, leadership development, social activities, service projects, or even academic courses taught in the West Campus houses.

One such program is the annual interfaith "I believe in . . . Dinner" held at the Alice Cook House in March. The evening's 125 guests were assigned seats so that members of different faiths were next to each other. What followed was an evening of cordial conversation about topics often thought too controversial to discuss harmoniously. The event began as an independent project of Lee Leviter '08 but now is a collaborative effort by a newly formed group, the Interfaith Council at Cornell.

Cornell's graduate students are the focus of a new effort that began to gain momentum this year. The Graduate Community Initiative, presented to the Board of Trustees in March, addresses critical and

LEFT: Apparel design major Mira Veikley '08 admires her creation, "The big bang," one of the creations that could be viewed at the "Wearable Art Display" in Martha Van Rensselaer Hall. RIGHT: Apple fans can choose from more than seven locally available varieties in this vending machine in the Plant Science building.

constant issues in graduate and professional student life at Cornell, taking an integrated approach across schools and disciplines and examining all relevant university services and resources. These include housing, child care, diversity, mental health, transportation and environmental impact, and professional schools and satellite campuses.

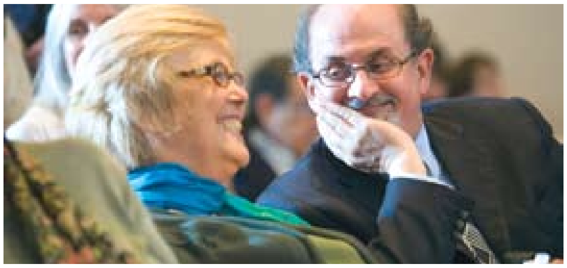
Several new student-run media projects were begun during the year. One project, Slope Radio, a radio station broadcasting around the clock online at http://SlopeRadio.com, has been a huge success. A mix of recorded and live programming includes music, news, comedy, interviews with performers coming to Ithaca, and an "open mic" on Friday nights. Shows are archived and available as podcasts; participation is open to all in the Cornell community. Another student project, the *Cornell International Affairs Review* (CIAR), published its first issue. The journal's mission is to present thoughtful and diverse reflections on forces currently influencing the international community.

Student volunteerism continued to grow in 2007–08. A record number of Cornell students—1,300, up from just 500 two years ago—gave up a Saturday in October to volunteer through Into the Streets at 60 different locations in Ithaca and surrounding communities. Into the Streets is just one of several signature programs run out of the Public Service Center, which saw more than 5,000 students this year participate in public service. Elisabeth Stern, a rising senior in the College of Human Ecology, was awarded the 2008 Howard R. Swearer Student Humanitarian Award by Campus Compact for "extraordinary commitment to improving [her] local and global communities." Stern was recognized for co-founding Cover Africa, a student organization dedicated to reducing the global burden of malaria and organizing a service-learning course on malaria interventions in Ghana. Campus Compact is a national coalition of more than 1,100 college and university presidents committed to fulfilling the civic purposes of higher education.

These and other student efforts were recognized by the Corporation for National and Community Service, which named Cornell to the President's Higher Education Community Service Honor Roll With Distinction. The honor roll is one of the highest federal recognitions a school can achieve for its commitment to service learning and civil engagement. "College students such as those at Cornell are tackling the toughest problems in America, demonstrating their compassion, commitment, and creativity by serving as mentors, tutors, health workers, and even engineers," says David Eisner, CEO of the Corporation for National and Community Service. "They represent a renewed spirit of civic engagement fostered by outstanding leadership on caring campuses."

With generous alumni support, Gannett Health Service and the Dean of Students Office furthered the campus-wide approach to mental health that saw so much national media attention in 2007–08 in such outlets as CNN, the *Wall Street Journal,* and the *New York Times*. These new gifts are helping the expansion of "gatekeeper" educational opportunities delivered live, online, and in print including systematization of gatekeeper education programs for students; development of mental health handbooks for faculty and staff members, parents, and students; development of a training video for modeling how to talk with students in distress; and creation of a train-the-trainer module.

The always challenging task of entering and track-



LEFT: Molly Hite, professor and chair, Department of English, and Salman Rushdie share a light moment before Rushdie's reading in Uris Auditorium. RIGHT: Angela Y. Davis speaks with Africana Center faculty before her lecture "The Prison: A Sign of U.S. Democracy?"

ing student data continued to improve during the year. Student records are now contained on a single database called STARS (System for Tracking Administrative Records for Students). The conversion to STARS has been under way since December 2005. It replaces more than 20 separate home-grown computer systems, some as many as three decades old. The new software will empower students, eliminating standing in long lines and providing data to help them make decisions about their courses and finances. It will even give them alerts about things they need to do.

It was a banner year for Cornell athletics, as Big Red teams won Ivy League titles in men's and women's basketball, women's outdoor track and field, men's indoor and outdoor track and field, men's lacrosse, men's lightweight rowing, and wrestling. It was the women's basketball team's first Ivy League championship ever. They fell to No. 1 seed University of Connecticut in the first round of the NCAA tournament. The men's team, winning their first Ivy title in 20 years and undefeated in league play, entered the NCAA tournament as a No. 14 seed and lost to third-seeded Stanford, also in the first round. Both Ivy Basketball Players of the Year were Cornellians—Louis Dale and Jeomi Maduka. Maduka was also Ivy Player of the Year for indoor and outdoor track and field, and an All American in track and field. For the second year in a row Cornell had a national champion in track and field—senior Muhammad Halim placed first in the outdoor triple jump and was named Ivy Player of the Year for men's indoor track and field. Adam Seabrook was named Ivy Player of the Year for men's outdoor track and field. Jordan Leen won the NCAA wrestling title at 157 pounds. For the third year in a row Cornell won a national title in Lightweight rowing, and the Men's Lightweight rowing made the quarter finals of the Henley Temple Challenge Cup.

Far Above ... The Campaign for Cornell

Since the launch of Cornell's historic $4 billion campaign in October 2006, Far Above ... The Campaign for Cornell has catalyzed passionate involvement and leadership from Cornell's alumni, parents, and friends. Their commitment led to the university's achieving its second best year of fundraising. In FY08, new gifts and commitments to Weill Cornell and to the Ithaca campus totaled $614.1 million, while the Ithaca campus garnered $46.7 million, the capstone of an extraordinary and record-breaking year. Overall, the university has raised $2.246 billion toward its goal as of June 30, passing the halfway milestone.

The inspiring generosity of Cornell's alumni, parents, and friends was more than matched by their boundless generosity of spirit. In November 2007 Madison Square Garden sold out seats for Cornell's "Red Hot Hockey" game against archrival Boston University, with Big Red enthusiasm dominating the arena, if not the final score. "Big Red in the Big Apple," a campaign event held in New York City in January 2008, brought together more than a thousand regional Cornellians for a faculty panel; an evening celebration at Cipriani, which was ingeniously transformed with signature Cornelliana; and a morning of volunteer service projects at community agencies throughout Manhattan and its boroughs. Similar campaign events are planned for San Francisco and Washington, D.C., in the coming year.

The year's fundraising also set other new records. It was the best fundraising year ever for the humanities, with $48 million in gifts that included the largest gift to the humanities in the university's history. The College of Veterinary Medicine received

LEFT: Professor Susan McCouch makes a point with Professor Eswar Prasad, Professor Daniel Huttenloccher, and Provost Biddy Martin during the Meeting of the Minds panel discussion in New York City. RIGHT: The Kusun Ensemble, a group of musicians and dancers from Ghana, West Africa, perform at the Afrik! Fashion Show at the Johnson Museum.

the largest gift in its history as a result of Janet Swanson's gift for new equipment and wildlife health and shelter medicine. Martin Tang '70 issued a generous $3 million challenge for the creation of new international student scholarships, the largest of its kind. In addition, FY08 was a record-setting year for new Tower Club memberships. In addition, the university's major financial aid initiative, announced in January, has resulted in significant new gifts in support of undergraduate scholarships, with several large gift confirmations pending.

Contributing to the year's success, the Cornell Annual Fund raised $21.5 million this year, a 17 percent increase over FY07. More than 31,100 alumni, parents, and friends contributed to the fund in FY08, representing an increase of 8 percent over FY07. Over the last five years, total gifts to the Annual Fund have increased by 100 percent, doubling the dollars raised. Since the public announcement of the campaign in 2007, the Annual Fund has already grown by 50 percent.

Finally, in order to continue to build momentum for the campaign and beyond, the Division of Alumni Affairs and Development has undertaken a comprehensive long-term planning process focused on strategic growth. Phase One of a division-wide plan was implemented throughout the spring, with opportunities for staff-wide input and feedback. Six areas were reviewed: pipeline development and prospect management, training and professional development, volunteer engagement and leadership, human resource framework, recognition, and infrastructure. During Phase Two, which is already under way, AAD will focus on carrying out recommendations developed during Phase One and plan for sustainable, long-term organizational growth.

Cornell in New York City

Cornell's New York City programs continued to grow in 2007–08. The success of the quarterly "Inside Cornell" luncheons continued with Jeff Hancock, associate professor of communication; Valerie Reyna, professor of human development and psychology; and Janis Whitlock, director of the Cornell research program on Self-Injurious Behavior in Adolescents and Young Adults. Attendees of the media luncheon included *Teen Vogue, Cookie* magazine, *Vanity Fair*, ABC News, CBS Radio, *Working Mother, Woman's Day*, NPR, *Psychology Today, Ladies Home Journal,* the *New York Times*, and *Newshour with Jim Lehrer*. Direct media coverage of these speakers occurred with NPR, ABC News, and the *New York Times*. The ABC feature of Professor Hancock was picked up and carried by half of the monitor-equipped taxi cabs in New York City. The inaugural Presidential Media Luncheon was held in April. President Skorton was joined by President John Sexton (N.Y.U.) to discuss the current climate in higher education and endowment. Media attendees included the *New York Times, Newsweek, Newsday*, and *BusinessWeek*.

Cornell celebrated the Sixth Annual Poem In Your Pocket Day (PIYP) by partnering closely with New York City mayor Michael Bloomberg's Office of Cultural Affairs and the Bryant Park Corporation for the second year. Cornell M.F.A. students and WCMC medical doctor Carlyle Miller read original works at the Bryant Park Poetry Reading. One thousand Cornell student poetry and art books created for PIYP were produced and distributed to New York City students. Every student at Cornell partner school Food and Finance High received the books.

The American Museum of Natural History is exhibiting "Saturn: Images from the Cassini-Huygens Mission," along with associated graphics and a

LEFT: Poet Maya Angelou speaks during Senior Convocation in Schoellkopf Stadium. RIGHT: A view inside Weill Hall, the new life sciences technology building, which opened in July 2008.

quarter-scale model of the spacecraft. The exhibit, which opened April 26 and will be in place until March 29, 2009, was curated by Joe Burns, Irving Porter Church Professor of Engineering and member of the Cassini imaging team.

The 92nd St. Y featured two Cornell faculty members: Philson Warner, extension associate with Cooperative Extension–NYC, was the guest speaker in February for the adult education series "Mysteries of Science." In November, Professor Jim Bell, astronomy, was the guest speaker for the "On the Brink" series, an enrichment program for urban high school students.

Professor Bruce Levitt, Theatre, Film, and Dance, brought *The Puppetmaster of Lodz*, a play by Romanian playwright Gilles Segal, to New York City in December. Under his direction the play, with four actors and more than a dozen puppets, had a very successful run at the Arclight Theatre.

ILR saluted the arts during its "New York: The State of the Arts" conference in November. A panel of studio and union executives, producers, not-for-profits, and the New York State governor's office discussed current artistic challenges and gains published in "New York's Big Picture" (a report co-authored by ILR-NYC, Department of City and Regional Planning, and the Fiscal Policy Institute.)

Rounding out the third in a series of multicultural conferences and exhibitions hosted by AAP—"Portugal Now: Country Positions in Architecture and Urbanism"—convened representatives of several up-and-coming architecture firms in addition to well-known architect João Luis Carrilho da Graça.

Last fall Cooperative Extension–NYC initiated "The Strength Through Diversity—Young Professionals Leadership Program" (NYCLP). NYCLP is a joint project with the New York City Department of Youth and Community Development, New York Tolerance Center, and the American Friends of Israel League. The inaugural group of 35 young professionals from private and public institutions such as the United Nations, Council on Foreign Relations, Department of Youth and Community Development, Goldman Sachs, and Time Warner met twice a month for six months to confront critical issues in New York's multicultural society.

In sporting news, close to 13,000 Big Red fans were at Madison Square Garden Thanksgiving weekend to witness Cornell men's hockey team take on Boston University. In March, women's basketball fans cheered the Big Red to the NCAA tournament at Columbia University.

Government Relations

This was a critical year for government and community relations: New York governor Eliot Spitzer was forced to resign before the end of his first term, creating uncertainty in state government and in the state higher education community; President Skorton announced a 10-year, $20 million initiative outlining areas in which the university would work actively with local partners to support the needs of the university's faculty, staff, and students in Tompkins County; and at the federal level, a presidential election and congressional politics brought budget and legislative action to a virtual standstill.

However, important strides were made in efforts to secure sufficient funding to begin construction

LEFT: Dragon Day 2008: Students in the College of Architecture, Art, and Planning burn the "dragon" in the Arts Quad after marching through campus in their annual parade. RIGHT: President Skorton makes a point during the opening plenary session of the inaugural meeting of the Clinton Global Initiative University, at Tulane University in New Orleans.

of the USDA/Agriculture Research Service Center for Grape Genetics Research at the Cornell Agriculture and Food Technology Park at Geneva. After New York State included $10 million for this project in the 2008–09 budget for the Department of Agriculture and Markets, Cornell undertook an intense and comprehensive lobbying campaign to secure the remaining federal funds in the 2009 federal budget. President Skorton; Andrew Tisch, chair of the Trustee Committee on Governmental Relations; Patrick Hooker, chair of the New York State Department of Agriculture and Markets; and leaders of the national grape and wine industry all made visits and personal appeals to lawmakers in support of the center.

Meanwhile, President Skorton assumed an even greater leadership role in Washington, D.C., lending a strong voice to the national discussion of higher education policy and issues. In early spring 2008 he took the lead on behalf of the higher education community when he met with Senator Charles Grassley (R-Ia.), ranking member of the Senate Finance Committee, to discuss proposed legislation that would have an impact on university endowments. And he kicked off a discussion meeting between a handful of university presidents and members of the Senate Republican Conference on the importance of federal funding for university research.

On Capitol Hill, the Office of Government Relations has taken a leading role in efforts to explain to lawmakers the unintended consequences that proposed updates to the False Claims Act pose for research universities, academic medicine, and faculty medical practices. We were also a key participant in the successful campaign to roll back a 10 percent cut to the reimbursement for doctors' fees paid by Medicare.

And in the international arena, Stephen Philip Johnson, vice president for government and community relations, represented Cornell at the Business University Forum of Japan, where he gave two presentations on the role of universities as engines for innovation and economic development.

The 2007–08 academic year was one of significant transition for Cornell's relationship with the state owing to key changes in personnel. Changes in leadership from the executive office to the State University of New York (SUNY) administration created challenges for higher education in New York State. As New York's land-grant university, Cornell relies on the state as an important funding source and partner. During 2007–08 the national and state economies slowed, resulting in mid-year budget reductions from the state and pessimistic budget forecasts for the coming year.

The Commission on Higher Education, created by Governor Spitzer and chaired by Cornell president emeritus Hunter Rawlings, issued a report recommending substantial increases in state investments in higher education and research. The state budget enacted in April 2008 contained long-sought capital funding for Stocking Hall (food science) and increases for statutory college operations. In his first major action upon taking office in March, New York governor David Paterson responded to the worsening fiscal situation by reducing all state spending and lowering expectations about what state government will be able to do. President Skorton, along with other administrators and faculty, worked throughout the year with government officials and SUNY leaders to highlight the import of higher education to the residents of the state and New York's economic future.

LEFT: Claire Shipman, senior correspondent from ABC's *Good Morning, America* was the Spencer T. and Ann W. Olin reunion speaker in Bailey Hall at Cornell Reunion 2008, held in June. RIGHT: Students work on the 2007 solar house in Washington, D.C.

On the good news front, construction began in the spring on the New York State Animal Health Diagnostic Center (AHDC). The $80 million center, located at the College of Veterinary Medicine, will be built with a $56 million grant from the state of New York. The new center will provide enhanced capabilities to improve the health of food- and fiber-producing animals, companion animals, exotic animals, and wildlife and to advance public health through the diagnosis and control of zoonotic diseases.

During the past academic year, the Office of Community Relations played a key role in developing, announcing, and rolling out President Skorton's $20 million investment in local affordable housing and transportation infrastructure initiatives. This important development will first and foremost assist Cornell students, staff, and faculty and by extension the community at large.

Community Relations has continued to connect campus and area leaders around three important Cornell initiatives: Cornell's Master Plan, the transportation-focused Generic Environmental Impact Statement (t-GEIS), and a new version of an Economic Impact Statement designed to include data from Ithaca College and Tompkins Cortland Community College and reflect the important role higher education has in the local economy.

Community Relations continues to play vital town-gown liaison roles in a number of high-profile Cornell-related projects, including Milstein Hall, an expanded university health facility, the transfer of ownership of University Avenue from the city to Cornell, a new monitoring plan for southern Cayuga Lake, the rowing and sailing centers, Collegetown revitalization, and many other building projects, both big and small, like the Plantations Welcome Center.

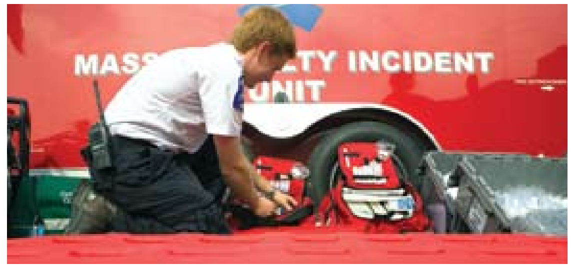
The office also continued to build on relationships within the community through Community Relations' oversight of the University Neighborhoods Council, Collegetown Neighborhood Council, and the Campus-Community Coalition, all designed to enhance town-gown relations. A steadily evolving partnership with the Office of the Associate Provost for Outreach, particularly regarding the area's public schools and resource sharing, brought new opportunities as well.

Community Relations was instrumental in facilitating community discussions and actions on issues of race and class through President Skorton's Local Leaders of Color meetings, as well as through active leadership and participation in a Chamber of Commerce collaboration with other major businesses and higher education institutions. As part of this effort staff recruited talent and wrote copy for an important series of public service announcements aired on five local radio stations, which received a high-profile award from the New York State Broadcasters Association.

Finally, Community Relations expanded its own outreach efforts with a new local cable access show that complements a staff-generated column now running twice a month in the local newspaper.

Research

After receiving its first fresh, full coat of paint in more than 40 years, Arecibo Observatory made its first observation in more than six months at 6:36 a.m. on Saturday, December 6. The telescope focused on the asteroid 3200 Phaethon, which travels closer to the sun than any other numbered asteroid—about twice as close to the sun as the planet Mercury. Studying the properties of near-Earth asteroids is one of dozens of projects under way in the now fully operational observatory.



LEFT: U.S. Secretary of Energy Samuel W. Bodman '61 announces the winners of the 2007 Solar Decathlon In Washington, D.C. RIGHT: Alec Johnson '08, Cornell University Emergency Medical Service director, looks through a triage bag outside the new Mass Casualty Incident Unit.

Cornell has been awarded a $26.8 million grant from the Bill and Melinda Gates Foundation to launch a broad-based global partnership to combat Ug99, a virulent new wheat stem rust type that poses a serious threat to global food security. Wheat, which is one of the world's primary food staples, accounts for about 30 percent of the world's production of grain crops. Scientists estimate that 90 percent of all wheat varieties planted around the globe are susceptible to this deadly disease. The partnership of 15 institutions will focus on developing improved rust-resistant wheat varieties to protect resource-poor farmers as well as consumers from catastrophic crop losses.

A new $6 million Biofuels Research Laboratory will occupy the entire east wing of Riley-Robb Hall by January 2009. The laboratory will convert perennial grasses and woody biomass into cellulosic ethanol and other biofuels. Because biofuels is an emerging program for the whole university and the demand for trained biofuel engineers is skyrocketing, the new lab will be shared by faculty and students from across campus.

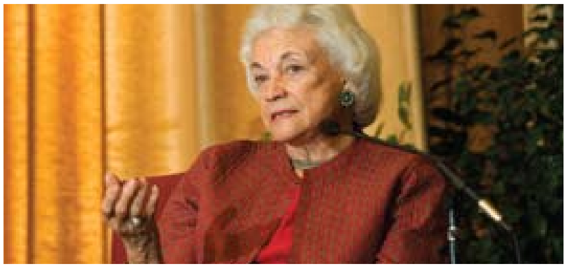
A new electron microscope installed in Duffield Hall is enabling scientists for the first time to form images that uniquely identify individual atoms in a crystal and see how those atoms bond to one another. In conventional electron microscopes different atoms appear as different shades of gray. In this microscope, which takes colored pictures, each colored atom represents a uniquely identified chemical species. One important application will be to aid researchers in their development of new materials to use in electronic circuits, computer memories, and other nanoscale devices.

In one of the first studies to look at the effects of trauma on the brains of healthy adults, Barbara Ganzel, a postdoctoral fellow in the College of Human Ecology, found that healthy adults who were close to the World Trade Center during the terrorist attacks on September 11, 2001, have less gray matter in key emotional centers of their brains compared with people who were more than 200 miles away. In a preceding study she found that people living near the World Trade Center on 9/11 have brains that are more reactive to such emotional stimuli as photographs of fearful faces. Together the studies give scientists clues about the biology underlying the known vulnerability to mental health disorders exhibited years after a traumatic event.

The U.S. legal system has long assumed that some witnesses, such as adults, are more reliable than others, such as children. But studies by professors of human development Valerie Reyna and Chuck Brainerd suggest that children, in fact, are less likely to produce false memories and, therefore, are more likely to give accurate testimony when properly questioned. The researchers say that children depend more heavily on a part of the brain that records "what actually happened," while adults depend more on another part of the mind that records "the meaning of what happened." As a result, they say, adults are more susceptible to false memories, which can be extremely problematic in court cases.

Human Resources

In keeping with the goal of the university's strategic plan to ". . . recruit, retain, and support a diverse and talented faculty, staff, and student body," the Division of Human Resources initiated several programs during 2007–08 that made Cornell more



LEFT: Sandra Day O'Connor, retired U.S. Supreme Court Justice, participates in an open dialogue with Cornell provost Biddy Martin on women in leadership. RIGHT: Students from Professor Bill Miller's Herbaceous Plant Materials course spent a chilly afternoon laying the groundwork for a bulb labyrinth at the Department of Horticulture's Bluegrass Lane Research Center.

accessible to prospective candidates and new hires, and made it easier for current employees to network, meet their personal responsibilities, and develop as leaders. The national workplace awards garnered recently are evidence that these and other enhancements are moving the university in the right direction.

The need to recruit a diverse workforce will be a major priority over the next decade, with Cornell expecting to replace 600 retiring faculty and 2,500 retiring staff. To aid in recruitment, Cornell held an employment career fair in August 2007. Over 380 job seekers talked with representatives from Cornell's colleges and units, leading to 46 hires. Eight of these were under-represented minorities.

Just as critical as successful recruitment is the retention of those who have been recruited. A new hire's first impressions of Cornell after accepting a position correlate to that retention. In 2007, a new university-wide orientation process was launched. A monthly orientation program, opened by one of Cornell's senior executives, introduces new hires to Cornell's culture, resources, services, and Ithaca campus. Additionally, newly hired staff and faculty may now enroll online in many benefits; an in-person weekly benefit session is also held for those enrolling in the NYS retirement and health plans.

Key to long-term workforce diversification are the opportunities for networking. To promote these opportunities, Cornell held the second Women of Color and first Men of Color roundtable on May 6, 2008, with keynote addresses by Naomi Cottoms, executive director of a rural health network; Mary Olson, community organizer for marginalized citizens in rural Arkansas; and Ronald Walters, nationally recognized author, scholar, and political analyst.

This past year the Division of Human Resources and Cornell University Finance and Administration (CUFA) partnered to develop a new leadership curriculum of six programs, including the ongoing Harold D. Craft Leadership Program and a new capstone program, Leading Cornell, that blends workshop content with actual university projects.

Cornell continues to promote the well-being of staff, faculty, retirees, and their families. In 2007, the university launched the Cornell Program for Healthy Living, providing incentives for participants to pursue a wellness lifestyle and for primary care physicians to manage patient wellness planning. Over 900 Cornell employees and their dependents joined the CPHL in its first year. The Wellness Program has seen a 21 percent increase in staff, spouse/same-sex partner, and retiree memberships over last year, with 2,366 staff, faculty, and retirees having joined as of June 5, 2008.

Perhaps Cornell's most visible commitment to working families is a new child care center, slated to open in August 2008. The center will accommodate 158 children: 48 infants, 50 toddlers, and 60 preschool-age children.

These life/work initiatives, benefiting people of all ages and family structures, have been recognized at the national level. Cornell has been named an Exemplary Voluntary Efforts recipient by the U.S. Department of Labor in 2007; a top non-profit employer for women executives by the National Association for Female Executives in 2008; one of the 100 best employers for working mothers by Working Mother Media in 2006 and 2007; the 50 best companies for prospective parents by *Conceive Magazine* in 2008; the 100 best adoption-friendly workplaces by the Dave Thomas Foundation for Adoption in 2007 and 2008; the 50 best employers for workers over 50 by

LEFT: Speciosa Wandira, former vice president of Uganda, meets with Cornell Institute for Public Affairs students in the Einaudi Center at Uris Hall. RIGHT: Stephen Colbert, comedian and actor, stands with the Big Red Bear before his performance in Barton Hall. Colbert has a self-professed fear of bears.

the American Association of Retired Persons in 2005, 2006, and 2007; and *Computer World*'s 100 Best Employers for Information Technology Professionals in 2007 and 2008.

Cornell Cooperative Extension (CCE)

As New York's land grant university, Cornell's mission extends beyond campus and classroom to communities across the state. Supported by Cornell University, a federal, state, and local government partnership, and a national land grant system, CCE's professional staff helps residents build a stronger New York through research, outreach, and education.

More than ever, Cooperative Extension's mission and resources are relevant to local and national concerns. Climate change, increasing energy costs, and rising rates of obesity, among other challenges, all point to the need to strengthen and support sustainable approaches to food production, child and family nutrition, environmental health, and community and economic vitality.

Reappointed for a second five-year term as director of CCE in 2007, Helene Dillard addressed the system's capacity to help New Yorkers improve their communities in her 2008 State of Extension address on March 13, 2008. The presentation highlighted CCE's work in 2007 and promoted ongoing efforts to foster community-based partnerships that will benefit the state's diverse communities as CCE approaches its centennial year in 2011.

The director also urged stakeholders to think statewide and act locally to maximize the impact of community-based initiatives in CCE's five priority program areas: Agriculture and Food Systems; Children, Youth, and Families; Community and Economic Vitality; Environment and Natural Resources; and Nutrition and Health.

Through the Local Food Working Group (LFWG), created in 2007, CCE enhanced its local and regional ability to help New York work toward a sustainable food system with increased consumption of locally produced food and farm products. A 13-member alliance of campus and community partners, the LFWG develops and implements strategies to strengthen and effectively communicate CCE's role in creating, supporting, and sustaining statewide community-based food systems.

In a special collaboration between the 4H Youth Development Program and Cornell's Department of Entomology, CCE launched the Ladybug Project, a citizen science program targeting hard-to-reach youth from rural and suburban schools. Funded by the National Science Foundation, the project uses ladybugs to illustrate ecological concepts and topics, such as invasive species, biodiversity, and conservation, through activities that connect culture and science. The project also supports extension's commitment to the 4H Science, Engineering, and Technology (SET) Program, an initiative to address America's critical need in the sciences.

CCE's Community and Rural Development Institute (CaRDI) partnered with Cornell's Department of Development Sociology and CCE associations in Genesee and Chautauqua counties to develop the Rural Learning Network of Central and Western New York, a 15-county effort to address community and economic development issues vital to rural communities in the central and western areas of the state. Local CCE associations have capitalized on the network's knowledge-sharing capacity to initiate discussions about consolidating municipal services for renewed efficiency in the region.

In 2007, CCE also enhanced its ability to carry out statewide invasive species work designed to prevent

Students cross the Thurston Avenue bridge, which officially opened in October after a major renovation.

destructive, non-native plant and animal species from damaging the environment. Recognized as one of the premier aquatic invasive species outreach efforts in the nation, Cornell's New York Sea Grant Extension Program joined the New York State PRISM (Partnerships for Regional Invasive Species Management) collaboration, and it facilitates CCE's comprehensive approach to protecting New York from a wide variety of threats to its environment.

The system continues to affirm its support for a coordinated, statewide effort to help children avoid unhealthy weight gain. In partnership with Cornell's College of Human Ecology's Division of Nutritional Sciences, CCE initiated the Collaboration for Health, Activity, and Nutrition in Children's Environments (CHANCE) Program, which serves the state's limited-income families. Based on an ecological model that recognizes the role of the environment in shaping behavior, CHANCE emphasizes the importance of parents and other community members working together to create environments that encourage healthy choices. It is a pilot project of the Expanded Food and Nutrition Education Program (EFNEP) in New York State and in 2007 was implemented in New York City and Jefferson, Monroe, Suffolk, and Tompkins counties.

Weill Cornell Medical College

"At a time of ongoing and even escalating world tensions, the Weill Cornell Medical College in Qatar (WCMC-Q) is a most positive achievement far beyond the world of medical education," President Skorton said in his address to the 15 students who received their M.D.s during the WCMC-Q's first commencement ceremonies on May 8 in Doha. The graduation ceremony marked a milestone in American higher education, as Weill Cornell Medical College in New York City became the first U.S. medical school to grant its M.D. degree on foreign soil. The nine men and six women represent seven different nationalities.

"We are immensely proud of our first group of WCMC-Q graduates," said Antonio M. Gotto, Jr., dean of Weill Cornell Medical College. "I am confident these exceptional young doctors will provide excellent patient care, engage in important medical research, and help to share their experience and knowledge with their peers and colleagues in Qatar or wherever they may ultimately work."

The new M.D.s were highly successful in being accepted by their first-choice institutions for residency training, among them Weill Cornell, Johns Hopkins, Rush University Medical Center, University of Minnesota, and Hamad Medical Corp. (in Qatar).

WCMC-Q is expanding not only in its educational mission but in research and outreach as well, all up to the same exacting standards set at WCMC in New York. Within five years, more than 100 people will be engaged in basic, translational, and clinical research on the campus in Education City. Patient care will occur through a 382-bed Sidra Medical and Research Center soon to be located less than a quarter mile from WCMC-Q.

In research at WCMC this year, Dr. Francesco Rubino, building on his previous work, further extended an understanding of diabetes as a disorder of the upper intestine. He found that surgical procedures based on a bypass of the upper intestine (which can cause remission of diabetes, independent of any weight loss) may work by reversing abnormalities of blood glucose regulation.

Outcomes of a nine-month, double-blind, placebo-controlled Phase II trial of GAMMAGARD Intravenous Immunoglobulin (IGIV) for Alzheimer's disease showed significantly better global out-

LEFT: Chris Graybear Burkhardt, a member of the Ojibway Nation and from East Hampton, Mass., competes in the traditional "duck and dive" dance at the ninth Annual Powwow and Smokedance in Barton Hall. RIGHT: Members of the Cornell and Ithaca communities gather in Sage Chapel for a vigil to remember the victims of the May 2008 earthquake in Sichuan, China.

comes, cognitive performance, and daily function in patients treated with IGIV compared with initially placebo-treated patients. The lead researcher is Dr. Norman Relkin.

Results of a gene therapy clinical trial, in which genetic material was injected into the brain, showed that the procedure was both safe and effective—resulting in the incorporation of those genes within cells, that, in turn, produced a protein that is deficient in Batten disease (a degenerative neurological disorder that usually becomes fatal in children by the age of 12). The lead scientist was Dr. Ronald Crystal.

Results of a breakthrough study in mice, led by Dr. Shahin Rafii and a team from the Ansary Stem Cell Center for Regenerative Medicine, showed that easily accessed and plentiful adult stem cells found in a male patient's testicles might someday be used to create a wide range of tissue types to help him fight diseases—avoiding the need for more controversial embryonic stem cells.

In another study led by Dr. Rafii, researchers showed that the molecular profile of cancer stem cells that initiate metastatic colon tumors is significantly different from those responsible for primary tumors. Cancer researchers have long believed that a protein called CD133 identifies a population of cancer stem cells (so-called CD133+ cells), the only subset of cells that are responsible for tumor initiation. But in the experiment, in which immunocompromised mice were injected with human metastatic colon cancer, the Weill Cornell team discovered that cancer cells that do not express CD133 can also spur metastatic disease. "In fact, metastatic tumors originating with these CD133- cells are more aggressive than those spurred by CD133+ cells," Rafii says.

NewYork-Presbyterian/Weill Cornell Medical Center has created an expanded cancer program to transform what is already an excellent program—to treat the second leading cause of death in the United States—into a renowned cancer center, investing in areas of historical strength—such as lymphoma, lung cancer, genitourinary, and preventive oncology—while establishing new programs. The center will be headed by Dr. Andrew Dannenberg.

Weill Cornell Medical College received a $49 million grant from the National Center for Research Resources (NCRR), of the National Institutes of Health (NIH), to establish and lead a new Clinical and Translational Science Center (CTSC), creating an ambitious and innovative network for biomedical collaboration on New York's Upper East Side to facilitate new studies that quickly and effectively result in new patient treatments and preventive interventions. It is the largest federal grant ever awarded to Weill Cornell. The principal investigator and program director is Dr. Julianne Imperator-McGinley.

A pioneer in the field of interventional radiology, Dr. Robert Min has been appointed radiologist-in-chief at NewYork-Presbyterian Hospital/Weill Cornell Medical Center and chairman of radiology at Weill Cornell Medical College, where he is also associate professor of radiology. Dr. Min is the inventor of endovenous laser therapy for treating venous insufficiency—when the leg's veins cannot effectively return blood to the heart. Now 10 years old, the minimally invasive technique is used by thousands of physicians around the world to treat a variety of conditions, including varicose veins.

Dr. Nicholas Schiff, who was named to *Time* magazine's annual list of the 100 "World's Most Influ-

LEFT: A graduate wears a creative mortarboard at the 2008 Commencement and Procession. RIGHT: Shehnaz Kahn, left, Valerie Nannery, and Arif Samad, all Class of 1998, take a canoe tour of Beebe Lake and the adjoining gorge during Reunion Weekend 2008.

ential People," received the Research Award for Innovation in Neuroscience from the Society for Neuroscience, the world's largest organization of physicians and scientists who study the brain and nervous system. The award was for "imaginative, innovative research that will advance novel ideas and have the potential to lead to significant breakthroughs in the understanding of the brain and nervous system and related diseases." Dr. Schiff was the lead author of a breakthrough study in the August 2, 2007, journal *Nature*, reporting that a 38-year-old man who 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 findings provide the first rigorous evidence that any procedure can initiate and sustain recovery in such a severely disabled person, years after the injury occurred.

A renowned hematologist and leader in academic medicine, Dr. Andrew I. Schafer, has been named chairman of the Department of Medicine at Weill Cornell Medical College and physician-in-chief at NewYork-Presbyterian Hospital/Weill Cornell Medical Center. Dr. Schafer, who will also be the E. Hugh Luckey Distinguished Professor of Medicine at Weill Cornell Medical College, joins the Medical Center from the University of Pennsylvania School of Medicine, where he was chairman of medicine. At Weill Cornell, he will have administrative responsibility for the largest and most complex department, which includes 240 full-time faculty, 13 clinical divisions, and two centers—the Iris Cantor Women's Health Center and Cornell Internal Medicine Associates.

International

Marxism still offers viable ideas to advance such poor countries as Bolivia, that country's vice president, Alvaro Garcia Linera, told an overflow crowd in a Labor Day talk. Linera, of the Movement Toward Socialism party, was elected with a large majority in 2005 as running mate and idea man to President Evo Morales, Bolivia's first indigenous leader since the Spanish conquest.

Cornell's Southeast Asia Program (SEAP), which is in the forefront of assisting the more than 50 Karen (Burmese) refugees who have come to Ithaca after being stranded for the past decade in refugee camps on the Thai-Burma border, offered a two-day workshop in October titled "Burma, Border Zones, and the Karen People." The more than 60 attendees included teachers, refugee sponsors, and members of the Karen and Cornell communities. Cornell is the only U.S. university to offer a language course on Sgaw Karen.

Sixty years after the creation of the State of Israel, Palestinians are now the "Jews of the Israelis," said Afif Safieh, the Palestine Liberation Organization representative to the United States since 2005. To change the Palestinians' status he advocated a "popular nonviolent resistance" of Palestinians against Israel. And he predicted that most Arab states would accept Israel if it "curbed its territorial appetite" and returned to its pre-1967 borders.

In 2007–2008 the Einaudi Center for International Studies welcomed five speakers with positions of prominence in international affairs to address topical issues from a variety of perspectives as part of their Foreign Policy Distinguished Speaker Series.


NCAA
31


LEFT: The three winners of the 1996 Nobel Prize in Physics at the Robert Richardson Symposium. From left: Douglas Osheroff, David M. Lee, and Robert C. Richardson. At the time of the discovery Osheroff was a graduate student at Cornell working with Richardson and Lee. RIGHT: French-born chef Michel Roux, center, oversees and instructs during the plating of the first course in Taverna Banfi's Back-of-House during the Hotel School's Guest Chef event.

Hanan Ashrawi, founder and executive committee chair of the Palestinian Initiative for the Promotion of Global Dialogue and Democracy (MIFTAH) and member of the Palestinian Legislative Council, spoke on the topic "Peace in the Middle East: Who Needs It?" moderated by President Skorton. The event was co-sponsored by the Department of Near Eastern Studies, Alice Cook House, and the Office of the Vice Provost for International Relations.

Harry Kuiper from Wageningen University and chair of the Scientific Panel on Genetically Modified Organisms of EFSA, the European Food Safety Authority, spoke on the topic "Genetically Modified Crops in Europe: Regulation, Risk Assessment, and Public Attitude." The event was co-sponsored by the Institute for European Studies and the Delegation of the European Commission as part of the EU Speaker Series.

Carlo Trojan, European Commission ambassador to the international organizations in Geneva until early 2007, gave a talk titled "EU-U.S. Trade Relations, WTO, and the Doha Round." The talk was co-sponsored by the Institute for European Studies and the Delegation of the European Commission as part of the EU Speaker Series.

Anthony C. Zinni, retired general in the U.S. Marine Corps, former commander-in-chief of U.S. Central Command and Frank H.T. Rhodes Class of 1956 Professor, delivered a talk on the subject "The New World Order."

Francis Fukuyama, Bernard Schwartz Professor of International Political Economy and director of the International Development Program, the Paul H. Nitze School of Advanced International Studies, John Hopkins University, spoke on the topic "American Foreign Policy after the Bush Administration."

Land Grant

As a land-grant university Cornell is charged with the missions of applied research and public service, of using its resources for the public good. Once that "public" meant citizens of New York State, but today it means all the world's citizens. Areas of research that particularly apply to the global community include sustainability, human health and infectious diseases, food safety, nutrition, and social and economic policy.

Economist Chris Barrett, professor of applied economics and management, is focusing on solutions to end poverty at the confluence of policy, technology, markets, risk management, and finance to create partnerships that leverage markets and technologies to improve productivity and quality of life.

A project to share skills and knowledge with Hondurans for building drinking water treatment systems in rural areas has brought national recognition for Cornell engineering students and instructors. Engineers for a Sustainable World has awarded AguaClara—Spanish for clear water—its Best Project Award. In the program students research and design the technologies and then train Hondurans to build and operate the water treatment plants.

Closer to home, a group of former Cornell operations research and information engineering students developed a computer system that Ithaca's Foodnet can use to plan routes and adapt them to changes in client population—saving the local Meals-on-Wheels program thousand of dollars.

A study by a team of Cornell professors shows how Tompkins County can cut its "carbon footprint" by two-thirds. Among the recommended strategies are

LEFT: Children of alumni are entertained on the Arts Quad during Reunion Weekend 2008. RIGHT: Matthew Wadden '08 of the Navy ROTC at the Veterans Day ceremony held at the War Memorial in November.

better management of forests, synchronizing traffic signals, creating incentives for carpooling; turning home thermostats down to 65 degrees Fahrenheit; running city vehicles on gas-ethanol mixtures; and using wind power to generate some of the county's electricity.

Faculty in the Colleges of Engineering and Agriculture and Life Sciences are using high-performance computing to figure out how to increase the efficiency of bacteria that break down pollutants (hence more quickly clean up the state's polluted land and waters) and help farmers fine tune their chemical inputs (hence cut down on the amount of nitrogen put into soil).

A bacteria called *Dehalococcoides ethenogenes,* discovered in Ithaca sewage sludge in 1997, is now widely used to detoxify such carcinogenic chemicals as perchloroethylene (PCE) and trichloroethylene (TCE). This is done by removing chlorine atoms from molecules and leaving less-toxic compounds behind. Ruth Richardson, Cornell assistant professor of civil and environmental engineering, is using computer modeling to boost the power of these biological cleaners and extend their effectiveness in remediating other pollutants—PCBs, dioxins, chlorobenzenes, or chlorophenols.

Soon farmers will be able to enter information about their farm on a web site and receive recommendations for how much nitrogen fertilizer to apply to a corn crop tailored to the farm's location within 5 kilometers or less, thanks to high-performance computing that will pull together weather data from hundreds of sources every day, year round, and sort out just the part the farmer needs.

These programs illustrate how a broad spectrum of initiatives across Cornell, many interdisciplinary in nature, deliver services for the public good and practical benefit of New Yorkers and those to whom they are increasingly linked around the world.

Outreach

Community service has now become a key part of pre-orientation programming. This year more than 50 freshmen and transfer students spent the week before orientation painting, weeding, and cleaning in community projects around Ithaca as part of Cornell's Pre-Orientation Service Trips (POST) program. Projects included preparing meals at Loaves and Fishes, a local soup kitchen; landscaping at the Ithaca Sciencenter and the Longview residential senior community; and removing invasive species and improving trails for the Finger Lakes Land Trust.

A planned community with plug-in hybrid cars, an electricity-saving microgrid, and many other green features will soon sprout up on the Big Island of Hawaii, thanks to a group of Cornell students and faculty who have spent a year designing it. The 13 students—from such varied disciplines as mechanical engineering, electrical engineering, earth sciences, architecture, landscape architecture, urban planning, and business—are members of CU Green, a group that links academia with industry. They are assisting a development partnership consisting of financier Charles Schwab, Hunt Development Group, and developer Guy Lam in creating Palamanui, a 725-acre cutting-edge community.

Cornell has forged a partnership with New York City's United Federation of Teachers to form a Science Leadership Academy providing professional development opportunities to educators teaching science in grades 6 to 8. Cornell's Department of

Senior profile of Perry O'Brien at Gimme! Coffee in downtown Ithaca. O'Brien, now 26, was a student at the University of Southern Maine studying philosophy when he decided to enlist in the Army as a medic–two weeks before Sept. 11, 2001. Major: Government; College: Arts and Sciences; Hometown: Peaks Island, Maine.

Mathematics, the Mario Einaudi Institute for International Studies, and the College of Engineering now fund dedicated staff positions to centralize, organize, and recruit outreach programming in support of faculty, faculty grants, and diversity priorities.

Half a century after most of Costa Rica's rain forests were cut down, researchers from the Boyce Thompson Institute for Plant Research (BTI) are seeing success in a project to restore a tropical rain forest ecosystem. Researchers planted mixtures of local tree species on worn-out cattle pastures in Costa Rica in the early 1990s. (This is the opposite of commercial companies, which, for decades, have planted entire fields with a single type of tree to harvest for wood or paper pulp.) A remarkably high number of native plant species have migrated to the shade of the decade-old trees and begun to flourish there, raising hopes that destroyed rain forests could one day be replaced.

The 2001 World Food Prize laureate, nutritional sciences professor Per Pinstrup-Andersen, is pioneering a program to take issues of hunger and poverty to their global grassroots through a combination of 63 online case studies of real-world policy issues and workshops for educators in Africa and Asia on how to use them along with a new textbook written by Pinstrup-Andersen and Fuzhi Cheng. The goal is to help motivate teachers and replace lectures with a participatory social entrepreneurial approach. "Entrepreneurship education helps students become leaders, innovators, and creative problem-solvers by teaching them how to apply what they've learned in class to developing practical, innovative, and sustainable approaches to benefit society, with an emphasis on those who are marginalized and poor," Pinstrup-Andersen says.

Students, staff, and faculty in the American Indian Program (AIP) are helping high school students in LaFayette Central School to succeed, with a weekly tutoring program that began this year. The goals are to establish relationships as mentors to the younger Native American students and help to open the way for them to go on to college. The LaFayette school district has about a 23 percent Native enrollment, drawing from the nearby Onondaga Nation.

Academics

The 2007 New Student Reading Project started the academic year off with lively debates around Nadine Gordimer's novel *The Pickup*. Identity, along with a host of other complex topics, was the focus of much of the discourse at a large Barton Hall gathering on August 19 and more than 260 small-group discussions of Gordimer's book held across campus the following day. The gatherings marked the seventh year for the program designed for first-year students.

Some of those students will no doubt go on to exceptional academic achievement. Cornell students received 21 Fulbright U.S. Student awards and four Fulbright-Hays fellowships in the 2007–08 academic year. Cornell tied Harvard University for sixth place among American universities for the number of Fulbright U.S. Student awards received this year.

Other students will opt for careers with an international focus. In its third year, the undergraduate major in China and Asia-Pacific Studies (CAPS) continued to enjoy increased participation as the program graduated its first students. CAPS majors study for three years in Ithaca and then spend a semester in both Washington, D.C., and Beijing to expose them to the language, culture, history, politics, and foreign policy of the world's largest emerging economy. Graduates are expected to be in

LEFT: Slope Day 2008. RIGHT: The DVM Hooding Ceremony at the College of Veterinary Medicine's 2008 Commencement.

demand for positions in business, government, public service, diplomacy, journalism, and other fields.

Attracting the best students will continue to put financial pressure on the university. In her second annual Academic State of the University address in March, Provost Martin reported that while Cornell strives to remain competitive with its peer institutions by offering enhanced financial aid packages, government pressure to support more of this aid from the university's endowment can take a toll on investments in research and teaching. Martin also cautioned the audience in Kennedy Hall's Call Auditorium that although the way Cornell is perceived through popular rankings published by *U.S. News and World Report* is important, more weight should be placed on qualities that cannot be reflected in such narrow analyses.

Cornell's goal, she said, should be to remain a world-class research university that offers both undergraduate and graduate students a top-flight education. Her wish is not for Cornell to be uncompetitive, she emphasized, but for it to compete on the basis of its unique strengths and not to worry so much about external factors.

Cornell faculty brought their expertise to a number of important conferences last year. "Closing the Minority Achievement Gap in Higher Education," a two-day conference in New York City in October explored strategies for improving retention and achievement among minority college students. About 75 percent of white and Asian students who enroll in degree programs earn a college degree within six years. For blacks and Latinos, however, the number falls below 50 percent. Attended by educators from leading universities and liberal arts colleges, the event was sponsored by Cornell, the Teagle Foundation, and Credit Suisse, which hosted the event at its Madison Avenue offices. President Skorton, who attended the conference with other senior administrators, pointed out that Cornell still has much to do in this area. Although the university has been devoted to providing access for all students since its founding, "we have approximately the same proportion of African American students in 2007 that we had in 1986," he said.

In June, the inaugural Cornell Faculty Institute for Diversity was held near Canandaigua, N.Y. Organized by the university's Diversity Council and the Center for Learning and Teaching, the institute was designed to help participants incorporate elements of diversity into new or existing courses across a broad range of disciplines.

Diversity and bias issues within the hiring process were also examined. Last fall, a new National Science Foundation–funded center at Cornell dedicated to recruiting more women to engineering and science faculty positions hosted two sessions on equity in hiring. Department chairs and hiring committee members were invited to performances of the Cornell Interactive Theater Ensemble (CITE) that depicted a fictional search committee meeting. CITE actors portrayed five faculty members in the midst of a discussion that revealed the implict, unconscious biases that can affect the hiring process. A discussion between audience members and the actors followed. In the session's closing remarks, Deputy Provost David Harris encouraged the audience to be aware of implicit biases, not only in faculty searches but in decision making within their own departments.

Plans were announced during the year that will expand Cornell's international partnerships. A new program between Cornell and King Abdullah University of Science and Technology (KAUST) in Saudi Arabia promises to strengthen Cornell's research

Senior profile of Catherine Elder at the Hartung-Boothroyd Observatory on Mount Pleasant Road. Her true passion is studying the icy satellites of Jupiter and Saturn. Major: Astronomy; College: Arts and Sciences; Hometown: Boston, Mass.

efforts in energy and sustainability. KAUST, whose core campus will be located on the Red Sea at Thuwal, is scheduled to open in September 2009. A $25 million award to Cornell will help create one of four KAUST centers for science research through the Saudi university's Global Research Partnership program. The partnership will focus on a new class of hybrid nanomaterials recently discovered at Cornell. Termed nanoparticle ionic materials (NIMs), they hold potential for applications in emerging technologies for water desalination, carbon capture, and solar energy.

Graduate student support also increased with new National Science Foundation funding designed to strengthen communication and collaboration between disciplines in two Cornell centers. A $2.9 million grant to the Cornell Center for Materials Research and a $3.2 million grant to Cornell's Nanobiotechnology Center were awarded by the NSF's Integrative Graduate Education and Research Traineeship (IGERT). The grants will provide graduate student fellows with training and research experience under the mentorship of faculty members in different fields. Thirty IGERT fellows will participate during the program's five-year term.

Two of Cornell's critical new initiatives were strengthened with the addition of outstanding researchers during the year. In April the Cornell Center for a Sustainable Future (CCSF) named three new associate directors, all current Cornell faculty members, who will use their expertise in key areas to head initiatives and connect Cornell's research and scholarship related to sustainability. Associate Professor Anurag Agrawal will oversee programs focused on the environment, Professor Chris Barrett will head the center's economic devel-

Students Receive Scholarships and Awards

Three Cornell juniors received the 2007–09 Morris K. Udall Scholarship for U.S. students with excellent academic records and an interest in careers in environmental public policy, health care, and tribal public policy. And a sophomore and a junior were honored with 2008 Barry M. Goldwater Scholarships for academic excellence in math, science, and engineering.

Jessie Comba (College of Agriculture and Life Sciences), **Katherine McEachern** (College of Human Ecology), and **Ryan Walter** (College of Engineering), all class of '09, were among the 80 students selected nationwide from among 510 candidates nominated by 239 colleges and universities for the Udall scholarship. The Udall scholars garnered awards up to $5,000 each. The students' selection places Cornell among only three U.S. institutions (the other two are American University and the University of Montana) to have three Udall scholars this year. Since 1998 Cornell students have won 28 Udall scholarships.

Parbir (Parry) Grewal '10 (College of Engineering) and **Anna Owczarczyk '09** (College of Agriculture and Life Sciences) were among 321 Goldwater scholars selected this year from 1,035 candidates. The one- and two-year Goldwater scholarships cover tuition, fees, books, and room and board up to $7,500 per year. In the past 12 years, 35 Cornellians have won these scholarships.

Elisabeth Becker '06 won a 2007 Marshall Scholarship that she used to attend Oxford University, England, starting in October 2007. Becker, who is from New York City, is studying forced migration as a graduate student in development studies at Oxford. She also is interested in global governance and diplomacy as a possibility for a dual master's degree. She ultimately wants to influence refugee resettlement policy, either with human rights organizations or the United Nations.

The Marshall Scholarship, established in 1953, covers the recipient for two years at any university in the United Kingdom, including living expenses, travel and grants for research and books. Applicants are reviewed by eight regional committees nationwide. Forty-three scholarships were awarded to students across the United States in 2007.

Following his talk, the Dalai Lama thanks Mareike Larsen and Susan Wardwell for serving as American Sign Language interpreters during the program.

opment programs, and Professor Sidney Leibovich will direct the center's energy programs. CCSF serves as an umbrella organization for Cornell's diverse sustainability resources, including institutes, centers, and some 300 faculty members focused on green issues.

In May, Scott Emr, director of the Weill Institute for Molecular and Cell Biology, announced the hiring of three new assistant professors and a research scientist with experience in both biological science and the use of cutting-edge technology. The four were selected from more than 500 applicants eager to join Emr's team in Weill Hall, the university's new life sciences technology building.

Among faculty news was the announcement that four Cornell faculty members were included in the ranks of new American Academy of Arts and Sciences fellows. They are Barbara A. Baird, the Horace White Professor of Chemistry and Chemical Biology; John Guckenheimer, professor of mathematics; Carol L. Krumhansl, professor of psychology; and G. Peter Lepage, professor of physics and the Harold Tanner Dean of the College of Arts and Sciences. Founded in 1780, the American Academy of Arts and Sciences is one of the nation's oldest and most prestigious honorary societies and independent policy research centers.

Several vacant dean positions were filled during the year. The Johnson Graduate School of Management and College of Human Ecology both turned to longtime faculty members. Joe Thomas, who had been serving as interim dean of the Johnson School, was selected to replace Robert Swieringa, who stepped down after 10 years of leadership. Alan Mathios, a 16-year member of the Human Ecology faculty who also was serving as interim dean, replaced Lisa Staiano-Coico, who left Cornell to become provost at Temple University.

In the College of Architecture, Art, and Planning, an extensive dean's search resulted in the appointment of Kent Kleinman, chair of the Department of Architecture, Interior Design and Lighting at Parsons The New School for Design in New York City. Kleinman replaces Mohsen Mostafavi, who left AAP in January to become dean of Harvard's Graduate School of Design.

Also leaving their positions were Vice Provost for International Relations David Wippman, who was named dean of the University Minnesota Law School, and Robert Harris, who stepped down as vice provost for diversity and faculty development to return to the faculty. Wippman was succeeded by Alice Pell, CALS professor and director of the Cornell International Institute for Food, Agriculture, and Development. Harris was replaced by Elizabeth "Beta" Mannix, Johnson School professor and director of Cornell's Institute for the Social Sciences. Her one-year appointment as vice provost for equity and inclusion will serve as a transition to the position of vice provost for diversity and chief diversity officer, a new position for which a search is under way.

Other changes within the provost's office included the appointment of Deputy Provost David Harris to serve as interim provost while a search is conducted to replace Provost Martin, and the appointment of Robert Buhrman, director of Cornell's Center for Nanoscale Systems, as vice provost for research. Buhrman replaces Nobel laureate Robert Richardson, who now serves as senior science adviser to the president and provost.

Cornell University 2007-2008 Financial Report

Economic conditions in the past year, and especially in the past few weeks, have drawn attention to financial portfolios throughout our nation. With its substantial endowment and significant fiduciary responsibilities, Cornell University is no exception. As always, we are committed to providing the lowest overall cost of capital balanced with managed risk exposure, and the university uses debt as a strategic tool to manage its finances. Given the current state of the capital markets and concerns about liquidity, I thought this would be a good time for an examination of Cornell's debt strategy.

Higher Education Debt Market

Nationally, higher education is facing aging facilities with costly infrastructure needs, charitable contribution levels that do not keep pace with program requirements, and greater global competition. Debt financing allows institutions of higher education to pay for their assets over time, based upon useful life, matching a payment stream with the economic life of a particular asset. Through debt financing, universities are able to construct state of the art research facilities, residence halls, classrooms, and critical care facilities, which are necessary to maintain a competitive advantage and provide the ability to attract top faculty and students while performing the key missions of teaching, research, and service.

Higher education debt, which was almost non-existent until the early 1980s, has swelled to its current level over the last twenty five to thirty years, because investors have recognized that universities with strong credit ratings are an attractive pool of assets–a revenue stream against which money can be borrowed. In the early 1980s, higher education debt began to increase at a modest pace to meet the growing need for capital. In the 1980s and 1990s, use of debt as a management tool continued to increase more quickly, and by the year 2000, debt was growing at a fast pace. Since 2000, in eight short years, the increase in debt at higher education institutions has more than tripled. Today, higher education is a leader in effectively using tax-exempt debt to advance institutional missions.

Debt affordability can be described as the key determinant in an institution's ability to issue and repay debt. Since debt is a long-term obligation and debt service is a current expenditure, typically the institution's outstanding debt is measured against its unrestricted assets and debt service expense is measured against available liquid resources. To manage institutional risk, universities look to their cash projections as an indicator of their ability to pay for the debt. Often, the University's "debt affordability limit," the maximum debt the University can bear, is less than its "debt capacity limit," which is the level of debt that the University can prudently show on its balance sheet—a function of factors such as strength of student demand, unrestricted assets, risk profiles of potential investors, financial rating agencies, and fundraising capabilities.

While utilizing debt to maximize financial position may be strategically sensible, doing so carries with it certain risks. For example, there may be interest rate risk if variable rate debt is issued without being hedged; there may be tax risk if variable rate or hedged tax-exempt debt is issued; there may be counter-party risk if a third party fails to make required payments; and there is always risk that a change in tax law or taxable use of a facility will eliminate the advantage of using tax-exempt over taxable bonds. Additionally, liquidity risk may be incurred, such as when an issuer cannot find a market for its bond, resulting in no liquidity facility, or when an issuer is unable to renew a liquidity facility needed to support variable rate demand bonds during a regular remarketing schedule. In these cases, the University would be required to purchase the bonds.

Cornell Debt History and Strategy

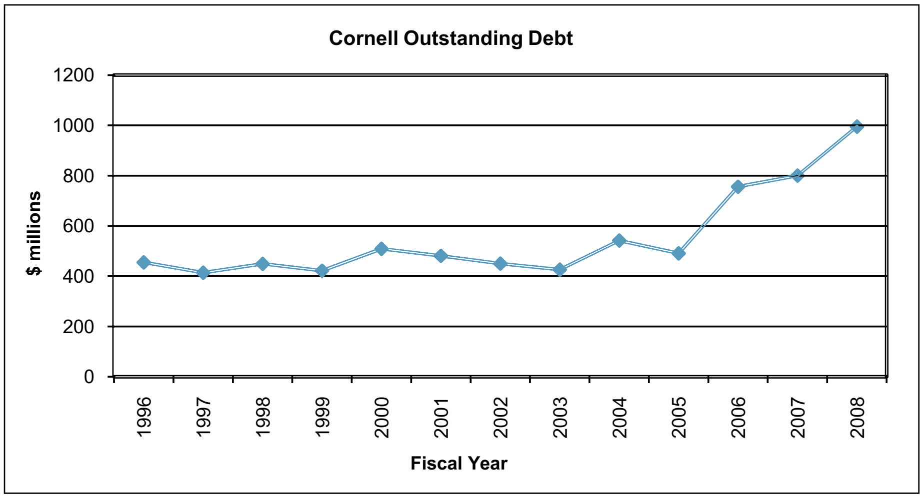
In the late 1940s and early 1950s, Cornell's Board of Trustees debated the merits of debt financing. In the late 1960s, the trustees again were concerned about the level of debt at Cornell and thus limited the amortization period to five years or less. By 1973, the University had approximately $60 million in debt and the question of "How much debt is excessive?" was a discussion topic at more than one Board meeting. At that time, Cornell compared its outstanding debt to the value of physical plant ($367 million). In 1973, 16.3 percent of the value of physical capital was debt financed, compared to the national average of 18.4 percent for private universities.

> "Cornell has acted strategically when issuing debt, deciding carefully when debt is appropriate, and which type of debt should be issued."

In 1984, Cornell's credit rating was upgraded to AA and a ten-year financing plan was developed. Use of debt was still considered a privilege and used only after careful and judicious consideration. Because of Cornell's limited focus on its use of debt as a strategic tool, its ratios for debt capacity were significantly more favorable than its peers, although its total cost of debt was higher.

By the mid 1990s, Cornell not only used debt for capital projects, but also participated in three different bond programs with other New York State colleges and universities to borrow funds for student loan programs. Cornell borrowed approximately $30 million, after establishing the standard that these bond proceeds would be used to make student loans.

The chart below shows the amount of outstanding debt by year since 1996.



Cornell has acted strategically when issuing debt, deciding carefully when debt is appropriate, and which type of debt should be issued. For example, in 1996, the University refunded $130 million of its 1986 bonds due to mature in 2015 by using commercial paper and other variable debt. The present-value savings from using this structure was almost $2 million.

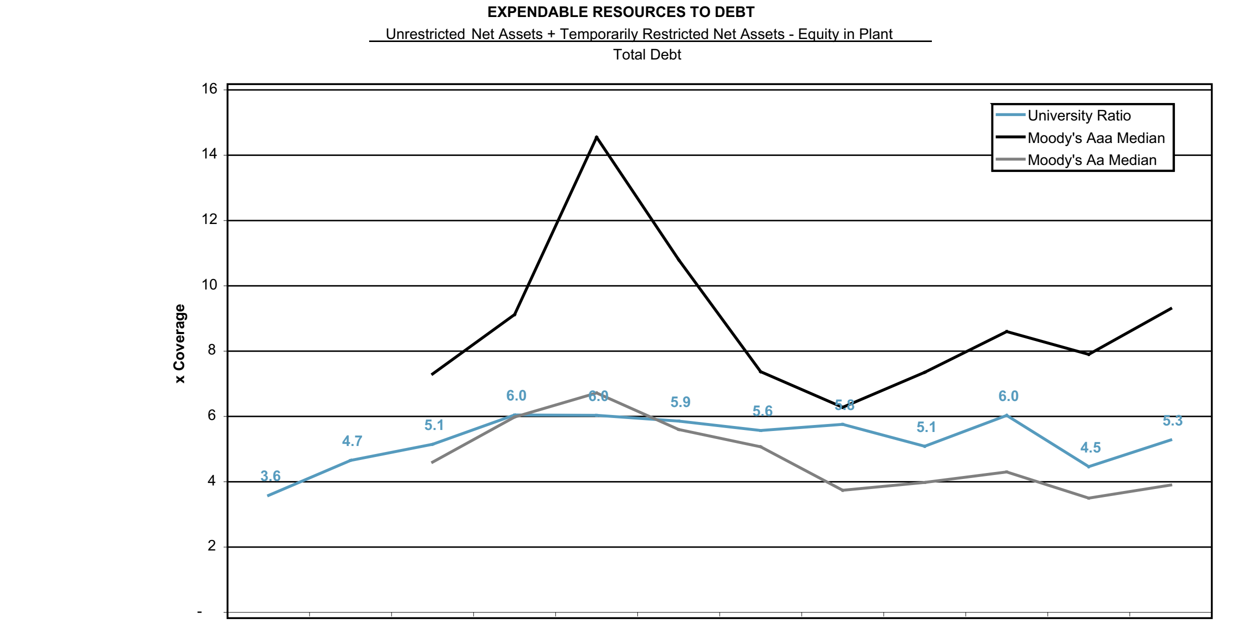
The University then began using debt more aggressively as a strategy to fund working capital and to provide interim bridge funds for capital projects at favorable interest rates. In 1999, it established a tax-exempt commercial paper program at an authorized level of $100 million. The average interest rate for the first four years of the program was 37 basis points lower than the national Bond Market Association (BMA) weekly variable rate bond index. This was due to Cornell's good credit rating and the high New York State income tax rates. The University added a taxable commercial paper line in 2002, and both lines have subsequently been increased to $200 million each, for a total of $400 million. Commercial paper is used for short term bridge financing.

The University's financial leadership team believes its responsibility is to maintain the lowest cost of capital without exposing the University to the earlier-described risks. This has been accomplished by fixing attractive interest rates through significant use of interest hedges. Currently, the University's adjusted portfolio interest rate is 3.7 percent. The University also locked in interest cost on future debt needs through the execution of approximately $1 billion in future interest rate hedges. In addition, four hedges were obtained through multiple Aaa/AAA rated swap counterparties, limited to $400 million each to minimize credit exposure. The University also established a $50 million Treasury Bond Fund to provide a two month liquidity reserve. Outside consultants have indicated that the University's risk exposure is well diversified and actively managed.

On June 30, 2008, the total Cornell outstanding debt is approximately $1 billion. The University continues to maintain its AA credit rating and regularly compares its debt capacity and ratings with its peers. The University and its trustees also periodically evaluate whether it should attempt to become an AAA rated institution. In each discussion the conclusion has been that there is little difference in interest rates of AA and AAA bonds. Institutional debt strategies are focused on maintenance of its AA credit rating; the value of an AAA is not worth the premium of building up assets on the balance sheet.

As the University establishes and revises institutional priorities through its strategic planning processes–capital planning, campus master plan and the 10-year financial plan–it considers utilizing a mix of financing and funding sources including gifts, internal reserves, and external debt based on its affordability level. Appropriate use of leverage enables the University to advance its mission, achieve its strategic goals, and ensure financial health over the long term. Cornell's 10-year financial plan is aligned with its capital construction plan, and debt affordability levels intend to inform debt funding levels without the loss of financial flexibility, balance sheet strength, or competitive advantage.

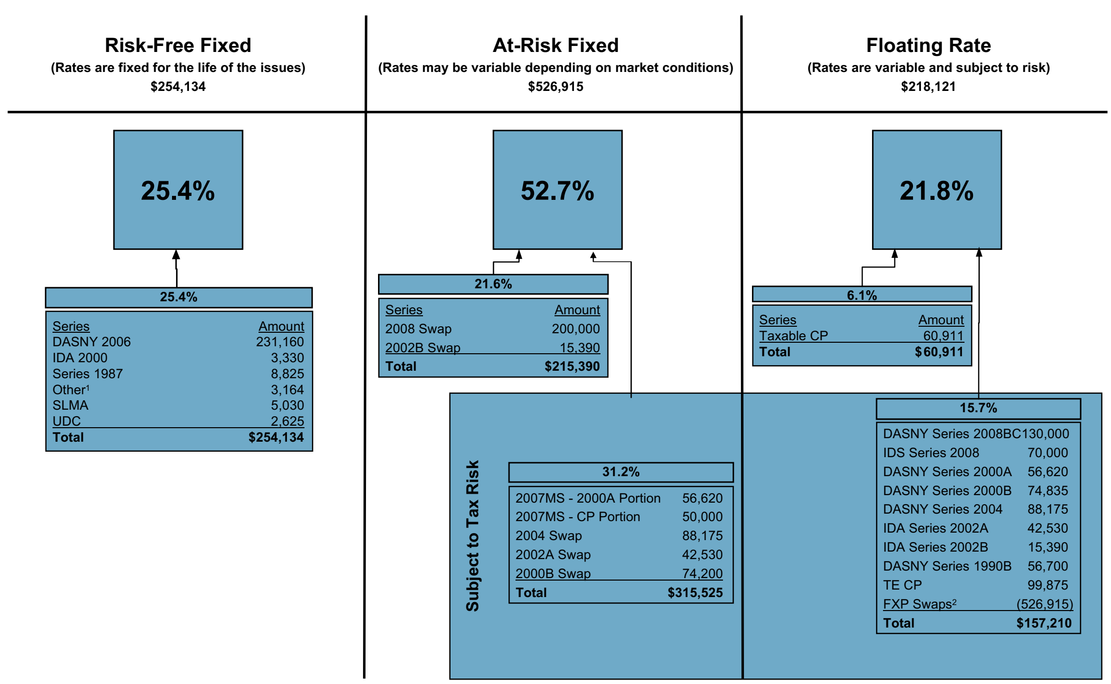
One key financial ratio is expendable resources to debt. As you can see from the chart below, the University has maintained a strong ratio.



(all figures in $ millions)	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
EXPENDABLE RESOURCES	1,630	1,926	2,310	2,549	3,069	2,815	2,505	2,453	2,756	2,959	3,376	4,225
DEBT	455	414	449	422	509	481	450	426	542	491	756	800
Expendable Resources to Debt (x Coverage)	**3.6x**	**4.7x**	**5.1x**	**6.0x**	**6.0x**	**5.9x**	**5.6x**	**5.8x**	**5.1x**	**6.0x**	**4.5x**	**5.3x**

The University has typically borrowed at variable rates and then hedged its interest rate risk through fixed rate swaps. Cornell's method to reduce risk is to structure swap agreements only with counterparties that are rated at or above the University's credit rating, and to require collateralization of the swap in the event of a downgrade. Cornell has been a leader among its peers in utilizing low variable rates while protecting risk through the use of swaps. The University is currently evaluating the appropriate mix of swaps and debt structures based on its current 10-year plan and in light of the current economic conditions and risk environment. Cornell currently has 25 percent of its debt portfolio in fixed rate debt, with another 53 percent in synthetic fixed rates.

CURRENT PORTFOLIO ALLOCATIONS



All figures in $000s. As of 6/30/08, unless otherwise noted.
[1] – Assumes Other at 4% interest rate and assumption is carried forward through rest of the presentation and analysis, unless otherwise noted.
[2[– Includes 2008 Swap, 2002BSwap, 2002ASwap, 2007MS, which has an extension option, 2004 Swap, and 2000B swap. Does not include forward starting swaps.

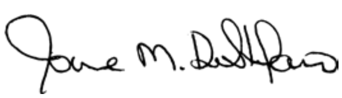
In the recent environment of 50-year low interest rates, the University has been able to take advantage of a weighted average interest rate of approximately 3.7 percent for its current outstanding debt. The average spread between short-term and long-term debt over the past 20 years has been about 2.75 percent, making a managed level of variable debt a cost effective debt strategy.

Management has further diversified the debt portfolio by expanding the number of high quality investment and commercial banks used as partners for underwriting bonds and providing liquidity facilities. Management regularly reviews its credit ratings, financial ratios, debt outstanding, annual debt service, available capacity, and affordability with the Finance Committee of the Board of Trustees.

Summary

Through the appropriate use of financial leverage and management of associated risks, debt is used as a financial tool to fulfill Cornell's strategic plan. Debt provides the financial resources for investment to build the new facilities needed to maintain and grow academic operations, expand research activities, preserve cash, and meet the needs of the next generation and beyond.

The current economic conditions require the University to pause and reevaluate the appropriate mix of debt structures for the debt portfolio in light of risk tolerance, while meeting the needs of the University in these trying times. The goal over the coming year is to provide better transparency and clearer guidelines, to continue to strengthen Cornell's academic partnership, and to maintain a strong balance sheet to meet the future needs of the University.



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

In November, 2007, the Federal Reserve Bank of San Francisco held a conference on "*Recent Trends in Economic Volatility*." The participants concluded that over the last 25 years the U.S. economy has become much less volatile, with swings from boom to bust greatly reduced. This trend might well continue in the long run, but economic activities during the last half of this fiscal year began to suggest instability and uncertainty.

Although there was weakness in the national economy during fiscal year ended June 30, 2008, the University's audited financial statements reflect the overall financial soundness of the University.

NEW STANDARDS, EMERGING ISSUES AND INITIATIVES

Financial Standards Accounting Board (FASB)

In the current fiscal year, Cornell adopted Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which requires organizations to recognize a liability or reduction of an asset in the financial statements for any tax position that fails to meet the "more likely than not" threshold. FIN 48 had no impact on the University's results as disclosed in the notes to the consolidated financial statements (Note O).

The University elected early adoption of one the disclosure requirements in the FASB's staff position FSP FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.* We have included in the notes to the consolidated financial statement (Note 10) information on the endowment that includes the opening balances of true endowments and funds functioning as endowment (FFE), current year activities and the endowment balances at June 30, 2008.

> Contributions for capital projects and the endowment "...increased 13.5 percent for the fiscal year ended June 30, 2008."

In the prior fiscal year, the University adopted FAS 158 and recognized a reduction in unrestricted net assets of $77.1 million for the unfunded status of its pension and post-retirement medical benefits in unrestricted net assets. The FAS 158 adjustment for fiscal year ended June 30, 2008 reflects an expense of $16.5 million in nonoperating activities.

Regulatory Environment

Congress and the IRS continue to scrutinize not-for-profit organizations in general and higher education in particular. During this fiscal year, the University responded to the Senate Finance Committee's lengthy questionnaire about endowments, payout policies, student enrollments, tuition rates and financial aid. On September 8, 2008 Senator Grassley and Congressman Welch held a roundtable discussion as another step "... to ensure accountability by the not-for-profit sector." Although there is currently no proposed legislation to mandate payout rates from endowments, the issues of endowment growth, payout rates and cost of education continue to be a focus of Congress.

The IRS is exceedingly active in monitoring the not-for-profit sector with the stated objectives of increased transparency, accountability, and compliance. The IRS issued the final, radically redesigned information return (IRS Form 990) effective for fiscal year 2009 (tax year 2008), and is also considering a new university-specific schedule for the 990 to capture more information about student population and cost of education. This schedule would be in addition to the sixteen schedules now included in the new 990.

In addition, the IRS has developed a compliance questionnaire for higher education similar to their compliance questionnaire for hospitals and tax exempt bond financing, and plans to send this questionnaire to approximately four hundred colleges and universities in early fall 2008.

LONG-TERM INVESTMENT POOL

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

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

Current Initiatives

The University continues to refine the Ten-Year Financial Plan that it implemented during fiscal year 2007. The ongoing development and revision to this planning tool is important in identifying resources essential for funding strategic initiatives that include, but are not limited to, new buildings, systems, and the recruitment and retention of faculty and staff.

FINANCIAL YEAR IN REVIEW

The University's wealth, measured by the current-year change in net assets, continues to grow. Net assets increased by $200.2 million for fiscal year ended June 30, 2008. This year's increase, albeit modest, occurred during a year marked by overall weakness and volatility in the economy.

> "Total net assets exceed $8 billion, and unrestricted net assets account for over $5 billion of the University's accumulated wealth."

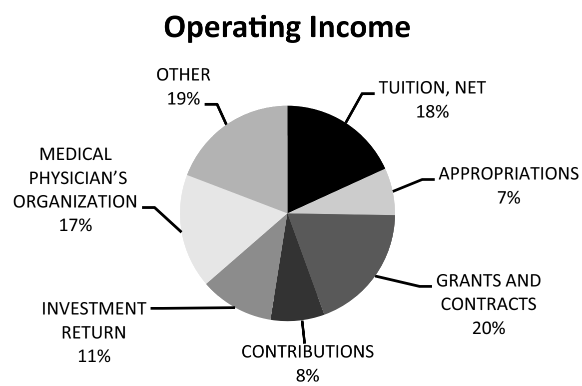
The University's investment portfolio generated returns of 2.7 percent for the current year, compared to 25.9 percent in the prior fiscal year. This significant decline in investment returns is the major factor in the University's smaller increase to total net assets. The University's investment returns, did, however, outperform a passive benchmark (i.e., 75 percent S&P and 25 percent Lehman Aggregate indexes) by more than 10 percent.

The notes to the consolidated financial statements (Note 10) provide detailed information on the University's net assets by restriction classification and purpose. In the fiscal year ended June 30, 2008, operating activities generated a loss with a corresponding decline in unrestricted net assets.

Cornell's current-year activities, based on the combined results from both operating and nonoprating activities, generated an increase to total net assets, as noted above, of $200.2 million. Although this increase represents a decline from the prior year, the current year results continue to show solid performance.

Operating Income and Expenses

For the fiscal year ended June 30, 2008, the change in net assets from operations reflects a loss of $69.8 million. The University's operating revenues grew by $136.2 million, or 5.4 percent, while growth in operating expenses grew at a rate faster than revenues, as they did during the prior year.



1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
$ 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
147.8	146.4	135.4	132.5	124.3	88.9	234.8	202.0	128.7	236.8
(40.5)	(55.5)	(84.6)	(110.5)	(128.1)	(116.4)	(37.1)	(33.7)	(125.1)	(130.1)
225.4	436.8	(294.9)	(315.5)	(25.8)	376.9	355.3	388.9	1013.5	73.9
$ 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	$ 5,378.1
$ 51.16	$ 58.16	$ 51.85	$ 44.95	$ 42.65	$ 46.51	$ 50.11	$ 55.42	$ 66.62	$ 65.37

Tuition revenues, net of the scholarship allowance, increased by $31.4 million, a 7.1 percent increase from the prior year, due to increases in both overall enrollment in the graduate and professional schools and authorized tuition rates.

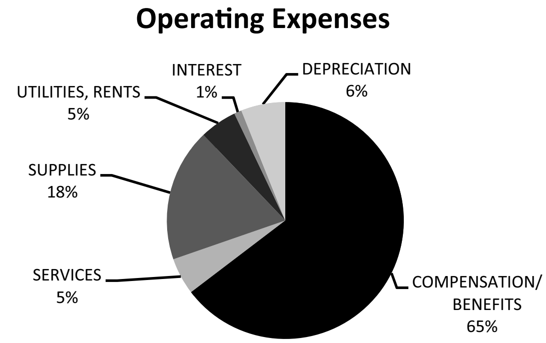
Appropriations, both federal and state, increased by $17.5 million. There was a one-time increase of $3.7 million in federal appropriations and an increase of $13.8 million in New York State appropriations. With the current state of New York's economy, it is likely that state appropriations will decline in future years.

Income from sponsored awards increased overall by $8.7 million, consisting of a $4.3 million increase for the endowed colleges, a $9.4 million increase for the Medical College, particularly in federally funded awards, and a $5.0 million reduction in the contract colleges. Indirect cost recoveries decreased by $2.2 million, based primarily on the phase-in of lower negotiated rates for the contract colleges, which affect a larger proportion of the total active awards. When current awards are extended or new awards granted, they are subject to the lower negotiated rate.

Cornell's donors contribute in major ways to the University's growth, focusing in the current year on support for capital projects and the endowment, consistent with the goals of the capital campaign. Contributions for these purposes, reported as nonoperating revenues, increased 13.5 percent for fiscal year ended June 30, 2008. Contributions for operations have declined by less than 1 percent from the prior year.

Cornell's distribution of investment returns for operations decreased by $9.7 million, or 3.4 percent. The distribution has two major components: payout from the Long Term Investment Pool (LTIP), based on the per-share rate, and payout from the Pooled Balance Income Fund (PBIF). The payout rate from the LTIP increased by 9.0 percent to $2.66 per share, from $2.42 in the prior fiscal year. In fiscal year ended June 30, 2008, market conditions did not support an additional discretionary payout from the PBIF to help fund initiatives. In the prior year, $38.0 million of additional funding was provided from PBIF investment gains to support major initiatives.

The University's total operating expenses increased by 9.6 percent during fiscal year ended June 30, 2008. Compensation and benefits represent 64.5 percent of total operating expenses, a pattern that is generally consistent with other research universities. The combined costs for compensation and benefits increased by $126.5 million, or 7.8 percent.



The salary and wage component increased by $90.0 million, to a total of $1.4 billion for fiscal year ended June 30, 2008. Salary and wage costs at the Medical College account for approximately $46.0 million of the increase. Employment at the Medical College increased by 9.1 percent to support key strategic initiatives: faculty hiring in key departments; expanded research initiatives, administrative support for research compliance, and other activities in Qatar; systems implementations; and the Medical Physicians' Organization. The workforce in Ithaca grew by approximately 1.1 percent. The University's annual salary improvement program also impacts the $90.0 million increase, but within the range established by management (i.e., overall salary improvement increases of 3-4 percent).

Benefit costs for fiscal year ended June 30, 2008 were $348.1 million, compared to $311.7 million in the prior year. This 11.7 percent increase includes pension costs, post-retirement benefit costs, vacation accruals, and costs for medical and workers' compensation claims incurred but not yet paid.

The costs of purchased services increased by $18.1 million, or 14.3 percent, due to increases in patent-related expenses, investment management fees, and costs for systems implementations at both the Ithaca and the Medical College campuses. The costs for supplies and general expense increased by $52.1 million, or 12.2 percent. Increased activities at the Medical College accounted for $18.4 million of the increase. This includes a broad range of expenses such as lab costs, office supplies, maintenance expenses, and additional expenses for activities in Qatar.

Depreciation expense continues to increase as the new buildings open and new research labs become operative, consistent with Cornell's strategic plan. Two major facilities opened in fiscal year ended June 30, 2008: the Life Science Technology Building and the East Campus Research Building. In addition, the University uses shorter lives for components of buildings where appropriate, and this, too, serves to increase depreciation expense.

Nonoperating Income and Expenses

Nonoperating income for fiscal year ended June 30, 2008 was $269.9 million, compared to $1.3 billion in the prior year. The decline, as mentioned above, is attributable in large part to the investment return. A review of Cornell's recent history reflects the consistent impact of investment return on each year's performance. Overall investment return declined by $1 billion, or 85.8 percent, for fiscal year ended June 30, 2008.

In fiscal year ended June 30, 2008, there was a loss of $33.4 million recorded as "other" in nonoperating activities. This loss consists primarily of the year-end market adjustment for the debt swaps based on interest rates in effect at June 30, 2008.

Statement of Financial Position (Balance Sheet)

The University's total assets grew by 5.2 percent, to $10.6 billion at June 30, 2008. Contributions receivable increased by $170.9 million, or 34.4 percent, based on gross pledges less the discount and allowance for uncollectible pledges. Total new pledges for fiscal year ended June 30, 2008 were $265.8 million. The increase of $170.9 million includes $17.5 million in accretion of the discount associated with the net present value calculation at the time of the gift.

The University's land, buildings and equipment, net of deprecation, increased by 11.4 percent to $2.6 billion at June 30, 2008. Cornell capitalized numerous projects in this fiscal year. As mentioned previously, the two major building projects are the Life Science Technology Building, with capitalized costs of $133.8 million, and the East Campus Research Facility, with capitalized costs of $51.5 million.

Extraordinary returns on investments over the past several years were the primary reason for the University's substantial increase in assets over that time period. In fiscal year 2008, the investment portfolio's overall return was 2.7 percent, and the value of total investments increased to $6.5 billion, from $6.4 billion in the prior year.

Inventories and prepaid expenses declined due to the market adjustment for debt swaps. The year-end adjustment for debt swaps is affected by interest rates at one point in time. In the current year, the adjustment was recognized as an expense based on interest rates at June 30. This market adjustment caused the decrease in prepaid expense and the corresponding increase in accounts payable and accrued expenses. The increase in deferred revenue and other liabilities of $161 million is based primarily on the University's increase in its line of credit of $134 million.

At June 30, 2008, the University's liability for deferred benefits was $425.0 million, compared to $374.6 million in the prior year. The $50.4 million increase reflects, as highlighted in the section on operating expenses, increased costs for vacation accruals, the impact of recording the unfunded status for pensions and post retirement medical benefits (i.e., the FAS 158 adjustment), and expenses for medical and workers' compensation claims incurred but not yet paid.

Bonds and notes payable increased by approximately 24.9 percent, due primarily to the new financing in 2008. The increase in debt reflects the University's commitment to fund infrastructure, buildings, and equipment through strategic use of debt as well as contributions from donors, and the use of unrestricted net assets.

Summary

Cornell's balance sheet reflects its financial strength. The University's net assets grew by $200.2 million, even in a year marked by overall economic weakness. Total net assets exceed $8 billion, and unrestricted net assets account for over $5 billion of the University's accumulated wealth.

The new format for the consolidated statement of activities displays the results from operating activity separately from the results of nonoperating activity. We hope this format enhances the reader's understanding of the University's financial activities, including the extraordinary generosity of the University's donors who provide major support for operating initiatives and critical funding for plant and endowments which are cornerstones for ensuring the University's continued excellence.

Anne Shapiro
University Controller

MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated financial statements have been audited by the independent accounting firm 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 Finance
and Chief Financial Officer

Anne Shapiro
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, 2008, 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 2007 consolidated financial statements and, in our report dated September 20, 2007, we expressed an unqualified opinion on those consolidated financial statements. Our opinion on the University's 2007 consolidated financial statements included an explanatory paragraph regarding the University's adoption of the provisions of Financial Accounting Standards Board Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans*.

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, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Albany, New York
September 26, 2008

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2008 (in thousands)

(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2007)

		2008	2007
Assets			
1	Cash and cash equivalents	$ 41,279	$ 27,569
2	Collateral for securities loaned	215,854	346,804
3	Accounts receivable, net (note 2-A)	276,891	247,965
4	Contributions receivable, net (note 2-B)	666,817	495,910
5	Inventories and prepaid expenses	62,829	75,176
6	Student loans receivable, net (note 2-C)	72,284	64,931
7	Investments (note 3)	6,549,288	6,369,225
8	Land, buildings, and equipment, net (note 4)	2,616,230	2,348,223
9	Funds held in trust by others	105,904	103,550
10	Total assets	$ 10,607,376	$ 10,079,353
Liabilities			
11	Accounts payable and accrued expenses	$ 306,654	$ 227,321
12	Payable under securities loan agreements	215,854	346,804
13	Deferred revenue and other liabilities (note 7)	299,283	138,263
14	Obligations under split interest agreements	128,540	125,131
15	Deferred benefits (note 5)	425,038	374,557
16	Funds held in trust for others (note 6)	147,036	184,830
17	Bonds and notes payable (note 7)	999,170	800,107
18	Government advances for student loans	47,146	43,875
19	Total liabilities	2,568,721	2,240,888
Net assets (note 10)			
20	Unrestricted	5,129,765	5,303,889
21	Temporarily restricted	919,960	777,922
22	Permanently restricted	1,988,930	1,756,654
23	Total net assets	8,038,655	7,838,465
24	Total liabilities and net assets	$ 10,607,376	$ 10,079,353

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

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 (in thousands)
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2007)

		Unrestricted	Temporarily Restricted
	Operating revenues		
1	Tuition and fees	$ 669,681	$ -
2	Scholarship allowance	(194,071)	-
3	Net tuition and fees	475,610	-
4	State and federal appropriations	190,885	-
5	Grants, contracts and similar agreements		
6	Direct	390,837	-
7	Indirect cost recoveries	114,121	-
8	Contributions	87,257	130,262
9	Investment return, distributed (note 3-A)	197,027	83,958
10	Medical Physicians' Organization	451,497	-
11	Auxiliary enterprises	140,993	-
12	Educational activities and other sales and services	373,970	2,740
13	Net assets released from restrictions	146,716	(146,716)
14	Total operating revenues	2,568,913	70,244
	Operating expenses (note 9)		
15	Compensation and benefits	1,746,496	-
16	Purchased services	144,594	-
17	Supplies and general	478,041	-
18	Utilities, rents and taxes	138,223	-
19	Interest expense (note 7)	27,784	-
20	Depreciation	173,775	-
21	Total operating expenses	2,708,913	-
22	Change in net assets from operating activities	(140,000)	70,244
	Nonoperating revenues and (expenses)		
23	State and federal appropriations for capital acquisitions	55,580	-
24	Grants, contracts and similar agreements for capital acquisitions	2,451	-
25	Contributions for capital acquisitions, trusts and endowments	57,616	110,323
26	Investment return, net of amount distributed (note 3-A)	(128,834)	6,747
27	Change in value of split interest agreements	8,627	(5,609)
28	Pension and postretirement changes other than net periodic costs (note 5-C)	(16,481)	-
29	Other	(62,791)	29,359
30	Net asset released for capital acquisitions and reclassifications	49,708	(69,026)
31	Change in net assets from nonoperating activities	(34,124)	71,794
32	Change in net assets before effect of change in accounting principle	(174,124)	142,038
33	Effect of adoption of FASB Statement No.158 (notes 1-O, 5-C)	-	-
34	Change in net assets	(174,124)	142,038
35	Net assets, beginning of the year	5,303,889	777,922
36	Net assets, end of the year	$ 5,129,765	$ 919,960

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

Permanently Restricted	2008 Total	2007 Total	
$ -	$ 669,681	$ 633,387	1
-	(194,071)	(189,225)	2
-	475,610	444,162	3
-	190,885	173,360	4
			5
-	390,837	382,181	6
-	114,121	116,274	7
-	217,519	219,136	8
-	280,985	290,655	9
-	451,497	438,355	10
-	140,993	134,731	11
-	376,710	304,101	12
-	-	-	13
-	2,639,157	2,502,955	14
-	1,746,496	1,620,037	15
-	144,594	126,488	16
-	478,041	425,987	17
-	138,223	120,853	18
-	27,784	30,509	19
-	173,775	147,639	20
-	2,708,913	2,471,513	21
-	(69,756)	31,442	22
-	55,580	25,220	23
-	2,451	6,805	24
196,751	364,690	321,414	25
12,333	(109,754)	911,461	26
3,874	6,892	12,147	27
-	(16,481)	-	28
-	(33,432)	21,754	29
19,318	-	-	30
232,276	269,946	1,298,801	31
232,276	200,190	1,330,243	32
-	-	(77,133)	33
232,276	200,190	1,253,110	34
1,756,654	7,838,465	6,585,355	35
$ 1,988,930	$ 8,038,655	$ 7,838,465	36

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2008 (in thousands)

(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2007)

		2008	2007
	Cash flows from operating activities		
1	Change in net assets	$ 200,190	$ 1,253,110
	Adjustments to reconcile change in net assets		
	to net cash provided/(used) by operating activities		
2	Contributions for capital acquisitions, trusts and endowments	(357,356)	(240,231)
3	Income for endowments and other donor restricted funds	(7,907)	(7,588)
4	Depreciation	173,775	147,639
5	Net realized and unrealized (gain)/loss on investments	(58,543)	(1,096,470)
6	Pension and postretirement changes other than net periodic costs	16,481	-
7	Effect of adoption of FASB Statement No. 158	-	77,133
8	Other adjustments	66,800	(26,022)
	Change in assets and liabilities		
9	Accounts receivable, net	(28,926)	(38,840)
10	Contributions receivable, net	(170,907)	(160,285)
11	Inventories and prepaid expenses	15,116	(13,012)
12	Accounts payable and accrued expenses	79,333	37,308
13	Deferred revenue and other liabilities	161,020	(34,207)
14	Deferred benefits	34,000	36,622
15	Government advances for student loans	3,271	18
16	Net cash provided/(used) by operating activities	126,347	(64,825)
	Cash flows from investing activities		
17	Proceeds from the sale and maturities of investments	10,123,144	8,049,830
18	Purchase of investments	(10,299,858)	(8,036,595)
19	Acquisition of land, buildings, and equipment (net)	(456,933)	(406,155)
20	Student loans granted	(13,692)	(15,725)
21	Student loans repaid	9,835	14,466
22	Change in funds held in trust for others	(37,794)	91,426
23	Net cash used by investing activities	(675,298)	(302,753)
	Cash flows from financing activities		
	Contributions restricted to		
24	Investment in endowments	234,032	101,531
25	Investment in physical plant	110,120	116,213
26	Investment subject to living trust agreements	13,204	22,487
27	Income for endowments and other donor restricted funds	7,907	7,588
28	Principal payments of bonds and notes payable	(87,316)	(117,936)
29	Proceeds from issuance of bonds and notes payable	286,428	215,751
30	Bond issuance costs incurred	(2,769)	(3,324)
31	Change in obligations under living trust agreements	1,055	29,748
32	Net cash provided by financing activities	562,661	372,058
33	Net change in cash and cash equivalents	13,710	4,480
34	Cash and cash equivalents, beginning of year	27,569	23,089
35	Cash and cash equivalents, end of year	$ 41,279	$ 27,569
	Supplemental disclosure of cash flow information		
36	Cash paid for interest	$ 38,142	$ 33,682

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

1. SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Organization

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

B. Basis of Presentation

The accompanying consolidated financial statements have been prepared on an accrual basis in accordance with U.S. generally accepted accounting principles (GAAP), and are presented in accordance with the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Not-for-Profit Organizations. The standards for 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. GAAP 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 values.

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). Expiration of donor restrictions is reported in the consolidated statement of activities as a reclassification from temporarily restricted net assets to unrestricted net assets on the net assets released from restrictions line.

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.

The consolidated statement of activities presents the changes in net assets of the University from both operating and nonoperating activities. Revenues and expenses that relate to carrying out the University's educational, research, and public service missions are reported as operating activities. Operating revenues include investment income and appreciation utilized to fund current operations, the largest portion of which is the distribution of endowment return as determined by the University's spending policy. The University reports as nonoperating activities 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 amounts in the consolidated financial statements and accompanying notes are presented, unless otherwise indicated, in thousands.

C. Cash and Cash Equivalents
The University classifies any instrument that has an original maturity term of ninety days or less as a cash equivalent. The carrying amount of cash equivalents approximates fair value because of their short terms of maturity.

D. Collateral for Securities Loaned
The University has an agreement with its investment custodian to lend University securities to approved brokers 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 categories of net assets in the period received. A pledge is recorded at present value of estimated future cash flows, based on an appropriate discount rate at the time of the contribution. Amortization of this discount in subsequent years is included in contribution revenue. A contribution of assets other than cash is recorded at its estimated fair value on the date of the contribution. Contributions for capital projects, endowments, and similar funds are reported as nonoperating revenues. Conditional promises to donate to the University are not recognized until the conditions are substantially met.

Temporarily restricted net assets include contributions to a consolidated organization that maintains a donor-advised fund for which the donors will make recommendations to the fund's trustees regarding distributions to the University or other charitable organizations.

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

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

G. Derivative Instruments and Hedging Activities
The University holds derivative instruments for investment, and records their 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 other 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 in the consolidated statement of financial position, and the change in fair value is recorded as other nonoperating revenues and expenses in the consolidated statement of activities.

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

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

I. Funds Held in Trust by Others

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

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 the 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 terms of the agreements. Pooled income funds are recognized at the net present value of the net assets expected at a future date. Gains or losses resulting from changes in 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. In addition to conducting instructional and research activities, physician members generate clinical practice income from their professional services to patients. Also reflected as University revenues are Medical Physicians' Organization fees. Expenses of the clinical practice, including physician compensation, administrative operations, and provision for uncollectible accounts, are reflected as University expenses. Net assets resulting from the activities of the Medical 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 information in summary form, rather than by restriction class. Such information does not include sufficient detail to constitute a presentation of prior-year data in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the prior fiscal year, from which the summarized information was derived.

O. Accounting Pronouncements

Effective for the fiscal year ended June 30, 2008, the University adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48: *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 addresses the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. It prescribes a threshold of "more likely than not" for recognition of tax positions taken in a tax return, and provides related guidance on measurement, classification, interest and penalties, and disclosure. FIN 48 had no material impact on the University's results of operations and financial position.

(dollars in thousands)

In the fiscal year ended June 30, 2007, the University adopted Statement of Financial Accounting Standards No. 158: *Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans* (FAS 158), which required recognition of the funded status of these employee benefit plans in the consolidated statement of financial position as either a prepaid expense or an accrued liability. The adjustment necessary to comply with FAS 158 was presented as a separate line in unrestricted net assets and not as income or expense in 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. In subsequent years, the University will continue to record changes in the funded status as pension and postretirement changes other than net periodic costs in the consolidated statement of activities.

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 generally 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

	2008	2007
Grants and contracts	$ 55,828	$ 49,996
Patients (net of contractual allowances)	71,619	75,512
Student accounts	5,764	5,766
Other	158,843	133,146
Subtotal	$ 292,054	$ 264,420
Less: allowance for doubtful accounts	(15,163)	(16,455)
Net accounts receivable	$ 276,891	$ 247,965

The patient accounts receivable for medical services was comprised of the following at June 30, 2008 and 2007, respectively: commercial third parties 53 percent and 54 percent; federal/state government 12 percent and 14 percent; and patients 35 percent and 32 percent. Other accounts receivable include receivables 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

	2008	2007
Less than one year	$ 212,667	$ 147,653
Between one and five years	315,095	243,849
More than five years	474,898	448,769
Gross contributions receivable	$ 1,002,660	$ 840,271
Less: unamortized discount	(300,748)	(318,260)
Less: allowance for uncollectible amounts	(35,095)	(26,101)
Net contributions receivable	$ 666,817	$ 495,910

(dollars in thousands)

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

EXPECTED PURPOSE OF CONTRIBUTIONS RECEIVABLE

	2008	2007
Support of University operations	$ 297,287	$ 239,604
Capital purposes	153,352	117,383
Endowments and similar funds	216,178	138,923
Net contributions receivable	$ 666,817	$ 495,910

At June 30, 2008 and 2007, conditional promises not reflected in the consolidated financial statements, which consist primarily of bequest intentions, were approximately $165,458 and $160,273, 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

	2008	2007
Federal revolving loans	$ 48,962	$ 48,225
Institutional loans	29,618	26,498
Gross student loans receivable	$ 78,580	$ 74,723
Less: allowance for doubtful accounts	(6,296)	(9,792)
Net student loans receivable	$ 72,284	$ 64,931

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.

Student loans are often subject to unique restrictions and conditions and, therefore, it is not feasible to determine their fair values.

3. INVESTMENTS

A. General Information

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

INVESTMENTS AT FAIR VALUE

	2008	2007
Cash and cash equivalents	$ 267,836	$ 129,614
Domestic equities	699,794	834,060
Foreign equities	911,636	1,107,758
Absolute return	625,452	572,721
Hedged equities	1,252,730	1,306,924
Fixed income	898,489	749,574
Private equities	902,677	751,801
Real assets	956,468	885,194
Other	34,206	31,579
Total	$ 6,549,288	$ 6,369,225

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.

(dollars in thousands)

Under the terms of certain limited partnership agreements, the University is obligated to make additional capital contributions up to contractual levels. At June 30, 2008 and 2007, the University had commitments of $1,362,308 and $1,066,802, 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

	2008	2007
Working capital	$ 32,704	$ 3,807
Intermediate-term (PBIF)	571,174	609,353
Long-term investment pool (LTIP)	5,378,096	5,197,503
Separately invested portfolio	411,614	478,902
Pooled life income funds	13,909	16,935
Other	141,791	62,725
Total	$ 6,549,288	$ 6,369,225

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

SUMMARY OF INVESTMENT RETURN

	2008	2007
Interest and dividends, net of investment fees	$ 112,688	$ 105,646
Net realized gain/(loss)	415,142	394,161
Net unrealized gain/(loss)	(356,599)	702,309
Total investment return	$ 171,231	$ 1,202,116
Investment return, distributed	$ 280,985	$ 290,655
Investment return, undistributed	(109,754)	911,461
Total investment return	$ 171,231	$ 1,202,116

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 of this vehicle 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, 2008 and 2007, the fair values per unit were $65.37 and $66.62, respectively. The total return on the University's long-term investments, of which the LTIP is the major component, was 2.7 percent for the fiscal year ended June 30, 2008. The changes in the fair value and cost of the LTIP and information about its participating units as of June 30, 2008 and 2007 are as follows:

SUMMARY INFORMATION - LONG-TERM INVESTMENT POOL

	Fair value	Cost	Appreciation	Fair value per unit	Number of units
End of year	$ 5,378,096	$ 4,267,499	$ 1,110,597	$ 65.37	82,269,929
Beginning of year	$ 5,197,503	$ 3,800,321	$ 1,397,182	$ 66.62	78,016,232
Unrealized net gain/(loss) for year			$ (286,585)		
Realized net gain/(loss) for year			$ 360,501		
Net gain/(loss) for year			$ 73,916		

(dollars in thousands)

The University has a total distribution policy. Under this policy, a distribution is provided from the pool, independent of the cash yield and investment returns in a given year. This insulates investment policy from budgetary pressures and insulates the distribution from fluctuations in financial 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 fiscal year ended June 30, 2008, distributions of investment payout to participating funds totaled $213,048 ($2.66 per unit) of which $191,724 was paid out for the University's operations, with the balance in the amount of $21,324 either returned to principal or distributed to funds held for others. The distribution for the fiscal year ended June 30, 2008 was comprised of $46,997 in net investment income and $166,051 paid from accumulated gains. For the fiscal year ended June 30, 2007, the investment payout was $185,508 ($2.42 per unit), and was comprised of $44,726 in net investment income and $140,782 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 principals become available for University purposes, which may or may not have been restricted by the donors.

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 $122,599 and $37,480 as of June 30, 2008 and 2007, respectively. The amount of bond proceeds not yet expended included in the total reserves at DASNY are $107,653 and $21,550 as of June 30, 2008 and 2007, 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 of a manager's appointment. The derivatives are used to adjust fixed income durations and rates, to create "synthetic exposures" to certain types of investments, and to hedge foreign currency fluctuations.

Certain investment transactions, including derivative financial instruments, involve counterparty credit exposure. The University's investment guidelines require that investment managers use only those counterparties with strong credit ratings for these derivatives. For the fiscal years ended June 30, 2008 and 2007, the University recorded unrealized gains of $7,676 and $2,385, respectively, on derivative holdings.

4. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are detailed as follows:

LAND, BUILDINGS, AND EQUIPMENT

	Book value at June 30, 2007	Additions	Disposals and closed projects	Book value at June 30, 2008
Land, buildings, and equipment	$ 2,616,202	$ 320,779	$ (34,768)	$ 2,902,213
Furniture, equipment, books, and collections	886,520	86,406	(39,414)	933,512
Construction in progress	351,592	453,257	(396,416)	408,433
Total before accumulated depreciation	$ 3,854,314	$ 860,442	$ (470,598)	$ 4,244,158
Accumulated depreciation	(1,506,091)			(1,627,928)
Net land, buildings, and equipment	$ 2,348,223			$ 2,616,230

Certain properties to which the University does not have title are included in physical assets at net book values as follows: (1) land, buildings, and equipment of the Contract Colleges aggregating $421,439 and $368,215 at June 30, 2008 and 2007, respectively, the acquisition cost of which was borne primarily by New York State and (2) land, buildings, and equipment for which titles rest with government and corporate agencies aggregating $17,296 and $17,293 at June 30, 2008 and 2007, respectively.

(dollars in thousands)

5. DEFERRED BENEFITS

A. General Information

Accrued employee benefit obligations as of June 30 include:

SUMMARY OF DEFERRED BENEFITS

	2008	2007
Postemployment benefits	$ 21,334	$ 21,765
Pension and other postretirement benefits	239,950	212,066
Other deferred benefits	163,754	140,726
Total deferred benefits	$ 425,038	$ 374,557

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

B. Pension and Postretirement Plans

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

The primary defined contribution plans for Endowed Ithaca and for exempt employees (those not subject to the overtime provisions of the Fair Labor Standards Act) at the Medical College are carried by the Teachers Insurance and Annuity Association, the College Retirement Equities Fund, the Vanguard Group (Medical College only), and Fidelity Investments (Endowed Ithaca only), all of which permit employee contributions. Total pension costs of the Endowed Ithaca and Medical College plans for the fiscal years ended June 30, 2008 and 2007 amounted to $76,873 and $72,771, 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 were covered by the Cornell University Retirement Plan for Non-Exempt Employees of the Endowed Colleges at Ithaca (NERP), a defined benefit plan. The Board of Trustees voted to terminate this frozen plan effective December 31, 2006, with all surplus assets inuring to the plan participants. As of June 30, 2008, the majority of benefits have been paid out to retirees, former employees and active employees with a vested benefit in NERP.

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

In the fiscal year ended June 30, 2007, the University adopted FAS 158, which required employers to recognize the over-funded or under-funded status of defined benefit pension and postretirement plans in their statements of financial position. This resulted in an increase in deferred benefits liability of $77,133. Adustments in subsequent years will be recorded as pension and postretirement changes other than net periodic costs in the consolidated statement of activities.

(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	
	2008	2007	2008	2007
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	$ 53,110	$ 64,846	$ 127,921	$ 101,552
Actual return on plan assets	(3,930)	7,801	(6,212)	21,276
Employer contribution	3,000	3,800	5,336	5,093
Benefits paid	(1,725)	(4,056)	-	-
Settlements	(9,736)	(19,281)	-	-
Fair value of plan assets at end of year	$ 40,719	$ 53,110	$ 127,045	$ 127,921
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	$ 59,919	$ 67,721	$ 326,096	$ 314,733
Service cost (benefits earned during the period)	3,420	3,212	13,528	13,660
Interest cost	3,094	4,028	18,841	18,734
Plan amendments	3,132	-	-	-
Actuarial (gain)/loss	(727)	8,295	1,942	(11,435)
Settlements	(9,736)	(19,281)	-	-
Benefits paid	(1,725)	(4,056)	(10,272)	(9,596)
Projected benefit obligation at end of year	$ 57,377	$ 59,919	$ 350,135	$ 326,096
FUNDED STATUS	$ (16,658)	$ (6,809)	$ (223,090)	$ (198,175)
AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	$ (16,658)	$ (6,809)	$ (223,090)	$ (198,175)
AMOUNTS RECORDED IN UNRESTRICTED NET ASSETS NOT YET AMORTIZED AS COMPONENTS OF NET PERIODIC BENEFIT COST				
Net transition obligation	$ -	$ -	$ 18,221	$ 21,866
Prior service cost	-	-	510	639
Net actuarial (gain)/loss	8,681	5,992	66,202	48,636
Amount recognized as reduction in unrestricted net assets	$ 8,681	$ 5,992	$ 84,933	$ 71,141

The accumulated benefit obligation for the pension plans was $44,061 and $46,737 at June 30, 2008 and 2007, respectively. The accumulated benefit obligation differs from the projected benefit obligation in the table above in that it includes no assumptions about future compensation levels. It represents the actuarial present value of future payments to plan participants using current and past compensation levels. For postretirement plans other than pensions, the accumulated benefit obligation is the same as the projected benefit obligations because the liabilities are not compensation-related.

D. Net Periodic Benefit Cost

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

NET PERIODIC BENEFIT COST

	Pension benefits		Other postretirement	
	2008	2007	2008	2007
Service cost (benefits earned during the period)	$ 3,420	$ 3,212	$ 13,528	$ 13,660
Interest cost	3,094	4,028	18,841	18,734
Expected return on plan assets	(3,776)	(4,923)	(9,906)	(8,309)
Amortization of initial transition obligation	-	-	3,644	3,644
Amortization of prior service cost	3,133	-	129	264
Amortization of net (gain)/loss	3,593	612	495	2,365
Settlement (gain)/loss	696	10,685	-	-
Net periodic benefit cost	$ 10,160	$ 13,614	$ 26,731	$ 30,358

(dollars in thousands)

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, 2009 are estimated as follows:

ESTIMATED COMPONENTS OF NET PERIODIC BENEFIT COST

	Pension benefits	Other postretirement
Transition obligation	$ -	$ 3,644
Prior service cost	-	129
Net actuarial (gain)/loss	282	2,620
Total	$ 282	$ 6,393

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	
	2008	**2007**	**2008**	**2007**
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%	6.00%	6.00%	6.00%
Expected return on plan assets	8.00%	8.00%	8.00%	8.00%
Rate of compensation increase	6.10%	6.10%		
ASSUMED HEALTH CARE COST TREND RATES				
Health care cost trend rate assumed for next year	n/a	n/a	8.00%	8.00%
Ultimate trend rate	n/a	n/a	5.00%	5.00%
Years to reach ultimate trend rate	n/a	n/a	6	3

The health care cost trend rate assumption has a significant effect on the amounts reported for other postretirement (health care) plans. Increasing the health care cost trend rate by 1 percent in each future year would increase the benefit obligation by $56,892 and the annual service and interest cost by $6,629. Decreasing the health care cost trend rate by 1 percent in each future year would decrease the benefit obligation by $46,023 and the annual service and interest cost by $5,213.

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, 5.75 percent on debt securities, and 8.25 percent on real estate.

(dollars in thousands)

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

SUMMARY OF PLAN ASSETS

	Target allocation	Pension benefits 2008	Pension benefits 2007	Other postretirement 2008	Other postretirement 2007
PERCENTAGE OF PLAN ASSETS					
Equity securities	39-85%	59.7%	52.0%	69.7%	70.1%
Debt securities	15-55%	36.7%	44.6%	30.3%	29.9%
Real estate	0-5%	3.6%	3.4%	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			
2009	$ 2,500	$ 5,589	n/a
FUTURE BENEFIT PAYMENTS			
2009	$ 3,024	$ 11,181	$ 1,502
2010	2,918	12,218	1,665
2011	3,588	13,450	1,820
2012	3,599	14,539	1,988
2013	3,540	15,683	2,178
2014-2018	23,326	98,741	14,244

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

H. Contract College Employees

Employees of the Contract Colleges are covered under the New York State pension plans. Contributions to the state retirement system and other employee benefit costs are paid directly by the state. The amounts of the direct payments applicable to the University as revenue and expenditures are not currently determinable and are not included in the consolidated financial statements. The University reimburses the state for employee benefit costs on certain salaries, principally those associated with externally sponsored programs. The amounts reimbursed to the state during the fiscal years ended June 30, 2008 and 2007, were $18,459 and $17,488, respectively, and were included in operating expenses.

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 Weill Cornell Medical Center of the New York-Presbyterian Hospital, is the major external organization invested in the LTIP with assets having market values of $189,342 and $186,461 at June 30, 2008 and 2007, respectively. Of these investments, a portion of the future income stream has been directed in perpetuity to benefit the Medical College. The present values of this income stream, calculated to be $75,966 and $74,141 at June 30, 2008 and 2007, respectively, are recorded as reductions in the funds held in trust for others liability.

(dollars in thousands)

7. BONDS AND NOTES PAYABLE

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

SUMMARY OF BONDS AND NOTES PAYABLE

	2008	2007	Interest rates	Final maturity
Dormitory Authority of the State of New York (DASNY)				
Revenue Bond Series				
1990B-Variable rate/daily	$ 56,700	$ 57,300	0.55 to 3.96	2025
2000A-Variable rate/weekly	56,620	58,320	2.99*	2029
2000B-Variable rate/weekly	74,835	76,765	4.63*	2030
2004-Variable rate/weekly	88,175	90,150	3.51*	2033
2006-Fixed rate	231,160	239,750	4.00 to 5.00	2035
2008B&C-Variable rate/daily	130,000	-	0.35 to 2.50	2037
1995 Student loan bond capital appreciation	-	6,339	5.90 to 6.15	2008
Tax-exempt commercial paper	149,875	89,005	1.00 to 3.72*	2037
Bond Series 1987B-Fixed rate	8,825	10,370	11.11	2012
Taxable commercial paper	60,911	86,979	2.25 to 5.33	-
Industrial Development Agency				
2000-Fixed rate	3,330	4,335	5.10 to 5.25	2011
2002A-Variable rate/weekly	42,530	42,710	4.52*	2030
2002B-Variable rate/weekly	15,390	15,390	4.33*	2015
2008A-Variable rate/daily	70,000	-	0.55 to 3.40	2037
Student Loan Marketing Association-Fixed rate	5,030	5,340	5.75 to 6.50	2019
Urban Development Corporation	2,625	2,750	-	2029
Capitalized leases				
312 College Ave	-	11,296	various	2008
Other	3,164	3,308	various	2009-2029
Total bonds and notes payable	$ 999,170	$ 800,107		

** Rates presented are the swap interest rates as noted in the following Summary of Interest Rate Swaps table.*

The University's bonds and notes payable had carrying amounts of $999,170 and $800,107 at June 30, 2008 and 2007, respectively, compared to estimated fair values of approximately $1,001,739 and $808,513 at June 30, 2008 and 2007, respectively. Estimated fair value of bonds is based on quoted market prices for the same or similar issues. The market prices utilized reflect the amounts a third party would pay to purchase the bonds, and not an additional liability to the University. Interest expense during the fiscal year ended June 30, 2008 was $27,784, of which $25,926 was related to the bonds and notes payable displayed in the table above. During the fiscal year ended June 30, 2007, interest expense was $30,509, of which $28,890 was related to the bonds and notes payable. The University capitalized interest on self-constructed assets, such as buildings, in the amount of $9,698 and $4,218 for the fiscal years ended June 30, 2008 and 2007, respectively.

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

Under 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 eleven interest rate swap agreements to exchange variable rate debt for fixed rate obligations without the exchange of the underlying principal amount. Net payments or receipts under the swap agreements are recorded as adjustments to interest expense. Three of the six forward-starting swaps were negotiated in the fiscal year ended June 30, 2008. Under four agreements in effect at June 30, 2008, the counterparty pays the University a variable interest rate equal to the Securities Industry and Financial Markets Association (SIFMA) index, and under seven other agreements, the counterparty pays a variable interest rate equal to a percentage of the one month London Interbank Offered Rates (LIBOR).

(dollars in thousands)

At June 30, 2008 and 2007, the total fair value was ($34,504) for eleven swap agreements and $20,691 for eight swap agreements, respectively. 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
$ 15,390	4.33%		July 1, 2010	SIFMA
106,620	2.99%		October 1, 2012	SIFMA
42,530	4.52%		July 1, 2030	SIFMA
74,835	4.63%		July 1, 2030	LIBOR
88,175	3.51%		July 1, 2033	LIBOR
200,000	3.84%	July 1, 2008	July 1, 2037	SIFMA
100,000	3.55%	July 1, 2009	July 1, 2036	LIBOR
200,000	3.45%	July 1, 2010	July 1, 2039	LIBOR
275,000	3.65%	July 1, 2010	July 1, 2040	LIBOR
200,000	3.48%	July 1, 2012	July 1, 2041	LIBOR
200,000	3.77%	July 1, 2014	July 1, 2044	LIBOR

During the fiscal year ended June 30, 2008, the University issued $70,000 of variable rate bonds to finance the central heating plant project, and $130,000 of variable rate bonds to refund tax-exempt commercial paper. In addition, the University reoffered the Series 2004 bonds. There was no change in the underlying bonds other than from an auction rate to a variable rate mode.

The University continues to issue both tax-exempt and taxable commercial paper. Tax-exempt commercial paper is used to finance capital projects and equipment purchases for the Ithaca and Medical College campuses. Taxable commercial paper is also used for these purposes, as well as to finance short-term working capital needs. The maximum amount outstanding at any one time under each program is $200,000.

The University paid $3,252 in the fiscal year ended June 30, 2008 to defease the 1995 student loan capital appreciation bonds. In addition, the university terminated its capitalized lease.

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
2009	$ 22,035	$ 38,112	$ 60,147
2010	22,556	37,091	59,647
2011	26,761	36,033	62,794
2012	27,543	34,651	62,194
2013	26,538	32,996	59,534
Thereafter	873,737	432,604	1,306,341
Total	$ 999,170	$ 611,487	$ 1,610,657

The University records its working capital line of credit as other liabilities in the consolidated statement of financial position. During the fiscal year ended June 30, 2008, the University added an additional working capital line of credit with Bank of America for $100,000 to support short-term cash flow needs, bringing the maximum amount outstanding at any one time for both lines of credit to $200,000. At June 30, 2008, the interest rates were 2.58 percent and 3.00 percent for the University's two lines of credit. At June 30, 2007, the University had one line of credit with an interest rate of 6.25 percent. The two lines of credit have annual expiration dates of February 20 and December 31. As of June 30, 2008 and 2007, $164,500 and $30,500, respectively, were borrowed against the lines of credit.

(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 expenses were $18,058 and $18,011 for the fiscal years ended June 30, 2008 and 2007, 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
2009	$ 20,281
2010	16,526
2011	15,436
2012	13,222
2013	11,495
Thereafter	69,916
Total minimum operating lease payments	$ 146,876

9. FUNCTIONAL EXPENSES AND STUDENT AID

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

FUNCTIONAL EXPENSES

	2008	2007
Instruction	$ 597,606	$ 555,434
Research	511,158	502,661
Public service	114,143	108,847
Academic support	267,222	236,784
Student services	119,858	111,279
Medical services	474,471	412,270
Institutional support	414,747	360,426
Enterprises and subsidiaries	209,708	183,812
Total expenses	$ 2,708,913	$ 2,471,513

The expenses for operations and maintenance of facilities, depreciation, and interest are allocated to functional categories based on square footage. The amounts allocated for operations and maintenance were approximately $154,430 and $143,344 for the fiscal years ended June 30, 2008 and 2007, 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 scholarship allowance which reduces tuition revenue. Total financial assistance amounts classified as instruction expense were $24,106 and $23,401 for the fiscal years ended June 30, 2008 and 2007, 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	2008 Total	2007 Total
Endowment					
True endowment	$ 1,979,508	$ -	$ 1,555,709	$ 3,535,217	$ 3,460,881
Funds functioning as endowment (FFE)	1,538,967	173,825	-	1,712,792	1,652,213
Total true endowment and FFE	$ 3,518,475	$ 173,825	$ 1,555,709	$ 5,248,009	$ 5,113,094
Funds held by others, perpetual	-	-	137,473	137,473	134,003
Total University endowment	$ 3,518,475	$ 173,825	$ 1,693,182	$ 5,385,482	$ 5,247,097
Other Net Assets					
Operations	(170,458)	134,756	-	(35,702)	165,396
Student loans	8,725	-	33,516	42,241	37,775
Facilities and equipment	1,773,023	48,136	-	1,821,159	1,739,438
Living trust funds	-	68,207	46,054	114,261	109,161
Funds held by others, other than perpetual	-	44,397	-	44,397	43,688
Contributions receivable, net	-	450,639	216,178	666,817	495,910
Total net assets	$ 5,129,765	$ 919,960	$ 1,988,930	$ 8,038,655	$ 7,838,465

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

Of the endowment assets held at the University, 98 percent and 97 percent were invested in the LTIP at June 30, 2008 and 2007, respectively. At June 30, 2008, 257 of 5,581 true endowment funds invested in the LTIP, with a book value of $84,435, had fair values below book values by a total of $2,287. The University holds significant unrestricted appreciation on endowments to offset these temporary decreases in value. The University has maintained these true endowment funds at their historical book value.

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

SUMMARY OF ENDOWMENT ACTIVITY

	Unrestricted	Temporarily restricted	Permanently restricted	2008 Total	2007 Total
True endowment and FFE beginning of year	$ 3,576,523	$ 120,053	$ 1,416,518	$ 5,113,094	$ 4,152,207
Investment return					
Net investment income	27,489	17,338	2,376	47,203	44,352
Net realized and unrealized gains	1,741	66,743	4,534	73,018	979,166
Total investment return	$ 29,230	$ 84,081	$ 6,910	$ 120,221	$ 1,023,518
New gifts	6,950	42,558	109,243	158,751	87,142
Net transfers to/(from) FFE	20,457	(9,097)	-	11,360	11,122
Distribution of endowment return to other funds	(115,072)	(76,651)	(2,763)	(194,486)	(170,134)
Other changes	(5,091)	(2,464)	6,475	(1,080)	5,210
Reclassifications	5,478	15,345	19,326	40,149	4,029
Total true endowment and FFE end of year	$ 3,518,475	$ 173,825	$ 1,555,709	$ 5,248,009	$ 5,113,094

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 foreseen, the University's administration is of the opinion that eventual liability, if any, will not have a material effect on the University's financial position.

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

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