Annual Report

2011–2012

Cornell University

CORNELL UNIVERSITY HIGHLIGHTS

	2011-12	2010-11	2009-10
Fall enrollment (excluding in absentia)			
Undergraduate	14,167	13,935	13,931
Graduate	5,580	5,661	5,190
Professional	2,450	2,428	2,450
Total fall enrollment	22,197	22,024	21,571
Degrees granted			
Baccalaureate degrees	3,596	3,542	3,696
Masters degrees	2,197	2,253	1,996
PhD degrees	556	555	549
Other doctoral degrees (JD, MD, DVM)	386	380	378
Total degrees granted	6,735	6,730	6,619
Tuition rates			
Endowed Ithaca	$41,325	$39,450	$37,750
Contract colleges			
Resident	$25,185	$23,310	$21,610
Nonresident	$41,325	$39,450	$37,750
Medical campus	$46,000	$45,545	$44,650
Business	$51,480	$49,272	$47,150
Law	$53,150	$51,150	$48,950
Veterinary medicine	$28,400	$27,700	$26,500
Volumes in library (in thousands)	7,876	7,803	7,726*
Academic workforce			
Full-time employees			
Faculty	3,257	3,119	3,063
Nonfaculty	886	901	939
Part-time employees			
Faculty	257	243	249
Nonfaculty	211	210	187
Total academic workforce	4,611	4,473	4,438
Nonacademic workforce			
Full-time employees	9,813	9,629	9,526
Part-time employees	588	612	635
Total nonacademic workforce	10,401	10,241	10,161
University endowment			
Market value of total university endowment (in millions)	$4,947.0	$5,059.4	$4,378.6
Unit value of Long Term Investment Pool	$50.67	$53.58	$47.38
Gifts received, excluding pledges (in millions)	$333.8	$318.2	$313.4
New York State appropriations through SUNY (in millions)	$131.5	$146.0	$159.5
Medical Physicians' Organization fees (in millions)	$679.9	$577.6	$557.2
Sponsored research volume (in millions)			
Direct expenditures	$463.3	$464.1*	$434.7
Indirect-cost recovery	$137.2	$139.8*	$126.0
Selected land, buildings, and equipment items and related debt (in millions)			
Additions to land, buildings, and equipment	$573.4	$608.2	$586.7
Cost of land, buildings, and equipment	$5,590.7	$5,254.5	$4,969.0
Outstanding bonds, mortgages, and notes payable	$1,896.6	$1,932.1	$1,931.0

* Number restated

President’s Message

Dear Cornellians and Friends of the University:

Three years ago, when Cornell University embarked upon a comprehensive strategic planning process to guide us toward the university’s sesquicentennial, we sought not only to chart a path toward greater excellence through connectivity and focus, but also to establish metrics and assessment procedures by which we could document our progress.

Cornell University’s Annual Report for 2011–2012 assesses the progress we have made during the first two years of implementation of “Cornell at its Sesquicentennial: A Strategic Plan 2010–2015.”

Within these pages you will find updates on each of the seven strategic initiatives set forth in the plan—from faculty renewal to fostering a supportive culture for teaching, from stimulating cross-college connections to creating a more diverse community, from enhancing infrastructure to advancing critical departments and fields and our capabilities for public engagement.

Combined with wide-ranging vignettes from the past year at Cornell—captured in words and photographs—and a detailed financial statement, the 2011–2012 Cornell Annual Report breaks new ground in conveying the metrics and the data that underlie our progress. I hope you enjoy the report and will share my pride in our university and the path toward even greater excellence we have chosen to pursue.

FROM TOP TO BOTTOM: President David Skorton shares the university's vision leading toward its sesquicentennial in 2015; Dr. Jenny Sones, a post-DVM graduate research assistant in the Davisson Laboratory in the Department of Biomedical Sciences, works with horses; Turkish-German film and theater director Neco Çelik works with students in the Black Box Theatre at the Schwartz Center for the Performing Arts; Brock Labrenz of The Forsythe Company performs "Nowhere and Everywhere at the Same Time," a choreographic work by A.D. White Professor-at-Large William Forsythe, in Rand Hall.

Cornell University at its Sesquicentennial

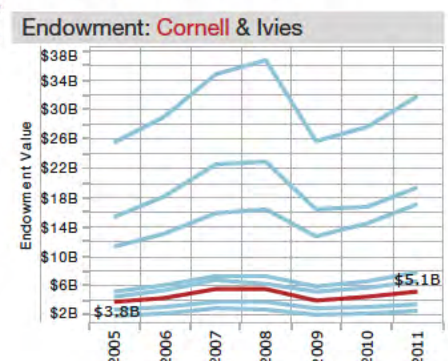
A Strategic Plan 2010–2015 Progress Report

Three years ago, in the wake of the most serious financial crisis in Cornell's history, Provost Kent Fuchs and ILR professor and former dean Edward Lawler assembled, at the request of President David Skorton, a committee charged with creating a strategic plan that would guide the university through its sesquicentennial year of 2015.

This task was undertaken with the recognition that Cornell would be a much different institution going forward. It would be smaller and more efficient. It would have outstanding colleges and schools and yet be greater than the sum of its parts. It would develop strategies that would serve as catalysts for the direction of its colleges and schools. It would be a single institution—"One Cornell"—guided by the aspiration, stated in the plan that was released on May 11, 2010, *to be widely recognized as a top-ten research university in the world, and a model university for the interweaving of liberal education and fundamental knowledge with practical education and impact on societal and world problems.*

The strategic plan has now been in place for two years and has, as intended, served as a catalyst for change across the university. The 2011–2012 annual reports provided by the deans illustrate some of the progress that has been made. Following are brief reports on each of the plan's seven initiatives.

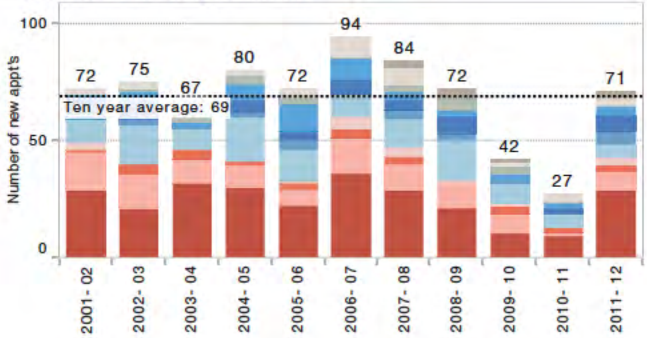
Faculty Renewal



Facing the retirements of as many as a third of their faculty members over the next decade, the colleges and schools have been working diligently to raise funds to support the $100 million Faculty Renewal Initiative. The goal of the initiative is to hire as many as 100 new faculty members, or Sesquicentennial Faculty Fellows, each year through 2015. Reports indicate that the talent pool is exceptional although competition has increased in recent years as more colleges and universities recover from the economic downturn. Candidates are also plentiful; the College of Engineering had more than 1,100 applicants for 13 tenure track positions. Despite the increased competition, the university made 71 tenure track appointments on the Ithaca campus alone in 2011–2012, up from just 27 in 2010–2011.

Approximately half the funding for the initiative is

New Tenure-Track Appointments



expected to come from the fund raising efforts of the colleges and schools. The balance will come from university funds. A $50 million Faculty Renewal Sesquicentennial Challenge will match multiyear gift commitments of $500,000 or more from donors on a dollar-for-dollar basis with university funds.

The goals of the individual colleges and schools are as follows:

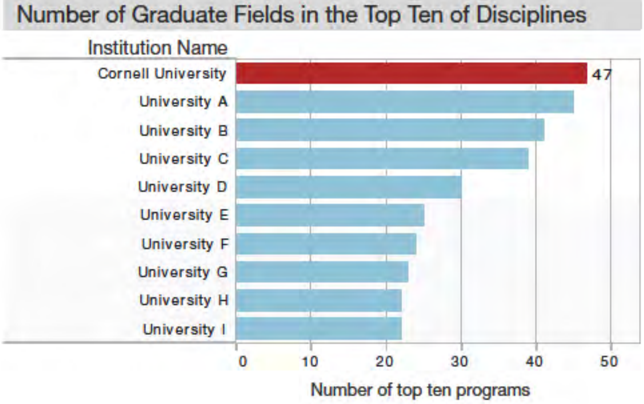
- Agriculture and Life Sciences – $5 million to support 10 faculty fellowships
- Architecture, Art, and Planning – $2 million to support four faculty fellowships
- Arts and Sciences – $10 million to support 20 faculty fellowships
- Computing and Information Science – $10 million to support four faculty fellowships
- Engineering – $7.5 million to support 15 faculty fellowships
- Hotel Administration – $2.5 million to support five faculty fellowships
- Human Ecology – $2.5 million to support five faculty fellowships
- Industrial and Labor Relations – $2.5 million to support five faculty fellowships
- Johnson – $2.5 million to support five faculty fellowships
- Law School – $1 million to support two faculty fellowships
- Veterinary Medicine – $2.5 million to support five faculty fellowships

Advancing Critical Departments and Fields

Cornell has more fields in the top ten of their disciplines (47) than any other university. The Strategic Plan is designed to strengthen its most critical departments and fields in order to maintain that leadership.

In December 2011, Cornell was selected by the City of New York to build an applied sciences campus that will transform the city's economy by expanding the tech talent pool. Cornell and its academic partner, the Technion-Israel Institute of Technology, will provide a distinctive model of graduate tech education that fuses educational excellence with commercial success and a

Number of Graduate Fields in the Top Ten of Disciplines



FROM TOP TO BOTTOM: The 2012 Cornell Alumni Leadership Conference held at the Marriott Wardman Park in Washington, D.C.; Rupert Spies, senior lecturer in the Department of Food and Beverage Management, leads a hands-on bread making workshop with a NASA research team; The student march at Homecoming 2011; Milstein Hall architect Rem Koolhaas speaks as part of the Celebrate Milstein Hall event.

commitment to societal good. Students, faculty, and industry experts will learn and work together to launch ideas and create daring ventures that have global impact. The campus will be a magnet for the tech sector in New York City, with strong ties to companies and early stage investors.

Activities are well underway. The first senior faculty member, Deborah Estrin, has been hired and the "beta" class of masters of engineering in computer science students will begin classes in January 2013. In July, Cornell NYC Tech began operating in space generously donated by Google in the Chelsea section of Manhattan. Cornell NYC Tech will be fully operational at the Chelsea site until 2017 when it relocates to Roosevelt Island in the East River. The campus will open with a minimum of 300,000 square feet of space, including an iconic and highly energy-efficient academic building designed by world-renowned architect Thom Mayne. Phase 1 may also include an executive education center, corporate co-location space, and a residence for faculty, students, and staff. When complete in 2037 the campus will have several thousand graduate students learning and working in approximately 2 million square feet of vibrant and highly sustainable facilities. The initial phase of the project has been financed by a generous gift from Atlantic Philanthropies and its founder Chuck Feeney '56.

Cornell's role as a global leader in sustainability education and research was strengthened in October 2010 with an $80 million gift from David Atkinson '60 and his wife Patricia. The David R. Atkinson Center for a Sustainable Future, formerly the Cornell Center for a Sustainable Future (CCSF), now involves more than 220 faculty members from 10 colleges and involves 55 departments in interdisciplinary research related to the environment, energy, and economic development. The CCSF was created in 2007 with support from the Atkinsons.

A new Department of Economics combines all economics faculty from the College of Arts and Sciences and all labor economists from the ILR School. A small number of senior professors from the Samuel Curtis Johnson Graduate School of Management, the Charles H. Dyson School of Applied Economics and Management, and the College of Human Ecology's Department of Policy Analysis and Management (PAM) will have joint appointments. The new department was the result of six years of faculty involvement and recommendations arising from numerous committees and task forces. A group of prominent alumni and economics faculty from outside the university also provided advice about how to further strengthen economics at Cornell. The new department will be able to offer a fuller spectrum of economic perspectives, bringing the more empirical approach and policy focus of the ILR School together with the more theoretical approach of the College of Arts and Sciences.

An $11 million gift from Lisa and Richard Baker '88 has transformed the university's real estate program, already

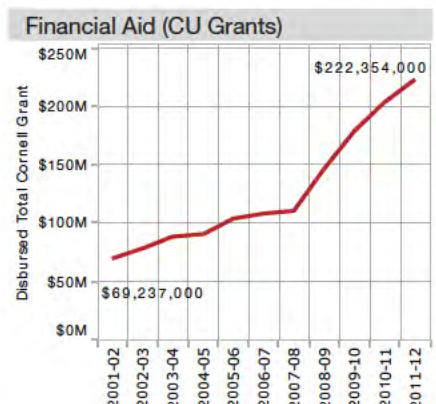
FROM TOP TO BOTTOM: Newly commissioned Reserve Officers' Training Corps (ROTC) graduates celebrate after the 2012 Commissioning Ceremony; Camille Andrews, learning technologies and assessment librarian at Mann Library, teaches an information literacy class; NHL player Jean-Marc Pelletier '12 at the December Recognition Event for January Graduates in Barton Hall with his wife and daughter; The First Annual Renaissance Ball: A Harmonious Chord of Diversity.

FROM TOP TO BOTTOM: The Tisch family accepts their award at the 4th Annual Cornell Hospitality Icon and Innovator Awards gala at the American Museum of Natural History in New York City; The 2012 Women's NCAA Frozen Four Hockey Championship tournament, Cornell vs. the University of Minnesota in Duluth, Minn.; Students at Cornell's first annual Startup Career Fair in Duffield Hall; Speaker Paul Wolfowitz '65, former president of the World Bank and deputy secretary of defense, on "Is the Era of American Leadership Over?"

recognized for its excellence, into one of the premiere programs in the nation. The renamed Baker Program in Real Estate is being restructured and will be administered by the two schools most directly aligned with teaching, research, and professional careers in the field of real estate: the College of Architecture, Art, and Planning and the School of Hotel Administration. The new program has physical space in both schools, which will collaborate to offer a comprehensive set of ancillary and career services.

Creating a Supportive Culture for Teaching

A variety of programs to enhance teaching have been established or are being designed in the colleges and schools. The Engineering Teaching Excellence Institute, in collaboration with faculty, conducted 134 mid-semester course feedback surveys on 90 faculty members last year. The Office of Academic Programs in the College of Agriculture and Life Sciences and the Center for Teaching Excellence organize an annual CALS Teaching Experience workshop. The workshop provides faculty with opportunities to discuss new ideas for learning and teaching. Each year about 20 faculty members from CALS and other colleges meet to discuss course design and strategies to enhance teaching skills and student learning.



Cornell's Center for Teaching Excellence (CTE) continues to be an important resource for the colleges. The College of Veterinary Medicine engages CTE to provide workshops which have improved the participation rate of its faculty. Departments in the college continue to work with CTE and encourage faculty participation, particularly faculty members who may be new to didactic teaching, in CTE offerings to improve content and delivery of educational material at the DVM, graduate, and undergraduate levels.

The colleges and schools are working to augment and improve well established assessment practices that are used to improve student outcomes. The School of Hotel Administration created a six-member committee to oversee assessment of student learning by actively involving faculty in the assurance of learning process. The school also made progress toward a more systematic assessment of learning through the creation of rubrics that identified key competencies expected of all its graduates.

In the College of Human Ecology, a new Blackboard site, *Human Ecology Learning Outcome Assessment*, has been created as a repository for college and department assessment reports and links to university and other assessment resources. This limited access website is open to college and department leadership as well as the vice provost for undergraduate education and university assessment manager.

This past winter the university's IT Governance Committee (ITGC) announced the creation of a learning technologies sub committee. The group will work in direct support of the deans, vice provost, chief information officer, and the ITGC to provide leadership in developing a shared vision and strategic direction for learning technologies. As part of that goal, it will review and assess the impact of learning technologies at the university and ensure that centrally provided learning technology services are aligned with the needs and priorities of colleges, schools, and departments.

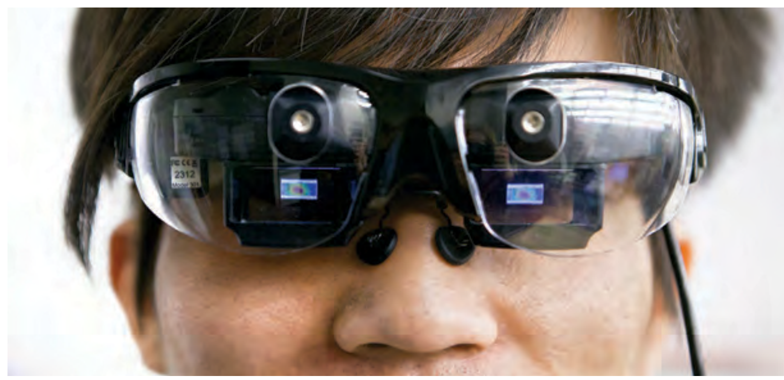
There is growing national concern that today's undergraduates do not possess core information competencies. The Cornell Undergraduate Information Competency Initiative, funded by a grant from Cornell University Library and the Office of the Vice Provost for Undergraduate Education, encourages Cornell faculty to explore creative and effective ways to engage students by integrating research skills into the classroom and the curriculum through the redesign and creation of assignments for undergraduate courses. This initiative supports the university's goal of improving undergraduate education by providing faculty the funding, opportunity, and the assistance of campus academic partners to transform the curriculum by creating authentic and engaging research assignments to incorporate into their courses.

Developing Cross-College Connections

One of Cornell's many unique characteristics is the ability of undergraduate students to take courses across all seven undergraduate colleges and schools. For several years, the Dyson School of Applied Economics and Management, housed in the College of Agriculture and Life Sciences (CALS), has offered business minors for CALS students but lacked the resources to support students from other colleges who wished to participate. A new business minor for undergraduates across the university is being designed by a consortium involving the Dyson School, the Samuel Curtis Johnson Graduate School of Management, the School of Hotel Administration, and the School of Industrial and Labor Relations. The new program will launch in October 2012. A deans' group serves as the governing board for the new minor, and Johnson and the Dyson School have begun a teaching exchange. A faculty renewal grant from Peter Orthwein '68, MBA '69 will help support the teaching exchange effort.

The School of Industrial and Labor Relations has been active in various cross-college collaborations involving economics, business, and statistics. A key part of all of these initiatives is the improvement of student access to courses and other opportunities. The School of Hotel Administration's minor in real estate attracts more than 300 students from all seven colleges and schools. The school is developing a MOU with the College of Architecture, Art, and Planning for joint operation of the newly endowed Baker Program in Real Estate.

Cross-college relationships are also being pursued by the professional schools. The College of Veterinary Medicine continues to develop ties with Weill Cornell



FROM TOP TO BOTTOM: Erika Johnson, a graduate student in civil and environmental engineering, measures water flow rates in her Hollister Hall lab; Students celebrate during Dragon Day 2012; A robotics demonstration in the Autonomous Systems Laboratory; A drummer plays at the 2011 Graduate School Orientation.

FROM TOP TO BOTTOM: Taio Cruz performs at Slope Day 2012; The 2012 College of Veterinary Medicine DVM Hooding Ceremony; An Architecture, Art, and Planning student holds a model that shows plans for the 2012 dragon; Jim Kehoe '12, a member of the Cornell Cup engineering team, works on modular robots and demonstrates the puppet suit controller for a Rock Band-playing robot.

Medical College (WCMC) to further educational opportunities in the spirit of the national and global "One Medicine—One Health" efforts, which recognize the interconnection of humans, animals, and the environment and the important role veterinary medicine plays at that interface. Among their efforts are monthly comparative medicine meetings between Cornell's veterinary students and Weill Cornell medical students who are participating in rural medicine rotations at Cayuga Medical Center (CMC). Faculty in the Department of Clinical Sciences in the College of Veterinary Medicine and MDs from CMC actively participate in these sessions.

Enhancing Infrastructure

Cornell's infrastructure rivals that of a small city. Ensuring that such a complex system of buildings, labs, networks, and other assets keeps pace with the demands of cutting-edge teaching and research requires vigilance and careful planning.

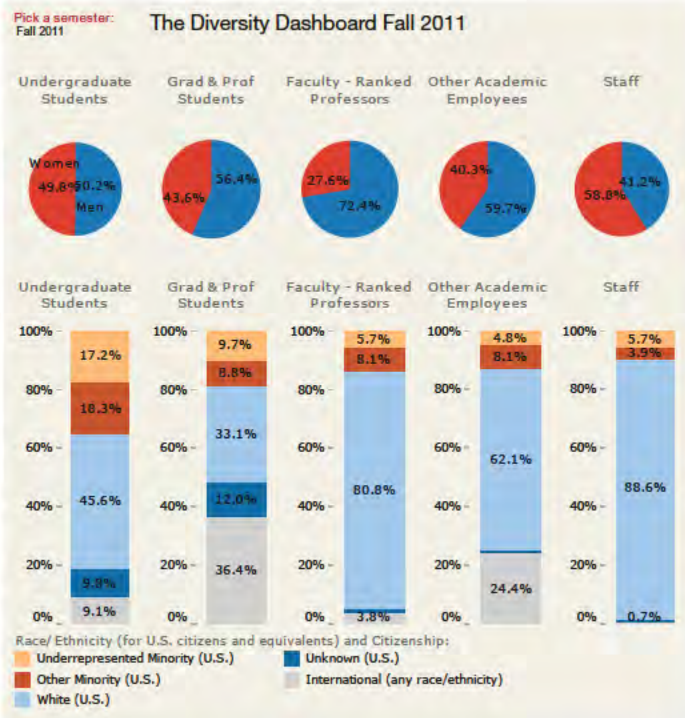
The strategic plan calls for cost-effective measures to provide an infrastructure that continues to support the university's work. Physical plants are being examined to assess current and future needs and also to identify facilities that have outlived their usefulness. In the College of Architecture, Art, and Planning, plans include expansions of the Fine Arts Library and the Rand Hall shop, and studio refurbishment in Sibley Hall. The College of Engineering has engaged an architectural firm to create an affordable plan that would allow the college to build suitable infrastructure for the next several decades. The College of Human Ecology will soon begin the next phase in the renovation of the 1933 Martha Van Rensselaer building. The College of Agriculture and Life Sciences has projects underway in four buildings and plans in place for another seven.

A number of new buildings that support teaching and research have opened in recent years and others are underway. Weill Hall, home to the life sciences initiative, opened just as the financial crisis began in 2008. Since then, the new Physical Sciences Building, which houses cutting-edge chemistry, physics, and applied physics research; a new wing to the Johnson Museum of Art; Milstein Hall, the new home of the architecture program; and the new Human Ecology building have all opened. Bill and Melinda Gates Hall, which will house the Faculty of Computing and Information Science, is under construction. And work on Klarman Hall, the new humanities building, is scheduled to begin in 2013.

Creating a More Diverse Community

In February, President Skorton reaffirmed Cornell's commitment to diversity in a message to faculty, staff, and students. This coincided with a restructuring of the University Diversity Council (UDC) to represent broader segments of the campus community and to launch a new diversity initiative, Toward New Destinations.

As part of this initiative the colleges, schools, and



administrative units were asked to select five initiatives for 2012–2013 that will raise awareness of the importance of diversity in the workplace. The initiatives fall within four core areas: composition, engagement, inclusion, and achievement. Each unit will provide an annual report on its progress. This is intended to be an ongoing process and new initiatives will be selected for each academic year.

Work is also ongoing in the individual colleges and schools. The College of Arts and Sciences has initiatives in place to enable extra diversity hiring of candidates who turn up in regular searches. The college also announced a plan to create up to 10 faculty lines to be used for senior target-of-opportunity hires that enhance diversity in the college. In the College of Engineering, the associate dean for diversity met with each search committee early in the process to review search practices and procedures. The School of Hotel Administration is creating a new Office of Diversity and Inclusion that will create a comprehensive multi-year strategic plan for the school in coordination with goals and metrics established by the University Council on Diversity and Inclusion. The Samuel Curtis Johnson Graduate School of Management recruited 20 students, faculty, staff, and alumni volunteers to be part of the school's new Diversity Council. The council developed recommendations for five annual initiatives to align with Cornell's "Toward New Destinations" institutional diversity planning mandates.

Strengthening Public Engagement

One of Cornell's founding principles was the responsibility to use knowledge generated by the university to improve the lives of New York State citizens. That work now has national and global reach. Further strengthening Cornell's role in public engagement is a major goal of the strategic plan.

In the College of Agriculture and Life Sciences, the communications office has been charged with expanding and improving outreach to public audiences. In August of 2011 the department was moved from the development office to a direct reporting relationship with the dean. This change reflects the critical importance the college leadership places on effective engagement of its stakeholders.

Cornell Cooperative Extension is beginning a system-wide branding effort that includes efforts from extension faculty, regional teams, and county-based CCE Association offices. Public websites are being updated and redesigned, and tools, templates, and style guides are being provided to improve CCE Association websites. Social media is being actively implemented. Media hits are being tracked and the CCE communication office is working closely with University Communications to offer extension educators as resources to local media. CCE is also conducting a pilot to develop new tools and resources for Associations to communicate value to county funders; this includes the development of a year-long strategic communications plan to ensure high visibility to critical funding audiences.

The College of Human Ecology's new translational research center hopes to make Cornell University the nationally recognized leader in the translation of social and behavioral science into practice and policy. The center's overarching goal is to create a seamless relationship between theory-driven, fundamental science and application and innovation in real-world settings. The initiative will build on cutting-edge research already in progress in the college and across Cornell in which social scientists are collaborating with clinical researchers, community agencies, and policy experts on studies designed to bring research findings to bear on improving well-being and health.

To further foster the intertwining of educational excellence and social responsibility, Cornell announced the new Center for Community Engaged Learning and Research in October 2011. The center, which will be funded for its first three years through a gift from the Einhorn Family Charitable Trust (David Einhorn '91 and Cheryl Strauss-Einhorn '91) and with support from the Office of the Provost and the Division of Student and Academic Services, will be the core academic unit that connects public engagement to Cornell's educational mission. Its creation is the result of a study, also funded by the Einhorn Family Charitable Trust, charged with looking at the broad network of experiential learning and public engagement support for Cornell students and faculty and recommending how to create a more integrated, collaborative, and networked approach to engagement on campus.

Cornell's outreach efforts are not limited to faculty. A group of students from across the university, under the umbrella organization Cornell University Sustainable Design (CUSD), spent the summer of 2011 constructing a schoolhouse project in Cosmo City, South Africa. The project was designed in the spring 2011 sophomore architecture studio. Construction, undertaken by the students, was substantially complete by fall 2011. CUSD is currently helping develop designs for sustainable housing developments in Nicaragua.

For additional facts and metrics related to Cornell's strategic plan, please visit the following website maintained by the Office of Institutional Research and Planning: irp.dpb.cornell.edu/strategic-metrics.

FROM TOP TO BOTTOM: 2012 alumni event in Washington, D.C.; Alumni pose at a cutout of the Hot Truck while at a conference; Students at a Startup Career Fair in Duffield Hall; At Cornell Law School, the Latino American Law Student Association and the Black Law Students Association joined the national "Wear Your Hoodie to Law School Day" demonstration.

Cornell Administration: FY12 Updates

Cornell's support system of administrative units underlies the work being done in the academic units. In addition to contributing to the strategic plan, these offices support the university's physical and IT infrastructure; administer the campus' many human resources programs; provide for the health, safety, and well-being of the campus community; serve the needs of students; represent Cornell with its myriad community and governmental audiences; generate financial support from alumni and friends; and promote the university and its work to a global audience. Following are brief highlights from 2011–2012.

Alumni Affairs and Development

Strategic Approaches

The Division of Alumni Affairs and Development continued its commitment to a donor-centered approach to fundraising as a means to maximize prospect giving to Cornell in FY12. It relies on a performance-based culture of excellence and accountability as a means of reaching its organizational goals and the personal and professional development goals of staff.

Consistent with the university's "focus on Cornell as a single entity," the division employed a donor-centered, hybrid-model approach to its fundraising program, with prospect management and broad-based initiatives handled by both the university development office and in the colleges and units. This approach requires transparency, collaboration, and consistency in operations between the central offices and those in the colleges and units.

Alumni Affairs programs and programming were integrated with campaign development efforts in order to fully leverage group and individual prospect cultivation initiatives. Alumni Affairs activity supported university priorities and extended the opportunities to enhance prospect identification, cultivation, and stewardship.

Cornell Now

The announcement of Cornell Now in October 2011 expanded the campaign through December 31, 2015 and increased its goal to $4.75 billion. The campaign was reframed in the re-imagined vision for Cornell as it approaches its sesquicentennial in 2015 and is focused on 15 institutional fundraising priorities developed by the provost, college deans, and unit directors in support of the university's strategic plan. Colleges and units have five-year goals that incorporate and take responsibility for these institutional priorities, in addition to other college/unit specific priorities.

Cornell's sesquicentennial in 2015 will be used as a focal point for events and communications to leverage the excitement and enthusiasm it will generate among alumni, parents, and friends and to tie together the university's strategic plan and the Cornell Now campaign priorities.

Alumni Engagement

The Alumni Affairs strategic plan, approved in fall 2008, continued to guide the strategic strengthening and growth of the alumni engagement program in FY12. In addition to traditional class and regional programs, the focus is on expanded engagement initiatives directed to students/young alumni and affinity groups. Full implementation of these plans will take three to five years to complete.

The division continued to strengthen and enhance its volunteer programs in support of its alumni engagement and fundraising programs, guided by the recommendations of the Board of Trustees Volunteer Task Force.

It also used the expanded fundraising and Alumni Affairs presence in New York City, serving the Northeast Corridor, and its expanded presence on the West Coast to provide targeted programming and engagement opportunities, focused attention, and increased face-to-face contact in the areas where the largest concentration of alumni, parents, and friends, including tracked prospects, live and work.

In response to our society's rapidly changing communications and networking environments, Alumni Affairs and Development is leveraging increased opportunities for the strategic use of digital communications and social media. Employing these approaches and tools is a key strategy for increasing alumni, parent, and friend engagement, especially with younger alumni, and to broaden the donor base and increase donor participation.

Facilities Services

Energy & Sustainability

Energy & Sustainability continued to safely supply reliable and efficient energy and water to the campus in FY12 while transitioning to more sustainable systems through energy conservation and moving beyond coal. The department managed sustainability campus programs to engage faculty, staff, and students in a living laboratory.

Facilities Management

Facilities Management enjoyed many successes and accomplishments while facing continued financial and organizational challenges. This was the department's first full year with the Zone Management structure in place and a clear charge for the Project Services Group to focus on renovations and small projects using Job Order Contracting and other methods of delivery.

Grounds had a challenging year with record rainfalls in the fall, a very mild winter, and an extremely hot and dry summer.

Housekeeping continued to experience downsizing in their staff while managing the first full year of having Student and Academic Services' housekeeping responsibilities.

FROM TOP TO BOTTOM: Open house at the Kenneth Post Greenhouse for members of the Cornell community; Food preparation at Hotel Ezra Cornell 87 for Saturday's "Lunch at Tiffany's"; The 2012 groundbreaking ceremony for the new Computing and Information Science building; Jose Edmundo Paz-Soldan, professor of romance studies.

The entire organization worked hard to continue the transition to smaller shops focused on maintenance, smaller renovation projects managed by the Project Services Group, and the Zone Facilities Manager function. Facilities Maintenance continued its important role in preparing and providing the strategic direction of planned, preventive, and deferred maintenance.

Facilities Operations

Among Facilities Operations' accomplishments was the implementation of a revised parking program that coincided with the deployment of a new administrative system for permitting and enforcement. The old system was one of the last systems operating on the mainframe.

A survey of the Campus-to-Campus bus ridership showed that 98 percent of the passengers rate the service as good or excellent. The teams that support the service won the FY12 Keystone Award, the highest honor Facilities Services bestows each year. The operation broke all previous levels for ridership in FY12.

The IT Administrative Streamlining Program initiative designed the Computer and Network Support group within Facilities Services as a designated administrative support unit and began the incorporation of Human Resources and Safety Services in early May.

The R5 (Respect, Reduce, Reuse, Rethink, Recycle) Operation has increased Cornell's landfill diversion rate to 64 percent while lowering the overall tonnage of potential recycling coming to campus. One small example was reducing the number of phone books delivered to campus from 16,000 to just 6,000. Cornell participated in Recylcemania, an annual competition in higher education.

Facilities finished with improved rankings in several areas compared to FY11. It also continued to provide support to TCAT from internal operations despite continued fiscal restraints.

Capital Projects and Planning

In FY12, Capital Projects and Planning increased its engagement in the project delivery of the first academic building of the Cornell NYC Tech campus. It was also involved in the execution of the overall campus, as well as the third party developed projects.

Additionally, the office participated in the management of several major Ithaca campus capital projects such as Bill & Melinda Gates Hall, the Law School lecture halls, the Teaching Dairy Barn, and other state-funded projects. This will continue during 2013.

FROM TOP TO BOTTOM: Charles Williamson of Mechanical and Aerospace Engineering demonstrates vortex cannons and smoke ring dynamics; Students socializing on the Arts Quad near Goldwin Smith Hall in fall; T-shirt giveaway and student march at Homecoming 2011; Scenes from the South Asia Shaadi, organized by the Society for India, Pakistani Student Association, and the Bengali Student Association.

FROM TOP TO BOTTOM: 2012 ROTC Commissioning Ceremony; The 144th (2012) Cornell University Commencement and Procession; 2012 alumni baseball game at Reunion; The 2012 groundbreaking ceremony for the expansion of Myron Taylor Hall as part of the Law School's renovation.

Government and Community Relations

Faculty and Educational Excellence

The Division of Government and Community Relations continued to help contribute to educational excellence by advocating on behalf of federal and state research and financial aid funds. The division's work on behalf of the new Cornell NYC Tech campus also will help promote educational excellence.

The division annually brings governmental figures to campus for lectures and other events. Recent visitors included presidential candidate Ron Paul, New York State Senator Kirsten Gillibrand, New York City Mayor Michael Bloomberg, and U.S. House of Representatives Speaker Nancy Pelosi.

Public Engagement

Government and Community Relations staff worked with the public and representative government officials and agencies on issues such as Lake Source Cooling in Cayuga Lake, the ongoing health of the lake, bridge safety, student behavior in neighborhoods surrounding campus, hydraulic fracturing, local and statewide economic development, sustainability, buildings and construction sites, campus parking and traffic, wastewater, and more.

Staff Excellence

Community Relations produces a weekly show—*All Things Equal*—now in its fourth year, which has been honored by SUNYCUAD for Best in Category on Electronic Communications and Interactive Media and was nominated for a national award. SUNYCUAD also recognized Community Relations with an award in FY12 for its effective strategies in telling the town-gown story.

Human Resources and Safety Services

Faculty and Staff Renewal

In FY12, the Recruitment and Employment Center (REC) developed strategies to enhance its recruitment outreach efforts with an emphasis on increasing diversity and promoting Cornell as a top employer.

The REC established relationships with key external resources, including Historically Black Colleges and Universities (HBCU) Connect and Monster.com, allowing for greater visibility and a more diverse recruiting platform. The center expanded its internal training efforts on topics like social media and diversity recruitment with the goal of moving from traditionally passive searches to more active searches that will help expand talent pools and provide access to a wider range of candidates.

The Cornell Dual Career Program served 107 candidates, primarily partners of faculty (83 new and 24

FROM TOP TO BOTTOM: Minns Garden in summer; Alumni canoeing on Beebe Lake during Reunion weekend 2012; Michelle Rhee '92, nationally recognized entrepreneur and champion of education reform, delivers the 2012 Olin Lecture; The 4th Annual Cornell Hospitality Icon and Innovator Awards gala at the American Museum of Natural History in New York City.

continuing) in FY12, the most in the program's history. Eighty-eight percent of the dual career candidates' spouses or partners (primary recruits) accepted Cornell positions.

Diversity

The Department of Inclusion and Workforce Diversity developed a staff retention strategy in FY12 with the goal of reducing attrition and increasing engagement of underrepresented populations within the university's workforce. A key element was outreach to the Cornell and Tompkins County communities through Colleague Network Groups and First Friday events. First Friday events have been held worldwide on the first Friday of the month since the late 1980s. The events provide an opportunity for diverse professionals to find their community in Ithaca through networking and socializing.

The Department of Inclusion and Workforce Diversity added to its already established Colleague Network Groups—university sponsored employee resource groups for traditionally underrepresented populations and allies of those groups. Existing groups (Veterans, Men of Color, Women of Color, and LGBT) developed strategic plans, held monthly meetings, and participated in community outreach events called Sharing Our World.

Toward New Destinations

In fall 2011, Cornell restructured its University Diversity Council to include the president, provosts of the Ithaca and Weill Cornell campuses, five Ithaca-based diversity professionals, three Weill Cornell diversity professionals, as well as two vice presidents, three vice provosts, the director of institutional research, and the dean of students. The University Diversity Council developed an institutional diversity planning initiative, Toward New Destinations.

The initiative lays the foundation for the university to remain positioned on the leading edge of education and employment through enhancement of a culture that provides for the full participation of all members of its community. Each college/unit has selected the five annual initiatives that best match its particular contexts, goals, and strategic plans from the Toward New Destinations menu. For each unit, these will become the areas of focus in support of diversity and each unit will report on its progress annually.

Staff Excellence

In order to help Cornell address the impact of its aging staff population, Human Resources staff are assisting Cornell units in identifying and developing the talented staff needed to fill future positions. In FY12, Organizational Effectiveness helped 32 percent of colleges and units develop succession plans. Of 1,459 banded staff positions within the Division of Human Resources and Safety Services, Facilities Services, Financial Planning, Audit, and Alumni Affairs and Development, 1,005 have been evaluated and 251 have been identified as critical.

Cornell also conducted its first university-wide employee survey in FY12. Developed through a partnership between President David Skorton and the Employee Assembly, working with Institutional Research and Planning, the survey was designed to assess the engagement of Cornell staff and academic professionals in the goals and aspirations of the university. It also asked for feedback on work climate and on organizational changes that occurred in recent years. More than 70 percent of those surveyed responded, most expressing satisfaction with working at Cornell. Most survey respondents also expressed satisfaction with their individual work units and with the work they do. A number of issues were identified for improvement, however.

In February 2012, President Skorton wrote to survey recipients, identifying four issues on which he asked the Division of Human Resources and Safety Services to make recommendations for improvement: workload/workload imbalance, supervisory feedback opportunities, career development/professional growth, and recognition of excellent work.

Since that time, staff members across campus have joined with human resource professionals and members of the Employee Assembly to tackle these concerns. Subcommittees on each topic area met over the summer and developed recommendations in the four areas.

Workplace Excellence

Every year, Cornell applies for awards to benchmark the university against the best employers in the nation and help with recruitment marketing.

In FY12 Cornell applied for and was recognized with the following awards.

- September 2011: AARP's 2011 Best Employers for Workers over 50
- September 2011: Top Adoption-Friendly Workplaces list by the Dave Thomas Foundation for Adoption
- September 2011: 100 Best Employers for Working Mothers by *Working Mother* magazine
- November 2011: The Alfred P. Sloan Award for Business Excellence in Workplace Flexibility
- May 2012: Top 10 Best Employer for Working Women by the Business Research Guide
- May 2012: Top 10 University to Work for by the Business Research Guide

Emergency Management

In the fall of 2010, the U.S. Department of Education awarded Environmental Health and Safety with an Emergency Management for Higher Education (EMHE) grant. This grant provides the necessary funding to review, strengthen, integrate, and institutionalize all hazard emergency management programs as well as provide training across the campus community and foster partnerships with state and local community members. This program will guide the campus community, through the coordination and collaboration of university services

FROM TOP TO BOTTOM: Performance at the open house for the new Intercultural Center; Ian Urbina, investigative reporter for *The New York Times* and speaker for the 2011 KOPS Freedom of the Press Lecture; Faculty and students in the engineering sustainability group; a beautiful flower in Minns Garden.

and resources, toward an effective response to emergencies. Work continued on the program in FY12 and will progress in FY13.

Please visit the Human Resources and Safety Services FY12 Annual Report at hr.cornell.edu/about/fy12_annual_report.pdf for more information.

Information Technologies

Faculty Excellence

Information Technologies launched a one-year strategic planning process in January 2012 to reflect faculty needs in areas of research and scholarship, teaching and learning, administrative processes, and other issues of concern.

An increasing number of site-licensed or cloud-based services are becoming available for faculty to use. Examples in 2011–2012 include Box (document and workgroup collaboration), WebEx (video conferencing with advanced features), and Kaltura (video on demand).

Educational Excellence

A new Learning Technologies Advisory Committee, LTAC, was formed in December 2011. The committee has broad faculty representation and is charged with overseeing strategic direction and activities related to learning technologies.

Several important improvements were made to the course management system BlackBoard to increase the reliability and performance of its basic infrastructure and to integrate it with the Student System (for class rosters and other functions).

Cornell is an early adopter of eTextbook technologies through a series of pilot initiatives. Cornell is working with publishers and other universities to evaluate its collective experience and to take an informed approach to what is arguably an inevitable evolution in the delivery of academic course materials.

Information Technologies also established a site license for a product called Turnitin, which is used to guard against plagiarism in student assignments.

Excellence in Research, Scholarship, and Creativity

In May 2011 the Board of Trustees Buildings and Properties Committee approved a plan to provide appropriate research networking connectivity in all suitable academic spaces. The new Network Connectivity Program, NCP, will cost approximately $15 million less than the prior plan, EzraNet, and will be completed in FY14, several years earlier than the EzraNet plan.

Staff Excellence

Information Technologies has taken great strides toward broader and more purposeful engagement of the distributed IT leaders at Cornell (IT Service Groups and others). IT is partnering with Human Resources to develop an IT Career Framework in order to provide the building blocks for a successful and fulfilling IT career at Cornell, addressing the new skills needed in this decade for both technical and management streams.

The first cohort in the IT Leadership Program (ITLP), a yearlong leadership and career development effort, responded with rave reviews. Cornell is participating for the first time, but ITLP is a staple of IT staff development in peer schools like Stanford, Columbia, and many others.

Student and Academic Services

Student Life

In the summer of 2011, Cornell joined the National College Health Improvement Project (NCHIP) on high risk drinking, providing a structure and catalyst for the Alcohol Abuse Amelioration Strategy defined a year ago. Through NCHIP, Cornell is focusing on developing evidence-based strategies to reduce the incidence of high risk drinking among students, especially first year students and those involved in the Greek system. Several new actions were launched, including joint police patrols, creation of the Bear's Den (a late night venue), alcohol-free rush week, and development of Cayuga's Watchers.

The Office of Fraternities, Sororities, and Independent Living launched the Recruitment, Acceptance, Retention, and Education (RARE) Task Force in response to President Skorton's challenge to end pledging as we know it. The Task Force's draft report is being reviewed in preparation for formal recommendations for change by winter 2013. During the year, Cornell Outdoor Education's Team and Leadership Center piloted a Greek Leadership Academy to move to a healthier model of new member education. Fourteen chapters participated in this first year and a slightly modified version will be offered to 30 chapters in 2012–2013.

In March, Cornell's Gannett Health Services earned recognition from two national agencies. The National Committee for Quality Assurance (NCQA) recognized Gannett for having achieved the highest level of certification as a patient-centered medical home (PCMH). At a PCMH, a team of health professionals collaborates to provide high levels of care, access and communication, care coordination and integration, and care quality and safety. Gannett is one of the first university health services nationally to achieve this status. Gannett was also accredited for the fifth time with highest marks by the Accreditation Association for Ambulatory Health Care (AAAHC). In awarding Gannett reaccreditation, AAAHC cited Gannett as a flagship organization in college health. AAAHC is an independent organization that provides peer-based accreditation in order to examine and evaluate health care organizations.

Engagement

Twenty-three Cornell students spent a day helping residents of Owego, New York, who were reeling from the destruction left by Tropical Storm Lee in early September 2011. Heavy rainfall caused the Susquehanna River and nearby creeks to overflow their banks, and floods damaged or destroyed 1,200 of the area's 1,400 homes. This was the first of weekly visits that resulted in more than 1,000 students serving Owego through the fall semester.

Students in the Department of City and Regional Planning in the College of Architecture, Art, and Planning coordinated survey mapping systems to obtain information about residents' most pressing needs. Cornell's Public Service Center coordinated with Owego officials, individual volunteers, and Cornell student groups to make the best use of the students' energy and abilities.

Public Service

The Corporation for National and Community Service named Cornell to its President's Higher Education Community Service Honor Roll With Distinction for the university's local, national, and international community service efforts and service to disadvantaged youth. The honor roll is the highest federal recognition a school can achieve for its commitment to service learning and civic engagement.

Public service is one of five overarching goals in Cornell's strategic plan and accounts for annual expenditures in extension and public service of more than $100 million. The university estimates more than 7,600 students engaged in community service during the year, contributing at least 400,000 community service hours.

The Cornell Public Service Center (PSC), celebrating its 20th year, is the university's largest demonstration of student engagement in communities. More than 20 PSC-sponsored student groups contributed more than 150,000 hours of community service. Through its Into the Streets program, the PSC partnered students with local social service agencies. Seven hundred Cornell Tradition Fellows and Meinig Scholars served 114,800 hours on campus and in the community; 10 Blumenthal interns worked with at-risk or disadvantaged youth; the Cornell Prison Education Program engaged 80 undergraduates to serve as teaching assistants and 20–30 graduate and law students as course instructors at correctional facilities.

Diversity

The Office of the Dean of Students inaugurated 626 Thurston Avenue as a new space celebrating intercultural programs called the Center for Intercultural Dialogue. Housing the LGBT Resource Center, the Asian/Asian-American Center, Student Development Diversity Initiatives, the Alumni Student Mentoring Program, and the African, Latino, Asian, and Native American Programming Board, 626 Thurston Avenue has become the nexus for discussions, programs, and advising around cultural, racial, and ethnic difference. It is a key partner with the Office of Academic Diversity Initiatives and with staff in the Graduate School in supporting students and leading the campus on matters of diversity.

Gorge Safety/Means Restriction

Bringing to a close a 40-year debate within the community, in FY12 Cornell obtained approval from the City of Ithaca for means restriction (steel mesh nets) for seven bridges that cross the gorges. Construction was to begin in fall 2012.

Efforts to promote gorge safety were enhanced when staff from across the Division of Student and Academic Services partnered with students and others to develop the Gorge Safety Implementation Plan that President Skorton approved in fall 2011. A marketing plan was put in place, new educational tools were developed, and a Gorge Stewards program was deployed under the leadership of Cornell Outdoor Education.

Please visit the Student and Academic Services FY12 Annual Report at sas.cornell.edu/pdf/sas_ar_2012.pdf for more information.

University Communications

Cornell Now

The "Cornell Now – 2015" campaign continued to be a major focus of the Division of University Communications during the year. Coordinated through Public Affairs, the division's efforts on behalf of the campaign pulled from all of its platforms to create content and messaging supporting the campaign. Marketing completed dozens of projects for "Cornell Now" and other Alumni Affairs and Development projects, including Honeycomb development, TCAM and other AAD event materials, live video coverage of events, and support for AAD giving officers. The Cornell Chronicle and CornellCast provided comprehensive coverage for AAD events and stories. *Ezra* magazine, a partnership between University Communications and AAD, provided topical and broad coverage of AAD news, events, and giving opportunities.

Cornell NYC Tech Campus

University Communications played a major role in the successful Cornell NYC Tech campus campaign. Its departments assisted in the preparation of the proposal, generated constant media attention, created an extensive web presence (cornell.edu/nyc) and branding identity, and kept the campus community and alumni abreast of developments. These efforts allowed the university to maintain an extremely high profile throughout the campaign and Cornell was selected to build the campus.

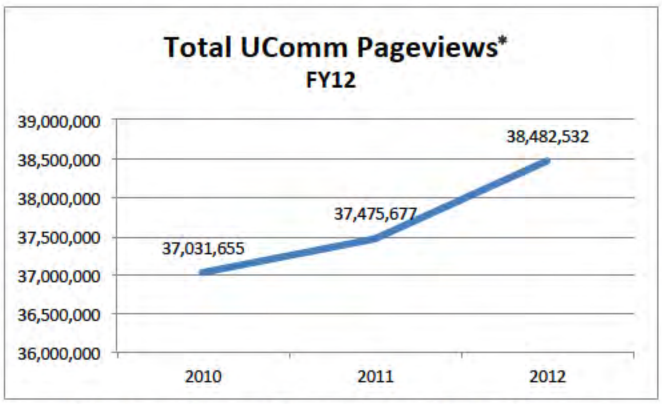
Excellence in Education and Research

Promoting "excellence in education and research" continued to be a top priority for the division in 2011–2012 and were primary themes for the *Cornell Chronicle* and *Ezra* magazine. The latter produced issues focusing on education in the humanities, the new university-wide economics department, increasing efforts in sustainability, financial

aid, new campus facilities, the Cornell NYC Tech campus, excellence in teaching, and increased opportunities for international students, among many other topics.

Press and Media

The Press Relations Office (PRO) provided faculty and other members of the Cornell community with media relations support, including help with creating and placing op-eds, press releases, letters to the editor, and with media training. PRO also reported on Cornell's coverage in the worldwide media through vehicles such as the daily "Cornell in the News" and "Weekly Brag" emails. The success of the PRO's efforts can be measured in its increasing number of media placements, or "hits," of Cornell stories. Last year the office documented more than 120,000 hits worldwide. Coverage in New York City markets increased both in volume, 52 percent over 2010–2011 and 300 percent over 2001–2010, and in the caliber of the media outlets Cornell attracted.



*cornell.edu, Cornell Chronicle, Ezra magazine, CUinfo, Cybertower, Press Office, alumni.cornell.edu

Land Grant

The division continued to support the university's land-grant efforts, both in the statewide media and the *Cornell Chronicle* and other internal platforms. The *Chronicle* delivered nine custom land-grant issues of its publication to nearly three hundred selected federal, state, and city leaders in Washington, Albany, and New York City, as well as Cooperative Extension offices in New York State. The Press Office promoted land-grant news to media outlets throughout the state.

Sesquicentennial

University Communications began the drumbeat on the march toward Cornell's sesquicentennial in 2015, as preliminary plans for the university's 150th anniversary were developed. Several brainstorming sessions with representatives from across the division were held to gather ideas and call everyone to attention. A committee charged with developing a branding and identity program was created and was on schedule to present a proposal in August. Numerous campus constituents, including the Cornell Store, have eagerly awaited this plan.

International

The division provided increasing coverage of Cornell's international efforts in 2011–2012. The *Cornell Chronicle* provided regular coverage on international news. The Office of Public Affairs developed strategic communications plans for "international Cornell," in consultation with campus partners in the Einaudi Center for International Studies and the Office of the Vice Provost for International Relations. Stories with an international flavor continued to be promoted by the Press Relations Office and covered by *Ezra* magazine and *Ezra Update*.

New Media

An office dedicated to new media was created in December of 2011. The chief new media officer is charged with:

- Creating and overseeing Cornell University's social media strategy for University Communications
- Developing an online community for people to connect with Cornell's global brand and begin to forge lifelong relationships
- Monitoring new trends in digital media communications and marketing, and making recommendations as to how the university should respond to them in order to best serve its mission and vision

The office created and published content for primary Cornell accounts on social media. In just the last six months of FY12, its active engagement strategies gained more than 5,000 followers on Twitter, 15,000 new fans on Facebook, and 3,140 fans on Google+.

For more information, please visit the University Communications Dashboard, univcomm.cornell.edu/dashboard.

News of the Year

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

Faculty Recruitment

U.S. News ranks four Cornell programs in the top 10

September 13, 2011—In its 2012 rankings, U.S. News and World Report ranks Cornell second in engineering science/engineering physics programs at doctorate-granting schools, up from third in 2011. Cornell also ranks fourth among biological/agricultural engineering programs, up from fifth last year.

In other categories, Cornell ranks:

- ninth for Best Undergraduate Business Program, up from 10th in 2011
- ninth for Best Undergraduate Engineering Programs at doctorate-granting engineering schools, down from eighth in 2011
- tied for ninth by high school guidance counselors with Duke, Georgetown, and Johns Hopkins universities, down from sixth in 2011
- 10th in economic diversity, down from ninth in 2011 (measured by the percentage of undergraduates receiving Pell Grants)
- 10th among national universities in the Best Value category, "Great Schools, Great Prices," the same ranking as last year
- 15th on the list of Best National Universities, for the third year in a row.

In addition, Cornell's Writing in the Disciplines program was again listed in Programs to Look For.

Cornell recognized as great place for mothers

September 15, 2011—Cornell was ranked 19 of the top 100 best companies to work for, Working Mother magazine announced. The magazine noted that it chooses companies with an unwavering commitment to parents nationwide: All of this year's winning companies offer flextime hours, telecommuting, paid maternity leave, and employee assistance programs. "Being 19th on the list of top 100 Working Mother companies affirms that we are succeeding in our ongoing commitment to make Cornell a good place to work for people of all walks of life and family structures," said Mary Opperman, Cornell's vice president for human resources and safety services.

Diversity approach to stress flexibility, accountability

February 15, 2012—Today, President David Skorton reaffirmed the university's commitment to diversity in a message to faculty, staff, and students. This commitment, he said, is "central to the university's founding vision," "remains a core value of Cornell," and is a key goal of the university's 2010–2015 strategic plan. He and Provosts Kent Fuchs and Laurie Glimcher are now directing the development of explicit diversity goals—through the University Diversity Council (UDC)—across all university populations, to which units and departments will be held accountable, Skorton said. The UDC has been restructured to represent a wider breadth of the campus community and to incorporate a new approach called "Toward New Destinations." It allows colleges and units to tailor their diversity initiatives, based on institutional goals, to their particular needs. The restructuring also includes a new emphasis on measuring results.

U.S. News ranks seven grad specialties in top 10

March 15, 2012—Cornell University had seven of its graduate engineering specialties recognized as among the top 10 in U.S. News and World Report's 2013 rankings of "America's Best Graduate Schools." For the third year running, the magazine ranked Cornell's graduate engineering, overall, as the 10th best in the nation. Several other Cornell schools and individual areas ranked among the top 20.

Within engineering, U.S. News ranked the specialties of biological/agricultural at No. 3; civil, 8; computer, 9; electrical/electronic/communications, 9; mechanical, 9; industrial/manufacturing, 10; and materials, 10. Four engineering specialties ranked among the top 20: aerospace/aeronautical/astronautical, 11; environmental/environmental health, 12; biomedical/bioengineering, 15; and chemical, 17. Cornell Law School ranked No. 14. Its international law program also tallied a No. 14 ranking. The Samuel Curtis Johnson Graduate School of Management's MBA program ranked No. 16. Johnson's executive MBA program and management program both scored No. 13; production/operations, 19; finance, 23; and accounting, 24. Weill Cornell Medical College rated No. 16 among research medical schools.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Student Experience

Provost announces university-wide economics department

July 20, 2011—Provost Kent Fuchs has announced the formation of a new university-wide economics department that will bring together strengths in economics from across the university's colleges and schools into one academic unit. The new Department of Economics combines all economics faculty from the College of Arts and Sciences and all labor economists from the School of Industrial and Labor Relations. A small number of senior professors from the Samuel Curtis Johnson Graduate School of Management, the Charles H. Dyson School of Applied Economics and Management (part of the College of Agriculture and Life Sciences), and the College of Human Ecology's Department of Policy Analysis and Management will have joint appointments.

Skorton bans pledging in Cornell's Greek system

August 23, 2011—Pledging as a part of fraternity and sorority membership selection will be officially abolished at Cornell University, President David Skorton has announced. "We must end the current system of pledging, often perpetuated through traditions handed down over generations, because it fosters hazing and other activities based on humiliation or risky behavior that often pose psychological harm and immediate physical danger to those involved," Skorton said. The ban will be implemented during the 2012–2013 academic year, said Dean of Students Kent L. Hubbell. The president has directed the student leaders of Cornell's Greek chapters to develop a system of member recruitment and initiation that does not involve pledging, as it now exists. Chapters found in violation of the new policy will face loss of recognition.

University Courses pilot promotes "one Cornell"

October 13, 2011—Cornell, with its seven undergraduate colleges and 80 majors from apparel design to engineering physics, can seem like as many separate schools. But a new initiative cuts across college lines to give students an experience of Cornell as "one university." University Courses, all taught by distinguished faculty and most cross-listed in at least two colleges, draw upon longstanding faculty interest in interdisciplinary study and collaborative teaching. The courses are intended not only to highlight Cornell's distinctive character but also to provide students with a cross-disciplinary learning experience, said Vice Provost Laura Brown. The initiative, said Brown, is in response to the "one Cornell" idea in the university's strategic plan that calls for the university to create a common academic experience for Cornell undergraduates.

Streamlining University Operations

Streamlining update sessions for campus community

The Administrative Streamlining Program hosted a series of informal brown-bag lunches during the fall semester to update the campus community on progress in the various initiatives.

- Procurement: The university is on track to save $30 million to $40 million by June 2014 by changing the way it buys everything from key chains to copiers, according to managers of the procurement initiative.
- The Division of Student and Academic Services plans to pare university contributions by nearly $2 million by 2015 by cutting costs and increasing revenues from dining, athletics, conference services, and housing, said Vice President Susan Murphy.
- Facilities: Up to $5 million in annual energy conservation savings will be realized by 2017, and nearly $10 million annually by 2012 as a result of the new zone structure; the shift of the trades shops from a construction to maintenance function; consolidation of some mail, fleet, and inventory operations; as well as workforce reduction in the shops and Building Care.
- Information Technology: The presenters offered updates on four of the IT initiative's five areas: organization redesign, IT service management, application and service development, and servers and storage. (Vice President for Information Technology Ted Dodds is leading the fifth area, governance and decision making.)
- Human Resources: Presenters offered updates on the human resources streamlining initiative's seven projects: service assessment and feedback, Workday, Onboarding Center, recruitment redesign, administrative HR consolidation, creation of service level agreements, and spans-and-layers analysis.
- University Communications: An initiative to streamline communications at Cornell is enhancing the depth and breadth of university communications and is on track to meet its 2015 savings goal of $500,000

nearly three years early, according to the project manager.

- Finance: Despite some challenges, the benefits of a finance streamlining initiative include a sharing of best practices, improved compliance, seamless backup when a team member is on vacation, and more consistency in how transactions are processed, said directors of Cornell's financial transaction and business service centers.

New Facilities

Architecture students "take possession" of Milstein

August 29, 2011—On August 24, 199 third-, fourth- and fifth-year architecture students walked from Sage Chapel and entered Milstein Hall for the first time to claim their desks in studio classes. The new 257-seat auditorium, which opens October 20, is the center of activity for the College of Architecture, Art, and Planning. "The auditorium is the last space to be completed, but it is well worth the wait," said Kent Kleinman, the Gale and Ira Drukier Dean of AAP. "It is not possible to describe the complex geometries and spatial qualities of this marvelous lecture hall. People will have to come by and see it for themselves."

Museum's new wing expands storage, programming

October 5, 2011—The Herbert F. Johnson Museum of Art will celebrate the opening of its new wing Saturday, October 15. The wing, on the north side of the museum, is constructed of glass and concrete, and its landscaping includes a new Japanese garden representing the subject of a 17th-century scroll in the museum's collection. With three stories above and below ground, the wing is based in part on I.M. Pei's original plan for the museum, which included an underground extension to the north that was never built. The wing includes staff offices and new exhibition and program spaces and will double the previous storage capacity for collections. The wing was designed by the museum's original architect in charge, John L. Sullivan III '62, B.Arch. '63, of Pei Cobb Freed & Partners.

College of Human Ecology unveils new building

October 11, 2011—The new Human Ecology Building—an 89,000-square-foot, "green" facility loaded with high-tech laboratories and classrooms, studios for drawing, design, and fabrication, and a spacious gallery—is likely a conversation piece for many. The building, which will be officially dedicated October 20 with a ribbon cutting, was designed by the architecture firm Gruzen Samton to enable collaborations. "There's a commingling of research units and faculty expertise that matches the character of Human Ecology, where we reach across disciplines to work on common issues," said Kay Obendorf, senior associate dean. "The whole building is intentionally designed to foster these types of collaborations."

Cornell in NYC

NYC chooses Cornell-Technion to build tech campus

December 19, 2011—The news was met with cheers from live-streamed supporters on two continents. After months of negotiations, cheerleading, and pleading their case, Cornell and partner the Technion-Israel Institute of Technology were announced the winner of a bid to build a groundbreaking new campus in New York City. New York City Mayor Michael Bloomberg called the project a "game-changing" applied sciences and technology campus. The project, he said, promises to spur economic growth, job creation, and high-tech entrepreneurship. The announcement followed just days after Cornell announced a $350 million gift from Chuck Feeney and Atlantic Philanthropies in support of the tech campus. Congratulating the winners, Bloomberg invoked Cornell's history as New York State's land-grant university. With the promise of an 11-acre parcel on Roosevelt Island and $100 million in infrastructure improvements from the city, Bloomberg called the proposal a "new land grant" that will power economic growth.

Leading up to the announcement were stories about the university's innovative, interdisciplinary "hub" approach to research; the partnership with The Technion; the plans to be a sustainable campus with a net-zero energy core; and the support from students, alumni, and the board of trustees.

Following the announcement, the top leadership team was named, including Dan Huttenlocher as founding dean, Cathy Dove as vice president, and The Technion's Craig Gotsman as leader of the Technion-Cornell Innovation Institute. In addition, former Twitter CTO Greg Pass was named founding entrepreneurial officer, and Deborah Estrin was the first academic hire. Pritzker Prize-winner Thom Mayne's firm Morphosis was selected to design the first tech campus building; the campus will be housed temporarily at Google's Manhattan headquarters.

International Cornell

International Programs on the ground in Bangladesh

August 29, 2011—Cornell collaborations in Bangladesh are helping the South Asian republic combat climate change and develop a strong, self-sufficient agricultural sector, according to the country's prime minister. Sheikh Hasina commended Cornell's support and expressed a desire for long-term, fruitful engagement in enhancing the sustainable income of resource-poor farmers in the region, during a meeting with representatives from the College of Agriculture and Life Sciences.

Law students draft new South Sudan constitution

October 7, 2011—During the 2011 spring semester, four Cornell Law School students took on the challenge of writing a draft constitution for the Republic of South Sudan under the tutelage of Muna Ndulo, professor of law and director of Cornell's Institute for African Development. The Republic of South Sudan became Africa's newest independent state July 9 after citizens voted overwhelmingly to secede from the north. Ndulo, with Professor Christina Murray of Cape Town University, is a consultant to the National Democratic Institute, which advises the new state on institution building as it emerges from Africa's longest civil war.

Skorton: Cornell must invest in international efforts

March 1, 2012—In response to a white paper written by Cornell President David Skorton, Provost Kent Fuchs and Provost for Medical Affairs Laurie Glimcher have formed a university-wide faculty committee charged with articulating the future of international studies and engagement at Cornell. In his paper, Skorton recognizes the long and distinguished history of scholarly work, education, and outreach in international studies and international engagement, dating from the very founding of the university. However, he means to "sound an alarm that the entire worldwide Cornell family needs to heed in order to maintain and enhance one of the defining characteristics of this institution" or risk "becoming less relevant globally at just the time when challenges such as global climate change, nuclear proliferation, infectious diseases, trade regulation, and many others require international collaboration."

New CARE-Cornell partnership to fight global concerns

April 19, 2012—Cornell and the global humanitarian organization CARE have launched CARE-Cornell—a partnership that will merge Cornell's cutting-edge research with CARE's experience fighting poverty to create solutions for global concerns, including world hunger and climate change. The partnership is focused on the world's most vulnerable populations. "Our goal in this strategic partnership is to advance sustainable food systems, to strengthen the ability of women and their families, many of them facing chronic, severe food insecurity, to fight hunger, and to adapt to climate change," said Cornell President David Skorton at the partnership's official launch, April 17, at the Center for Strategic and International Studies in Washington, D.C.

Campaign: Major Gifts

Atlantic Philanthropies awards $15 million to Cornell

July 14, 2011—On June 28, Cornell received a $15 million grant from The Atlantic Philanthropies to support financial aid for students in the Cornell Tradition program. The gift, which will be paid in three annual installments of $5 million each beginning this month, is one of the largest current-use gifts to undergraduate scholarships in Cornell's history. The grant is intended to help the university meet its growing commitment to keep Cornell affordable for students from all financial backgrounds.

Cornell Annual Fund crosses $30 million mark

July 28, 2011—In the fiscal year that ended June 30, 2011, the Cornell Annual Fund raised $30,086,159, surpassing a long-standing goal of $30 million and setting an all-time record. "At the onset of the campaign, we laid out the ambitious goal of doubling our Annual Fund by 2011 and reaching $30 million or more," explained Joe Lyons '98, the fund's director. Thanks to an exceptional number of alumni, students, parents, and friends, that goal has become a reality sooner than we'd ever hoped. Now we need continued support to sustain the growth and keep the forward momentum."

Cornell Now expands fundraising goal to $4.75 billion

October 22, 2011—President David Skorton announced October 21 an expansion of the fundraising campaign launched in 2006, citing Cornell's capacity to develop solutions to the world's most pressing challenges as well as a redoubled commitment among Cornellians to the university's founding principles in approach of its 2015 sesquicentennial. The campaign, called "Cornell Now - 2015," seeks to raise a total of $4.75 billion in private support of the Ithaca campus and the Weill Cornell Medical College—$1.4 billion in additional gifts by December 2015. The campaign goals align with the university's strategic plan, which was developed by Provost Kent Fuchs and deans across the university. Cornell will seek the resources needed to implement key priorities, including faculty renewal and scholarships.

Atlantic Philanthropies revealed as tech campus donor

December 20, 2011—The Atlantic Philanthropies and its founding chairman, Chuck Feeney '56, were behind the $350 million gift—initially announced as being from an anonymous donor—made in support of the Cornell NYC Tech campus. "Cornell University and its president, David J. Skorton, are honored to be able to confirm for all of those who support the vision of a transformative applied sciences and technology campus in New York City that the Atlantic Philanthropies—with its founding chairman, Charles F. Feeney—is the generous and forward-thinking donor helping make that vision a reality," university officials announced in a statement December 20. "The Atlantic Philanthropies' generous $350 million educational gift will not only anchor the academic mission that Cornell and the Technion-Israel Institute of Technology are undertaking in the city, but it will also prove to be a key milestone in the economic future for all New Yorkers."

Law School announces $25 million gift

June 8, 2012—Cornell Law School has received one of the largest gift commitments in its history: $25 million from a donor who wishes to remain anonymous. The gift will be used to expand endowment support for faculty research, student financial aid, and a diverse array of national and international academic programs. "This gift commitment is one of the most generous in the history of legal education, and it will become a major philanthropic pillar upon which our school stands," said Stewart Schwab, the Allan R. Tessler Dean of the Law School, who announced the gift June 8 at a Reunion event. The gift "is a profound investment in the people who will teach and study in this building in the years to come," Schwab said.

Sustainability

Cornell to lead EPA environmental education training

August 12, 2011—Cornell has been selected to lead a national, five-year, $10 million Environmental Protection Agency environmental education professional development program. Every five years, the EPA's Office of Environmental Education requests proposals to lead its national environmental education training program. This year Cornell's Civic Ecology Lab was selected, with funding of around $2 million per year for five years. Traditionally, environmental educators have focused on pristine, natural environments while teaching in schools, nature centers, and outdoor education centers. More recently, a new tradition is emerging in cities, with community development, environmental restoration, and social justice groups also teaching environmental education, largely to minority and urban youth. Cornell's EECapacity project seeks to link these two types of educators through workshops, online courses, and other means, and to create opportunities to exchange ideas, practices, and resources.

Cornell announces new sustainability plan

November 2, 2011—The new Cornell Sustainability Plan, announced October 21 during the Trustee-Council Annual Meeting, provides a roadmap for operations, research, education, and outreach areas to collaborate in making the campus more sustainable. Called a "guiding document," the plan specifically outlines strategies, governance, current efforts, grassroots initiatives, and future opportunities. An appendix


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catalogs partners and stakeholders in Cornell's efforts. "The Sustainability Plan articulates our vision of how our academics and operations will work together to create a sustainable campus and develop a living laboratory that will also aid teaching and research," says Bert Bland, senior director of the Sustainability Office.

Five buildings voted "exemplary" New York green buildings

April 2, 2012—Cornell's campus just got greener. Five of its buildings were recognized as exemplary New York State green buildings at the 10th Annual New York State Green Building Conference in Syracuse, March 29–30. They are: the Cornell Plantations' Brian C. Nevin Welcome Center, the new Human Ecology Building, Weill Hall, the Physical Sciences Building, and the New York State Veterinary Diagnostic Laboratory. The first two buildings were designed to qualify for LEED Gold certification, the U.S. Green Building Council's second-highest honor for sustainable building design and construction, and are waiting final approval; the latter three buildings have already been certified as LEED Gold.

Faculty Achievements

Skorton co-leads group to cut football concussions

July 21, 2011—The Ivy League presidents have accepted a series of recommendations made by a special ad hoc committee—co-chaired by Cornell President David J. Skorton, a medical doctor—with the goal of lowering the incidence of concussion and subconcussive hits in football. The recommendations, to take effect this coming season, include limits to the number of full-pad/contact practices that can take place throughout the football year. Also, there will be further emphasis on educating student-athletes on proper tackling technique, the signs and symptoms of concussion, and the potential short- and long-term ramifications of repetitive brain trauma.

Noah Snavely recognized as a top tech innovator

August 23, 2011—Technology Review magazine has named Noah Snavely, assistant professor of computer science, one of its 2011 "TR35," the magazine's selection of top technology innovators under age 35. Technology Review, published by the Massachusetts Institute of Technology, annually honors researchers under 35 whose work the editors find most exciting, in a wide array of disciplines, including medicine, computing, communications, electronics, and nanotechnology. Snavely has developed methods to match the details of many still photographs of the same scene and stitch them together into a 3-D rendering.

Law's Barcelo named to French Legion of Honor

April 4, 2012—Searching for the right place to launch Cornell Law School's first study abroad program in the early 1990s, John J. Barceló III, the William Nelson Cromwell Professor of International and Comparative Law and the Elizabeth and Arthur Reich Director of the Berger International Legal Studies Program, chose France, creating a partnership with the Sorbonne Law School in Paris. Almost 20 years later, as Cornell's Summer Institute of International and Comparative Law continues to broaden ties between the two countries, French President Nicolas Sarkozy named Barceló a Chevalier in the Ordre national de la Légion d'honneur, the highest recognition France gives noncitizens.

Four elected to American Academy of Arts and Sciences

April 18, 2012—The 232nd class of AAAS fellows includes leaders from academia, business, public affairs, the humanities, and the arts. Three faculty members elected were: Steven H. Strogatz, the Jacob Gould Schurman Professor of Applied Mathematics; Thomas D. Gilovich, professor of psychology; and Joseph J. Fins, the E. William Davis Jr. M.D. Professor of Medical Ethics at Weill Cornell Medical College. Also elected was Sanford I. Weill '55, chair of the Board of Overseers of Weill Cornell Medical College and an emeritus member of the Cornell Board of Trustees.

Clark elected to National Academy of Sciences

May 2, 2012—Andrew G. Clark, the Jacob Gould Schurman Professor of Population Genetics and a Nancy and Peter Meinig Family Investigator, has been elected to the National Academy of Sciences. He is among 84 new members of the academy announced May 1. The academy recognizes scientists' "distinguished and continuing achievements in original research." Clark's research focuses on the genetic basis of adaptive variation in natural populations, with emphasis on quantitative modeling of phenotypes as networks of interacting genes.

Research

Researchers connect gene to pre-Alzheimer's

July 18, 2011—Cornell scientists have shown a significant correlation for the first time between a human gene and people's risk for mild cognitive impairment, often a precursor to Alzheimer's disease and related forms of dementia. The findings could help doctors to recommend simple preventative measures for at-risk patients, including healthy diet, exercise, and intellectual activity—all of which could forestall and even prevent chronic symptoms associated with the disease, said lead author Charles Brainerd and Valerie Reyna, both professors of human development in the College of Human Ecology.

Robots learn to handle objects, understand places

September 1, 2011—Infants spend their first few months learning to find their way around and manipulating objects, and they are very flexible about it: Cups can come in different shapes and sizes, but they all have handles. So do pitchers, so we pick them up the same way. Similarly, your personal robot in the future will need the ability to generalize—for example, to handle your particular set of dishes and put them in your particular dishwasher. In Cornell's Personal Robotics Laboratory, a team led by Ashutosh Saxena, assistant professor of computer science, is teaching robots to manipulate objects and find their way around in new environments.

ERL researchers surpass scientific milestones

October 24, 2011—Cornell scientists have surpassed two major scientific milestones toward proving the technology of a novel, exceedingly powerful X-ray source. Cornell's Energy Recovery Linac (ERL) team is now reporting that its prototype electron injector is producing beams with a so-called emittance of 0.8 micrometers—the smallest ever recorded from an electron source of this type. The injector is the key component needed to make an ERL work by creating electron beams that are tightly packed and traveling at nearly the speed of light. In another breakthrough for the ERL project, the scientists have built and tested a prototype seven-cell superconducting radio frequency (SRF) cavity. SRF cavities are needed to accelerate the electrons from the injector to very high energies in order to produce the X-rays. The SRF cavities are operated at -456 F (-271 C), just 2 degrees above absolute zero temperature.

Ithaca-NYC collaborations boost research

October 21, 2011—Collaborations between researchers at Weill Cornell Medical College and the Ithaca campus yield results that might otherwise be impossible, according to an October 21 panel "Convergence of Care for All Forms of Life," moderated by Robin Davisson, professor of biomedical sciences, who holds appointments on both campuses. Many collaborations involve faculty in the College of Veterinary Medicine and are important not only for the light they shed on human ailments but also for better care for our animals, said Paula Cohen, associate professor of biomedical sciences and director of Cornell's Center for Reproductive Genetics, which involves about 100 faculty members at Ithaca and Weill.

Astronomers identify three extrasolar planets

April 25, 2012—It's not little green men, but it could be a step in that direction: Cornell astronomers, using data from the NASA Kepler Mission, have identified three Earthlike planets orbiting their own suns, all of which could be hospitable to life. The team of astronomers used the Cornell-built Near-Infrared Triple Spectrograph (TripleSpec) at California's Mount Palomar Observatory to measure the temperatures and metallicities of small stars called M dwarfs, first recorded by the NASA Kepler mission, which then led to observations of planets orbiting these stars. Kepler launched in 2009 to search for planets outside our solar system, which are called extrasolar planets or exoplanets. The team that built TripleSpec, completed in 2008, was led by Terry Herter, Cornell professor of astronomy. The findings were published online April 23 in Astrophysical Journal Letters.

Alumni News

Bill Nye '77 harnesses the sun with Rhodes Hall clock

August 29, 2011—"Look at that, it's fantastic!" exclaimed Bill Nye '77, as a sun-shaped circle on the face of the new Bill Nye Solar Noon Clock at Rhodes Hall began to glow against a cloudy bright sky. A crowd of hundreds at Hoy Field cheered. The clock, a gift from

Nye to Cornell, was dedicated August 27 following a public lecture that filled the 715-seat Statler Auditorium. Nye talked about his father's passion for sundials and timekeeping, his time at Cornell, his work on the sundials mounted on the Mars rovers, and the story behind the Bill Nye Solar Noon Clock.

Svante Myrick '09 wins election as Ithaca's next mayor

November 10, 2011—Svante Myrick '09 was elected Ithaca's next mayor on Tuesday, winning a four-way race with 54 percent of the vote. At 24, he will be the city of Ithaca's youngest mayor ever; he also will be its first African-American mayor. Myrick, who is an alderman for Ithaca's Fourth Ward and won the Democratic primary in September, was the first African-American mayoral candidate to win a major party's nomination in the city. "Cornell University congratulates Mayor-elect Svante Myrick and wishes him a successful term of accomplishment and effective service to the people of Ithaca," said President David Skorton.

Gettleman '94 wins Pulitzer for international reporting

April 16, 2012—Jeffrey Gettleman '94, the East Africa bureau chief for the New York Times, won the Pulitzer Prize for international reporting April 16. His citation for the $10,000 award reads: "Awarded to Jeffrey Gettleman of the New York Times for his vivid reports, often at personal peril, on famine and conflict in East Africa, a neglected but increasingly strategic part of the world." Gettleman covers 12 countries for the newspaper. His work has focused on internal conflicts in Kenya, Congo, Somalia, Sudan, and Ethiopia. He previously worked for the New York Times in New Jersey, Baghdad, and Atlanta. Gettleman has also been a reporter for the Los Angeles Times and the St. Petersburg Times. He studied philosophy at Cornell and earned a master's of philosophy degree from Oxford, where he was a Marshall Scholar.

Ratan Tata receives lifetime achievement award

June 26, 2012—Ratan Tata '59, B.Arch. '62, has received a lifetime achievement award for innovation in philanthropy from the Rockefeller Foundation. Tata, chairman of Tata Sons and a Cornell trustee, was honored June 26 at the foundation's second annual Innovation Forum and awards ceremony in New York City. This year's forum convened creative leaders from business, government, and journalism to focus on ensuring that the benefits of new technologies don't bypass the world's poor. Tata received an award for "thoughtfully incorporating the public good into the business model of the Tata Group," according to a Rockefeller Foundation press release.

Health and Safety

Common Council votes "yes" to allow nets under bridges

December 8, 2011—The city of Ithaca's Common Council approved a proposal December 7 by Cornell University to install nets under three city-owned bridges as a suicide prevention measure. Seven council members voted for the nets, two against, and one member was absent. Cornell had requested the city's permission to install nets under the three city bridges: the Stewart Avenue Bridge at Cascadilla Creek Gorge, and the Stewart Avenue Bridge and the Thurston Avenue Bridge at Fall Creek Gorge. University officials are also seeking permission to install nets under or along four Cornell-owned bridges; those designs must be approved only by the city's Planning and Development Board.

Skorton accepts recommendations on gorge safety

December 2, 2011—Cornell continues to take a multipronged approach to enhance the safe use of Fall Creek and Cascadilla gorges, President David Skorton announced December 2. "The health and safety of our community and of those who visit our campus and its natural areas are among Cornell's foremost concerns. Continuing to improve the safety of our campus is a priority," Skorton said in a statement. He has accepted recommendations from the Gorge Safety Steering Group, which he appointed in August to develop action plans, for the near and longer term, on gorge safety, he said. The recommendations include completion of safety and infrastructure projects, such as repair of fences and railings to delineate public space from restricted-use areas, and stabilization of failing trails. The report also calls for clarification of the source of ongoing university funding for gorge maintenance. Enhancement of outreach to improve students' awareness of gorge safety could include such measures as creating a Gorge

Stewards program to train students to help peers enjoy the gorges safely. And the Campus Code should be amended to address violations of gorge safety measures, the report said.

Public Engagement

New center will deepen public engagement, learning

October 3, 2011—To further foster the intertwining of educational excellence and social responsibility, Cornell has announced the new Center for Community Engaged Learning and Research. The center—which will be funded for its first three years through a gift from the Einhorn Family Charitable Trust (David Einhorn '91 and Cheryl Strauss Einhorn '91) and with support from the Office of the Provost and the Division of Student and Academic Services—will be the core academic unit that connects public engagement to Cornell's educational mission. "More than at any other time in recent history, Cornell is poised to renew and expand its mission of public engagement and public service," said President David Skorton.

Cornell on president's honor roll with distinction

March 15, 2012—The Corporation for National and Community Service has named Cornell to its President's Higher Education Community Service Honor Roll, with Distinction, for the university's exemplary local, national, and international community service efforts and service to disadvantaged youth. The honor roll is the highest federal recognition a school can achieve for its commitment to service learning and civic engagement. Public service is one of five overarching goals in Cornell's strategic plan and accounted for expenditures in extension and public service of more than $100 million in fiscal year 2011. The university estimates more than 7,600 students engaged in community service during the year, engaging in at least 400,000 community service hours.

Rig Red Athletics

Cornell's Athletic Department was ranked 66th in the 2011–2012 standings of the Learfield Sports Directors' Cup, which measures the success of athletic teams around the country. The Big Red finished as the third-highest Ivy League school in the rankings, behind Princeton and Harvard, and ahead of nationally renowned athletic powers and major conference schools. Highlights are below:

- 6 Ivy League championships
- 3 individual national championships
- 9 teams ranked among the nation's top 10
- 19 student athletes named All-American
- 162 student athletes named All-Ivy
- 3 student athletes named Ivy League Player of the Year
- 5 student athletes named Rookie of the Year
- 11 student athletes on the Capital One/CoSIDA Academic All-District team
- 2 student athletes earned Academic All-America honors
- 30 student athletes named Academic All-Ivy
- 2 student athletes received the Elite 89 Award
- Christine McIntosh, fencing, and Amanda Tremaglio, women's rowing, won the Elite 89 Award for having the highest grade point average at the NCAA championships in their respective sports.
- Wrestling won its 10th straight Ivy title and captured its sixth consecutive EIWA crown. Cornell finished fourth overall at the NCAA championships behind three national champions (Steve Bosak, Kyle Dake, and Cam Simaz) and five total All-Americans.
- Women's hockey competed at the top of the national charts, advancing to the NCAA Frozen Four for the third straight year.
- Men's hockey finished a win shy of going to the Frozen Four, knocking off top-seeded Michigan in the first round of a NCAA regional.
- Baseball won a program-record 31 games and its first ever Ivy title.
- Women's rowing posted its best finish at the Ivy championships (second) in 22 years before earning a spot in the NCAA meet.

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Cornell University 2011-2012 Financial Report

MESSAGE FROM THE VICE PRESIDENT FOR FINANCE AND CHIEF FINANCIAL OFFICER

An exciting year indeed: the University brought fundraising to new, record-setting heights, won an international competition to build "Cornell NYC Tech," an applied sciences campus on Roosevelt Island in New York City, and balanced its operating budget for fiscal year 2013—one year ahead of schedule. These successes are a testament to Cornell's generous alumni, its superb faculty, staff and students, and its exceptional position among leading institutions.

In fiscal year 2012, the University generated an operating surplus of almost $47 million. This was tempered, however, by lower market valuation on interest rate swaps and investment returns lower than operations payout, which made the University show a modest loss in financial position—a $33 million decrease in net assets.

There continues to be an extraordinary demand for a Cornell education. The University received a record-breaking number of applicants this past year. More than 37,808 prospective students applied for undergraduate admission. The total enrollment in fall 2012 was 3,270, a strategic decrease from last year. Cornell's geographical profile remains diverse and global, with nearly 10 percent of its undergraduate students coming from outside the United States, and 60 percent from states other than New York. Cornell continues to be very selective, with a mere 17 percent acceptance rate for fall 2012 freshman applicants, compared to 21 percent just five years prior. The matriculation yield rate has increased to an average of 52 percent, consistent with other highly competitive peers.

The University renewed its commitment to a need-blind admission policy. Because of the fragile global economy, however, there was approximately a 10 percent increase in undergraduate student financial need over last year, and the University made modest adjustments to qualifying incomes in its financial aid program.

Cornell remains a leader in research—this is significant because research programs attract outstanding faculty members, enhancing the educational experience for both undergraduate and graduate students. The University brought in over $600 million in grants and contracts focused primarily though not exclusively on basic research (including indirect cost recoveries) in fiscal year 2012, which is over 19 percent of the University's total operating revenues.

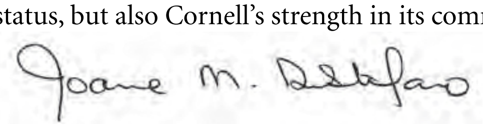
Operating costs at Cornell are less dependent on endowment payout than other highly endowed institutions. Less than 10 percent of the University's operating costs were funded from its endowment in fiscal year 2012, mostly due to its revenue diversity. The market value of Cornell's investments is $5.9 billion as of June 30, 2012.

University revenues have tripled in the past 20 years. The largest growth area has been the Medical Physician Organization, which now makes up approximately 22 percent of the University's total operating revenue (compared to 12 percent in fiscal year 1992). At the same time, state and federal appropriations have dropped from 12 percent of total revenue in fiscal year 1992 to approximately 5 percent today.

Cornell has a history of strong fundraising, with an estimated 40 percent alumni participation rate or approximately 88,000 contributing individuals. In fiscal year 2012, the University received $611.2 million in contributions. As of fiscal year-end 2012, Cornell had approximately $1.9 million of bonds and notes outstanding, including $136 million of outstanding commercial paper and $500 million in taxable notes issued in 2009. Management expects to retire $250 million of this taxable debt in 2014. The debt portfolio currently comprises 20 percent variable-rate and 80 percent fixed-rate debt. The University has over $1 billion in interest rate swaps, whose fair value is determined by an external swap consultant. Change in valuation between June 30, 2011 and June 30, 2012 created an additional $166 million liability.

Because of the concentrated and committed actions we have taken over the last several years to address a weak economy and limited financial resources, we now see opportunities ahead of us. But our past successes are not a reason to relax—instead, we must stay on course. We must continue to reinforce our extraordinary competencies to focus on achieving our strategic plan, which includes the design of Cornell NYC Tech campus; we must also keep our financial system flexible, so that it can adapt to changing issues and regulations.

I am confident that our exciting plans in the years to come will ensure not only Cornell's position as a preeminent research university with world-class faculty and staff, serving the most outstanding students without regard to financial status, but also Cornell's strength in its commitment to academic integrity, intellectual progress, and fiscal vigor.



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

OVERVIEW

As most of you know, in fiscal year 2012 the University was awarded the opportunity to create an applied science campus in New York City, known as Cornell NYC Tech. This accomplishment testifies to the University's excellence in teaching and research as well as its commitment to transfer the knowledge from faculty research to commercial applications. The University's donors, as you will see below, have enthusiastically embraced and supported the new campus initiative.

In addition, we implemented a new financial system that replaced an outmoded one in use for forty years. The first months of the Kuali Financial System (KFS) implementation, as with any major implementation, were marked by numerous challenges. But by early spring, the system was stabilized and users became far more familiar with using KFS. The University's consolidated financial statements for fiscal year 2012 were produced from KFS with considerable ease and a keen appreciation for the robustness of this new financial tool.

NEW STANDARDS, EMERGING ISSUES, AND INITIATIVES

New Standards and the Regulatory Environment

The two accounting standard updates (ASU's) that affected the University in fiscal year 2012 were focused on transparency by eliminating "netting." In prior years, FASB permitted netting of estimated malpractice insurance recoveries and malpractice insurance claims. In the current year, ASU 2010-24 required the Medical College to record an insurance receivable of $70.2 million and an accrued expense for malpractice claims of $70.2 million. Both approaches result in the same effect on the University's net assets, but the new one provides more transparency. Additionally, effective for this fiscal year, ASU 2010-06 eliminated netting of sales and purchases on the Level 3 investment roll-forward. Those transactions are now disclosed separately in the summary of Level 3 investment activity (Note 3).

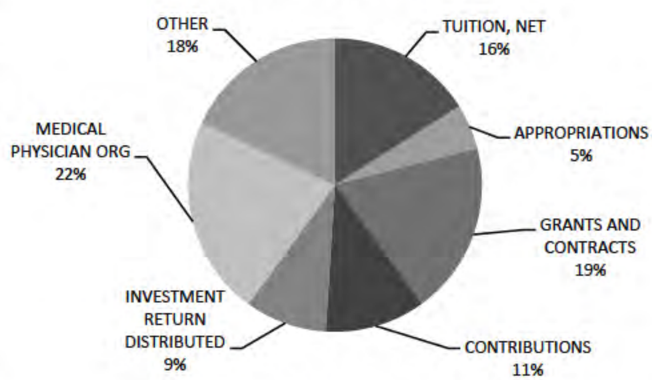
FINANCIAL YEAR IN REVIEW

Operating Revenues

The University has as one of its financial goals the alignment of "sources and uses" of resources for current operations. For fiscal year ending June 30, 2012, operating revenues exceeded operating expenses, resulting in $46.8 million net operating income; however, this year's activity included unusually high contribution revenue, which had a significant positive effect on the operating margin.

In fiscal year 2012, gross tuition revenue increased by 6.9 percent based on Board-authorized tuition increases and tuition increases for academic programs that are not degree-related. The scholarship allowance represents the amount of institutional grant aid for the cost of attendance and this allowance increased by 8.8 percent in this fiscal year--again outpacing the growth in tuition revenue. The University also provides financial aid to students to defray the cost of their living expenses; this aid is reported in supplies and general expense and disclosed in Note 10. Unlike the scholarship allowance, this aid grew by only 2.0 percent to $42.7 million in fiscal year 2012.

OPERATING REVENUES



The decline in government appropriations of $13.5 million, or 8.3 percent, continues to be based solely on the decline in New York State appropriations for operations. The New York State support for the contract college buildings and improvements continues to grow and is more fully described in the non-operating section of this narrative.

There is a modest decline in both direct and indirect revenues from grants and contracts. The revenue decline reflects primarily the reduction in funding from the America Recovery and Reinvestment Act of 2009 (ARRA) of $11.3 million. Because ARRA funding was part of the short-term federal stimulus package enacted after the financial crisis in 2008, the decline was anticipated. There was also a decline in direct revenues because certain New York State funded projects ended. The fluctuation in indirect cost recoveries is affected by many factors, not merely the amount of direct funding. As emphasized in prior years, indirect cost recoveries are based on the recovery rates in effect when the grant is first awarded as well as the components of expenditures. Expenditures for tuition, equipment, and payments to subrecipients do not include indirect cost recoveries.

The success of the University's capital campaign, including extraordinary support for Cornell NYC Tech, is apparent in operating and non-operating contribution revenue. Contribution revenue for operations was $338.4 million, or a 46.7 percent increase. Contributions for buildings, trusts, and permanent endowment were $272.8 million, or a 149.6 percent increase. The generosity and commitment of the University's donors is acknowledged in this report and, from time to time, the University's extraordinary donor support from alumni and friends is noted in the national press.

> "The Medical Physician Organization's revenue has grown in each of the last five years, but fiscal year 2012 is the first year in which the overall growth exceeded $100 million,..."

Investment return distributed declined by $12.3 million, or 4.0 percent. Although investment payout on the long term investment pool shares (LTIP) is the major component of this revenue, increasing in fiscal year 2012 to $177.4 million from $164.2 million, reduced payout from other investments resulted in the overall modest decline in the current year.

The Medical Physician Organization's revenue has grown in each of the last five years, but fiscal year 2012 is the first year in which the overall growth exceeded $100 million, representing a 17.7 percent increase, exceeding even the Medical College's predictions. Net patient revenue accounted for $87.4 million of the overall increase, a function of a number of factors: patient visits, procedures performed at each visit referred to as "relative value units" or RVU's, annual increases in managed care contracts, growth associated with hiring new physicians, and the maturation of practices from key physician hires in prior years.

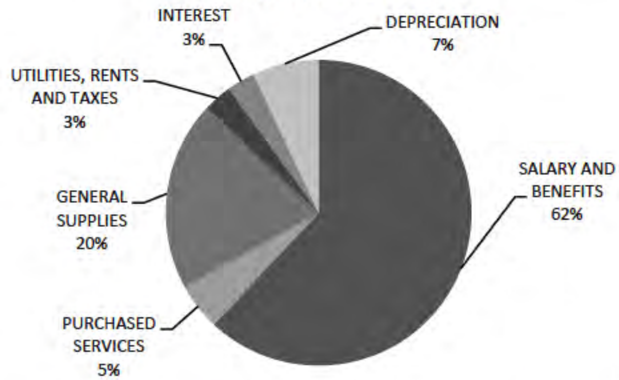
Revenues from educational activities and other sales and services increased by $13.9 million. There are many different activities associated with this revenue, so it is difficult to isolate key components, although revenue from the Qatar operation grew by $15.0 million. Revenues from the Medical College's major activities account for approximately 61 percent of overall revenues and are related primarily to Qatar, the New York Hospital, and payments from other affiliates for services. Major revenue sources on the Ithaca campus are from the College of Veterinary Medicine's Animal Health Diagnostic Laboratory, the Hospital for Animals, tech transfer income, revenue from the Statler Hotel, and revenues reported by the University's subsidiaries that are consolidated in the financial statements.

Operating Expenses

Salary and benefit expense is generally the major component of operating expenses for research universities, and Cornell is no exception. Consistent with prior year, salary and benefit expense is 62.0 percent of overall operating expenses. This expense increased by $107.7 million, or 5.9 percent, with a significant component being the 3 percent salary improvement program at both the Medical College and the Ithaca campus. Compensation at the Medical College also experienced an increase because of an increase in both staff and incentive compensation associated with the strategic growth of certain key departments. University benefit expenses increased, too, as a result of both increased costs and year-end accrual adjustments for vacation, workers compensation, and medical benefits incurred but not recorded.

Interest expense in fiscal year 2012 increased by a net $16.1 million. This rise consists of an increase of $13.9 million for two swaps that became effective during fiscal year 2012, and $7.1 million related to interest expense that, in the current fiscal year, was not required to be capitalized as part of the overall costs for constructed assets. These increases were offset by a reduction of interest expense that resulted from a decrease in outstanding debt based on payments of principal.

OPERATING EXPENSES



The decrease in depreciation expense of $11.2 million in the current fiscal year relates primarily to the prior year's one-time increase in depreciation associated with "componentization" in which components of buildings are assigned shorter depreciable lives. In the current fiscal year, there was an increase in depreciation expense associated with the increase in fixed assets but the combined effect resulted in a net decline.

LONG-TERM INVESTMENT POOL

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

The University is committed to managing overall costs without jeopardizing its ability to carry out its missions and strategic initiatives; for fiscal year ending June 30, 2012, the University achieved that goal. Although total operating expenses increased by $140.5 million, or 4.7 percent, that increase is less than last year's increase of $170.4 million, or 6.1 percent.

Non-Operating Revenues and Expenses

Approximately five years ago, the University changed the format of its statement of activities to include an operating measure and non-operating measure, designed to provide more meaningful information to the readers. Non-operating activities are those over which the University generally can exercise little control, such as funding from New York State for buildings, funding from donors restricted to capital projects, trusts or endowments and non-operating income, and expense affected by fair market value adjustments at fiscal year-end.

New York State continues to provide significant appropriations to build and improve the facilities for the contract colleges. The current year revenues increased by $16.5 million, or 37.1 percent, from the prior year. A review of the past five years demonstrates the state's ongoing support for the contract colleges, with over $214.0 million appropriated during that time for buildings and building improvements.

The remaining income and expense items in the non-operating section are all significantly affected by market factors. The $255.2 million "loss" reflected as investment return in the non-operating section should not be interpreted as an overall loss. As the line item emphasizes, this is return net of amount distributed, ($298.2 million), as reflected in the operating section of the statement of activities. The total operating and non-operating return is approximately $43.0 million – a positive return.

The income associated with the pension and postretirement is affected by numerous factors. This figure represents the current-year adjustment for the unfunded status of the defined benefit pension plan at the Medical College and the postretirement medical benefit plans at both campuses less the amount of operating and non-operating expense/revenue recorded in prior years for these liabilities.

The $166.5 million unrealized loss is separately disclosed to clearly identify this amount as a change in the fair market value of the debt swap portfolio based on the current year valuation as of June 30, 2012.

As you can see from a review of the non-operating section, the "expenses" and overall non-operating loss of $80.1 million are based primarily on the impact of June 30 fair market value adjustments.

Statement of Financial Position

The University's overall net assets decreased, but by less than one half of one percent. In short, the balance sheet remains very strong, with a total of $7.5 billion in net assets, including $2.4 billion in unrestricted net assets.

Assets

Cash is subject to variance from year to year because of the University's holdings as of June 30 in cash equivalents: i.e., securities with an initial maturity term of ninety days or less. At the end of fiscal year 2012, cash was $116.6 million higher than the prior year, which represents an increase of 79.8 percent; the increase is based on cash equivalents at June 30, 2012.

2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
$ 2,750.4	$ 2,720.8	$ 3,070.2	$ 3,623.2	$ 4,180.4	$ 5,197.5	$ 5,378.1	$ 3,794.3	$ 4,223.2	$ 4,921.8
124.3	88.9	234.8	202.0	128.7	236.8	190.5	573.9	210.6	155.3
(128.1)	(116.4)	(37.1)	(33.7)	(125.1)	(130.1)	(340.9)	(578.7)	(286.9)	(233.0)
(25.8)	376.9	355.3	388.9	1013.5	73.9	(1433.4)	433.7	774.9	(57.2)
$ 2,720.8	$ 3,070.2	$ 3,623.2	$ 4,180.4	$ 5,197.5	$ 5,378.1	$ 3,794.3	$ 4,223.2	$ 4,921.8	$ 4,786.9
$ 42.65	$ 46.51	$ 50.11	$ 55.42	$ 66.62	$ 65.37	$ 45.12	$ 47.38	$ 53.58	$ 50.67

The increase in accounts receivable is best understood by reviewing the key components as disclosed in Note 2 of the consolidated financial statements. The decline in grant and contract receivables occurred at both campuses, though for different reasons. The decline in the receivable at the Ithaca campus is based on extensive effort undertaken by the University, including its government affairs office, to work with key agencies in New York State to expedite payments on longstanding receivables; this resulted in an overall $9.5 million decline in our New York State receivable balance.

The Medical College, in this fiscal year, continued its ongoing review of old receivables. This resulted in a $19.7 million write-off of grant receivables and an $18.1 million write-off of the New York Hospital receivable. Of the total write-offs, $28.1 million was written off against the previously established allowance account and had no impact on current-year expenses. Additionally, the Medical College has established procedures to help ensure timely collections of all receivables. The New York Hospital and the Medical College now meet their respective obligations for shared services within ninety days, based on actual payments. The significant decrease in the allowance for doubtful accounts at June 30, 2012 is based primarily on the write-offs described above for the Medical College.

At fiscal year ending June 30, 2012, there was no collateral on deposit with third parties for the debt swap agreements. Based on the revised collateral terms, collateral is no longer required for fair market value adjustments, but only required if the University's credit rating falls below an "A" rating. As of June 30, 2012, the University continues to maintain its strong credit rating: Aa1 (Moody's) and AA (S&P).

The re-insurance receivable was recorded in the current year based on the requirements of the ASU. In prior years, the University was permitted to net the malpractice re-insurance receivable against the liability as previously discussed.

The increase of $279.0 million, or 47.7 percent, in contributions receivable is commensurate with the overall increase in operating and non-operating contribution revenue. Contribution revenue generally increases more significantly than the receivable because many contributions are cash not pledges.

The decline in the fair market value of University assets is based primarily on unrealized losses from the fair market value adjustments at the end of this fiscal year. Fair market value adjustments, as the financial press reminds us, are often related to the asset allocations in the portfolio with some sectors outperforming others.

The University continues to enhance its physical plant with new buildings, improvements to older buildings, and infrastructure projects. The 5.6 percent increase in fiscal year 2012 consists of projects placed in service as well as those in construction in progress (CIP). CIP at fiscal year-end consists principally of Olin Library Improvements, Gates Hall, Clark Hall Renovation, the Belfer Medical Research Building at the Medical College, and numerous projects for the contract colleges: Martha Van Rensselear East Wing Rehabilitation, and Stocking, Rice, Morrison, and Warren Halls. Many of these new buildings will seek "Leadership in Energy and Environmental Design" (LEED) certification. The University's record for LEED certification is exceedingly impressive: LEED Platinum certification for the Human Ecology Building and LEED Gold certification for at least eight other completed projects including Milstein Hall, NYS Veterinary Diagnostic Lab, and others.

The most significant increase in liabilities in fiscal year ending June 30, 2012 is the $256.2 million increase in accounts payable and accrued expenses, a 69.8 percent increase. The increase is primarily due to $166.5 million increase in the fair market value for debt swaps and the recording of $70.2 million in insurance claims required by ASU 2010-24.

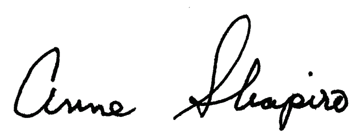
The bonds and notes payable decline reflects $35.6 million in principal payments and no new debt in fiscal year 2012.

Summary

As we review fiscal year 2012, we note that the University's financial picture is strong with $7.5 billion in net assets and operating income of $46.8 million.

We are all mindful that the economy has not regained its pre-2008 strength. This impacts almost all organizations, but the impact on research universities is primarily in heightened demand for student financial aid, heightened competition for sponsored support, particularly from the federal and state governments and additional uncertainty about endowment performance and endowment payout.

The University's financial strength, as this year clearly demonstrates, is greatly enhanced by the generosity of donors, whether for buildings, endowments, or operations. Many critical activities simply could not be accomplished without this commitment and generosity of alumni and friends of the University.



Anne Shapiro
University Controller

MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

David J. Skorton
President
Cornell University

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

Anne Shapiro
University Controller

Report of Independent Auditors

The Board of Trustees of Cornell University:

In our opinion, the accompanying consolidated statement of financial position and the related statements of activities, and of cash flows, present fairly, in all material respects, the financial position of Cornell University at June 30, 2012, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Cornell University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Cornell University's June 30, 2011 financial statements, and in our report dated September 27, 2011, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 25, 2012
Rochester, New York

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2012 (in thousands)

(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2011)

		2012	2011
	Assets		
1	Cash and cash equivalents	$ 262,654	$ 146,070
2	Accounts receivable, net (note 2-A)	319,289	278,019
3	Contributions receivable, net (note 2-B)	863,459	584,483
4	Inventories and prepaid expenses	41,282	47,727
5	Student loans receivable, net (note 2-C)	69,441	69,093
6	Investments (note 3)	5,916,833	6,348,227
7	Land, buildings, and equipment, net (note 4)	3,321,898	3,147,011
8	Funds held in trust by others (note 5)	105,557	112,035
9	Total assets	$ 10,900,413	$ 10,732,665
	Liabilities		
10	Accounts payable and accrued expenses	$ 623,396	$ 367,160
11	Deferred revenue and other liabilities (note 8-D)	205,973	218,486
12	Obligations under split interest agreements (note 5)	115,063	114,077
13	Deferred benefits (note 6)	443,639	431,564
14	Funds held in trust for others (note 7)	90,047	111,153
15	Bonds and notes payable (note 8)	1,896,558	1,932,136
16	Government advances for student loans	48,067	47,094
17	Total liabilities	3,422,743	3,221,670
	Net assets (note 11)		
18	Unrestricted	2,409,552	2,751,527
19	Temporarily restricted	2,616,355	2,432,376
20	Permanently restricted	2,451,763	2,327,092
21	Total net assets	7,477,670	7,510,995
22	Total liabilities and net assets	$ 10,900,413	$ 10,732,665

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

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR-ENDED JUNE 30, 2012 (in thousands)

(WITH SUMMARIZED INFORMATION FOR THE YEAR-ENDED JUNE 30, 2011)

		Unrestricted	Temporarily Restricted
	Operating revenues		
1	Tuition and fees	$ 842,204	$ -
2	Scholarship allowance	(333,873)	-
3	Net tuition and fees	508,331	-
4	State and federal appropriations	150,469	-
5	Grants, contracts and similar agreements		
6	Direct	457,454	-
7	Indirect cost recoveries	147,277	-
8	Contributions	65,426	272,942
9	Investment return, distributed	212,110	86,054
10	Medical Physician Organization	679,938	-
11	Auxiliary enterprises	153,408	-
12	Educational activities and other sales and services	428,563	-
13	Net assets released from restrictions	153,869	(153,869)
14	Total operating revenues	2,956,845	205,127
	Operating expenses (note 10)		
15	Compensation and benefits	1,938,620	-
16	Purchased services	142,002	-
17	Supplies and general	637,050	-
18	Utilities, rents and taxes	107,734	-
19	Interest expense (note 8)	86,201	-
20	Depreciation	203,587	-
21	Total operating expenses	3,115,194	-
22	Change in net assets from operating activities	(158,349)	205,127
	Nonoperating revenues and (expenses)		
23	State appropriations for capital acquisitions	61,089	-
24	Contributions for capital acquisitions, trusts and endowments	931	172,160
25	Investment return, net of amount distributed	(112,510)	(153,636)
26	Change in value of split interest agreements	3,857	(3,801)
27	Pension and postretirement changes other than net periodic costs (note 6-C)	2,727	-
28	Change in value of interest rate swaps	(166,496)	-
29	Other	(5,241)	-
30	Net asset released for capital acquisitions and reclassifications	32,017	(35,871)
31	Change in net assets from nonoperating activities	(183,626)	(21,148)
32	Change in net assets	(341,975)	183,979
33	Net assets, beginning of the year	2,751,527	2,432,376
34	Net assets, end of the year	$ 2,409,552	$ 2,616,355

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

Permanently Restricted	2012 Total	2011 Total	
$ -	$ 842,204	$ 787,882	1
-	(333,873)	(306,809)	2
-	508,331	481,073	3
-	150,469	164,013	4
			5
-	457,454	471,997	6
-	147,277	151,039	7
-	338,368	230,677	8
-	298,164	310,440	9
-	679,938	577,568	10
-	153,408	154,354	11
-	428,563	414,653	12
-	-	-	13
-	3,161,972	2,955,814	14
-	1,938,620	1,830,907	15
-	142,002	125,787	16
-	637,050	622,370	17
-	107,734	110,736	18
-	86,201	70,065	19
-	203,587	214,828	20
-	3,115,194	2,974,693	21
-	46,778	(18,879)	22
-	61,089	44,552	23
99,728	272,819	109,286	24
10,944	(255,202)	602,084	25
10,145	10,201	21,144	26
-	2,727	40,158	27
-	(166,496)	43,698	28
-	(5,241)	(28,006)	29
3,854	-	-	30
124,671	(80,103)	832,916	31
124,671	(33,325)	814,037	32
2,327,092	7,510,995	6,696,958	33
$ 2,451,763	$ 7,477,670	$ 7,510,995	34

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR-ENDED JUNE 30, 2012 (in thousands)

(WITH COMPARATIVE INFORMATION FOR THE YEAR-ENDED JUNE 30, 2011)

		2012	2011
	Cash flows from operating activities		
1	Change in net assets	$ (33,325)	$ 814,037
	Adjustments to reconcile change in net assets		
	to net cash provided/(used) by operating activities		
2	Contributions for capital acquisitions, trusts and endowments	(269,152)	(105,411)
3	Depreciation	203,587	214,828
4	Net realized and unrealized (gain)/loss on investments	68,518	(800,514)
5	Pension and postretirement changes other than net periodic costs	(2,727)	(40,158)
6	Change in value of interest rate swaps	166,496	(25,198)
7	Loss on disposals of land, building, and equipment	21,330	6,233
8	Other adjustments	(4,006)	(3,676)
	Change in assets and liabilities		
9	Accounts receivable, net	(41,270)	108,535
10	Contributions receivable, net	(278,976)	(26,557)
11	Inventories and prepaid expenses	6,445	829
12	Accounts payable and accrued expenses	81,247	(27,208)
13	Deferred revenue and other liabilities	(12,513)	15,426
14	Change in obligations under split interest agreements	7,464	(9,391)
15	Deferred benefits	14,802	24,241
16	Net cash provided/(used) by operating activities	(72,080)	146,016
	Cash flows from investing activities		
17	Proceeds from the sale and maturities of investments	8,807,724	19,289,490
18	Purchase of investments	(8,444,848)	(19,206,457)
19	Acquisition of land, buildings, and equipment (net)	(387,726)	(309,550)
20	Student loans granted	(9,366)	(9,811)
21	Student loans repaid	9,439	10,680
22	Change in funds held in trust for others	(21,106)	18,828
23	Net cash used by investing activities	(45,883)	(206,820)
	Cash flows from financing activities		
	Contributions restricted to		
24	Investment in endowments	109,504	85,753
25	Investment in physical plant	154,950	15,911
26	Investment subject to living trust agreements	4,698	3,747
27	Principal payments of bonds and notes payable	(45,578)	(37,291)
28	Proceeds from issuance of bonds and notes payable	10,000	38,845
29	Government advances for student loans	973	(259)
30	Net cash provided by financing activities	234,547	106,706
31	Net change in cash and cash equivalents	116,584	45,902
32	Cash and cash equivalents, beginning of year	146,070	100,168
33	Cash and cash equivalents, end of year	$ 262,654	$ 146,070
	Supplemental disclosure of cash flow information		
34	Cash paid for interest	$ 97,336	$ 93,871
35	Increase/(decrease) in construction payables, non-cash activity	$ 8,493	$ (1,818)

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

1. SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Organization

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

B. Basis of Presentation

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

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

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

C. Cash and Cash Equivalents

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

D. Contributions

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

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

E. Investments

The University's investments are recorded in the consolidated financial statements at fair value. The values of publicly traded securities are based on quoted market prices and exchange rates, if applicable. The fair value of 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.

F. Derivative Instruments

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

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

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

G. Land, Buildings, and Equipment

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

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

H. Funds Held in Trust by Others

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

I. Split Interest Agreements

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

J. Endowments

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

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

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

The Board authorizes an annual distribution, or payout, from endowment funds that is within a target range of 3.65 percent to 5.15 percent of a 12-quarter rolling average of the unit fair value. The Trustees may occasionally make step adjustments, either incremental or decremental, based on prior investment performance, current market conditions, or any of the factors for prudent judgment described above.

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

The University, in compliance with NYPMIFA, notified available donors who had established endowments prior to September 17, 2010 of the new law, and offered these donors the option of requiring the University to maintain historical dollar value for their endowment funds. A minority of donors requested this option; for those who did, the University has designed procedures to ensure that the University maintains historical dollar value by not expending the payout on any fund whose fair value is less than its historical dollar value (i.e., "underwater").

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 Physician Organization

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

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. Management's assumptions are primarily related to the appropriate discount rate for the purposes of fair-value calculations, to allowances for doubtful accounts, and to self-insured risks. Actual results may differ from those estimates.

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

The University complied with the requirements of ASU 2010-24: *Presentation of Insurance Claims and Related Insurance Recoveries.* The ASU requires that potential insurance recoveries are reflected as assets and the insurance claims as liabilities. The netting of the recoveries and estimated liabilities is no longer acceptable. For fiscal year ending June 30, 2012, the Medical College recorded a reinsurance receivable of $70.2 million and a reinsurance payable of $70.2 million.

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. In accordance with the accounting standards, the University evaluates its income tax position each fiscal year to determine whether it is more likely than not to be sustained if examined by the applicable taxing authority. This review had no material impact on the University's consolidated financial statements.

(dollars in thousands)

2. RECEIVABLES

A. Accounts Receivable

The University's receivables from the sources identified in the table below are reviewed and monitored for aging and other factors that affect collectability.

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

SUMMARY OF ACCOUNTS RECEIVABLE

	2012	2011
Grants and contracts	$ 88,480	$ 125,727
Collateral related to interest rate swap agreements	-	26,461
New York Presbyterian Hospital and other affiliates	37,179	57,758
Patients (net of contractual allowances)	89,944	76,327
Reinsurance Receivable	70,257	-
Student accounts	6,193	3,561
Other	56,416	41,916
Gross accounts receivable	$ 348,469	$ 331,750
Less: allowance for doubtful accounts	(29,180)	(53,731)
Net accounts receivable	$ 319,289	$ 278,019

The patient accounts receivable for medical services was comprised of the following at June 30, 2012 and 2011, respectively: commercial third parties 60.5 percent and 61.6 percent; federal/state government 15.9 percent and 15.4 percent; and patients 23.7 percent and 23.0 percent.

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

B. Contributions Receivable

Unconditional promises to give, or pledges, are recorded in the consolidated financial statements at present value using discount rates ranging from 1.7 percent to 7 percent. Contributions are expected to be realized as follows:

SUMMARY OF CONTRIBUTIONS RECEIVABLE

	2012	2011
Less than one year	$ 299,374	$ 227,267
Between one and five years	568,458	339,625
More than five years	160,342	182,164
Gross contributions receivable	$ 1,028,174	$ 749,056
Less: unamortized discount	(92,233)	(93,110)
Less: allowance for uncollectible amounts	(72,482)	(71,463)
Net contributions receivable	$ 863,459	$ 584,483

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

EXPECTED PURPOSE OF CONTRIBUTIONS RECEIVABLE

	2012	2011
Support of University operations	$ 369,243	$ 227,233
Capital purposes	308,360	174,887
Endowments and similar funds	185,856	182,363
Net contributions receivable	$ 863,459	$ 584,483

At June 30, 2012, conditional promises not reflected in the consolidated financial statements, which consist primarily of bequest intentions and conditional promises with significant matching requirements, were $387,103.

(dollars in thousands)

C. Student Loans Receivable

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

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

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

The University Bursar is required to authorize any write-off of a student loan receivable; such write-offs are based primarily on the aging report and an evaluation of any recent activity in the account. Overall default rates and an evaluation of general economic conditions are reviewed at least annually. The University, because of its close and continuing relationship with its students and graduates, seeks to work closely with the students to help ensure repayment. At June 30, 2012, the average default rate approximates 6.5 percent, with a rate of approximately 1.8 percent on the federal revolving loan portfolio. The average rate includes both the federal loans and the institutional loans. Institutional loans are generally provided to students with unusual financial needs.

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

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

SUMMARY OF STUDENT LOANS RECEIVABLE

	2012			2011		
	Receivable	Allowance	Net receivable	Receivable	Allowance	Net receivable
Federal revolving loans	$ 42,142	$ (2,233)	$ 39,909	$ 43,472	$ (2,156)	$ 41,316
Institutional loans	32,061	(2,529)	29,532	30,813	(3,036)	27,777
Total student loans receivable	$ 74,203	$ (4,762)	$ 69,441	$ 74,285	$ (5,192)	$ 69,093

CHANGE IN STUDENT LOAN ALLOWANCE

	2012		
	Federal revolving	Institutional	Total allowance
Allowance at beginning of year	$ (2,156)	$ (3,036)	$ (5,192)
Current year provisions	(77)	507	430
Current year write-offs	-	-	-
Current year recoveries	-	-	-
Allowance at end of year	$ (2,233)	$ (2,529)	$ (4,762)

3. INVESTMENTS

A. General Information

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

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

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

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

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

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

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

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

(dollars in thousands)

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

INVESTMENTS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	2012 Total	2011 Total
Cash and cash equivalents	$ 243,341	$ 20,505	$ -	$ 263,846	$ 258,350
Derivatives	5,017	(8,072)	-	(3,055)	2,720
Equity					
Domestic equity	302,415	165,988	194	468,597	489,077
Foreign equity	448,692	47,591	57,082	553,365	557,165
Hedged equity	-	327,201	178,240	505,441	539,543
Private equity	-	-	1,066,971	1,066,971	1,063,722
Fixed income					
Asset backed fixed income	-	34,115	1,036	35,151	42,149
Corporate bonds	-	392,415	-	392,415	554,549
Equity partnership	-	9,988	285,128	295,116	321,807
International	35,648	159,586	-	195,234	256,369
Municipals	-	28,589	-	28,589	33,861
Mutual funds (non-equity)	-	53,927	-	53,927	50,928
Preferred/convertible	4,158	8,334	5,082	17,574	8,415
Other fixed income	-	105	1,750	1,855	105
US government	59,202	288,889	-	348,091	425,005
Marketable alternatives	77	142,644	585,446	728,167	765,079
Real assets	-	-	917,652	917,652	921,506
Receivable for investments sold	138,515	-	-	138,515	26,631
Payable for investments purchased	(168,197)	-	-	(168,197)	(35,933)
Other	-	-	77,579	$ 77,579	$ 67,179
Total investments	$ 1,068,868	$ 1,671,805	$ 3,176,160	$ 5,916,833	$ 6,348,227
Securities not included in investment portfolio					
Cash and cash equivalents	$ 210,052	$ -	$ -	$ 210,052	$ 78,075

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

SUMMARY OF LEVEL 3 INVESTMENT ACTIVITY

	Fair value at June 30, 2011	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value at June 30, 2012
Equity							
Domestic equity	$ 144	$ 92	$ 4	$ -	$ (113)	$ 67	$ 194
Foreign equity	62,280	100	(5,008)	5,400	(6,756)	1,066	57,082
Hedged equity	218,549	1,903	3,641	-	(5,406)	(40,447)	178,240
Private equity	1,063,722	95,276	(52,158)	149,688	(189,557)	-	1,066,971
Fixed income							
Asset backed fixed income	1,750	-	-	1,036	-	(1,750)	1,036
Equity partnership	308,275	3,134	521	35,407	(65,522)	3,313	285,128
Preferred/convertible	8,415	81	(408)	-	(3,006)	-	5,082
Other	-	-	-	-	-	1,750	1,750
Marketable alternatives	644,267	17,091	(17,839)	47,337	(80,803)	(24,607)	585,446
Real assets	921,506	32,684	2,273	81,018	(119,829)	-	917,652
Other	67,179	-	9,942	1,958	-	(1,500)	77,579
Total level 3 investments	$ 3,296,087	$ 150,361	$ (59,032)	$ 321,844	$ (470,992)	$ (62,108)	$ 3,176,160

(dollars in thousands)

There were no significant transfers between Level 1 and Level 2 during 2012. There were significant transfers into Level 3 from Level 2 including $57,288 of marketable alternatives. Transfers into Level 3 were the result of redemption and termination events that reduced the liquidity of the underlying assets. There were significant transfers out of Level 3 into Level 2 including $48,368 of hedged equities and $81,895 of marketable alternatives. The transfers are a result of increased liquidity due to an expiration of lockups on the underlying assets.

All net realized and unrealized gains/(losses) in the table above are reflected in the accompanying consolidated statement of activities. Net unrealized gains/(losses) relate to those financial instruments held by the University at June 30, 2012.

Under the terms of certain limited partnership agreements, the University is obligated to make additional capital contributions up to contractual levels. At June 30, 2012 and 2011, the University had commitments of $739,193 and $681,614, respectively, for which capital calls had not been exercised (Note 1-E). Such commitments generally have fixed expiration dates or other termination clauses.

Under terms of certain options contracts on interest rate swaps, the University is obligated to make future premium payments. At June 30, 2012 and 2011, the University had premium payment commitments of $22,772 and $27,440 , respectively. The University's premium payment schedule is as follows: $5,184 annually for the years ending June 30, 2013, and 2014; $4,809 for the year ending June 30, 2015; $2,184 for the year ending June 30, 2016; $1,314 for the year ending June 30, 2017 and $4,097 thereafter.

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

SUMMARY OF INVESTMENT RETURN

	2012	2011
Interest and dividends, net of investment fees	$ 111,480	$ 112,010
Net realized gain/(loss)	124,911	360,510
Net unrealized gain/(loss)	(193,429)	440,004
Total investment return	$ 42,962	$ 912,524

B. Long-Term Investment Pool

The LTIP is a mutual-fund-like vehicle used for investing the University's true endowment funds, funds functioning as endowment, and other funds that are not expected to be expended for at least three years. The University employs a unit method of accounting for the LTIP. Each participating fund enters into and withdraws from the pooled investment account based on monthly unit fair values. At June 30, 2012 and 2011, the fair values per unit were $50.67 and $53.58, respectively. The total return on the University's long-term investments, of which the LTIP is the major component, was 0.1 percent for the fiscal year ending June 30, 2012. The changes in the fair value and cost of the LTIP and information about its participating units as of June 30, 2012 and 2011 are as follows:

SUMMARY INFORMATION - LONG-TERM INVESTMENT POOL

	Fair value	Cost	Appreciation/ (depreciation)	Fair value per unit	Number of units
End of year	$ 4,786,915	$ 4,124,822	$ 662,093	$ 50.67	94,467,507
Beginning of year	$ 4,921,840	$ 4,103,292	$ 818,548	$ 53.58	91,861,708
Unrealized net gain/(loss) for year			$ (156,455)		
Realized net gain/(loss) for year			$ 99,211		
Net gain/(loss) for year			$ (57,244)		

For the fiscal year ending June 30, 2012, investment payout to participating funds totaled $203,643 ($2.20 per unit), of which $177,435 was paid out for the University's operations, with the balance in the amount of $26,208 either returned to principal or distributed to funds held for others. The payout for the fiscal year ending June 30, 2012 was comprised of $39,410 in net investment income and $164,233 paid from accumulated gains. For the fiscal year ending June 30, 2011, the investment payout was $198,751 ($2.20 per unit), and was comprised of $30,977 in net investment income and $167,774 paid from accumulated gains.

(dollars in thousands)

C. Separately Invested Portfolio, Pooled Life Income Funds, and Dormitory Authority of the State of New York (DASNY) Holdings

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

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

University funds on deposit at DASNY consist of reserves for retirement of debt and bond proceeds not yet expended. The total funds on deposit are $1,965 and $227,609 as of June 30, 2012 and 2011, respectively. The amount of bond proceeds not yet expended included in the total reserves at DASNY are $1,965 and $213,336 as of June 30, 2012 and 2011, respectively.

D. Derivative Holdings

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

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

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

Some investment managers have discretion, limited by overall investment guidelines, to use derivative instruments to create investment exposures that could not be created as efficiently with other types of investments. These synthetic exposures in the University's portfolio as of June 30, 2012 are of four types: 1) forward contracts used to increase exposure to a foreign currency beyond the level of underlying security investments in that currency; 2) futures contracts used to create exposures to assets where the futures market provides a more efficient investment than the underlying securities; 3) swap contracts, also used to provide a more efficient means to gain exposure than the underlying securities; and 4) option contracts used to adjust the exposure of the fixed-income portfolio to interest rate volatility.

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

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

FAIR VALUE OF DERIVATIVE HOLDINGS IN STATEMENT OF FINANCIAL POSITION

		2012			2011		
Location	Derivative type	Notional amount	# of Contracts	Level 2 fair value	Notional amount	# of Contracts	Level 2 fair value
Investments							
	Foreign currency	$ -	67	$ 1,385	$ -	51	$ (1,126)
	Commodity	314,893	53	3,563	257,239	50	(7,015)
	Synthetic	(23,198)	41	153	68,043	46	115
	Interest rate	444,703	4	(8,156)	2,067,903	5	10,746
Total fair value		$ 736,398	165	$ (3,055)	$ 2,393,185	152	$ 2,720

(dollars in thousands)

EFFECT OF DERIVATIVE HOLDINGS ON STATEMENT OF ACTIVITIES

Location	Derivative Type	2012 Unrealized gain/(loss)	2011 Unrealized gain/(loss)
Investment return, net of amount distributed			
	Foreign currency	$ 1,385	$ (1,126)
	Commodity	3,563	(7,015)
	Synthetic	372	255
	Interest rate	(17,678)	(2,808)
Total unrealized gain/(loss)		$ (12,358)	$ (10,694)

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

E. Alternative Investments Measured Using Net Asset Value

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

SUMMARY OF ALTERNATIVE INVESTMENTS MEASURED USING NET ASSET VALUE

Asset class	Strategy	NAV in funds	Remaining life	Unfunded commitments	Timing to draw commitments
Private equity	Buyout	$ 361,176		$ 95,437	
	Special situation	296,209		92,643	
	Venture capital	391,537		107,161	
	Total private equity	$ 1,048,922	1 to 10 years	$ 295,241	1 to 10 years
Real assets	Real estate	658,571		182,169	
	Natural resource	243,225		151,600	
	Total real assets	$ 901,796	1 to 8 years	$ 333,769	1 to 8 years
Fixed income	Distressed	115,792		64,807	
	Leveraged loans	18,704		-	
	Mezzanine	81,873		42,376	
	Multi-strategy	78,747		3,000	
	Total fixed income	$ 295,116	1 to 10 years	$ 110,183	1 to 10 years
Foreign equity	Emerging markets	86,520			
	Global equity	3,979			
	Total foreign equity	$ 90,499			
Hedged equity	Global equity long/short	153,012			
	U.S. equity long/short	352,429			
	Total hedged equity	$ 505,441			
Marketable alternatives	Event driven	75,346			
	Global macro	70,518			
	Multi-strategy	173,592			
	Relative value	79,939			
	Special opportunity	328,568			
	Total marketable alternatives	$ 727,963			
Domestic equity	Indexed	96,488			
	Total domestic equity	$ 96,488			
Total for alternative investments using NAV		$ 3,666,225		$ 739,193	

(dollars in thousands)

REDEMPTION INFORMATION FOR ALTERNATIVE INVESTMENTS MEASURED USING NET ASSET VALUE

Asset class	Redemption terms	Redemption restrictions*
Private equity	n/a **	n/a
Real assets	n/a **	n/a
Fixed income	Ranges between quarterly redemption with 45 days notice, to annual redemption with 90 days notice***	No lock up provisions
Foreign equity	Ranges between monthly redemption with 30 days notice, to triennial redemption with 30 days notice	36% of NAV has remaining lock up provisions of 15 months
Hedged equity	Ranges between monthly redemption with 10 days notice, to triennial redemption with 45 days notice	13% of NAV has remaining lock up provisions ranging from 15 months to 21 months
Marketable alternatives	Ranges between quarterly redemption with 30 days notice, to triennial redemption with 90 days notice	11% of NAV has remaining lock up provisions ranging from 15 months to 18 months
Domestic equity	Daily redemption with 2 days notice	No lock up provisions

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

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

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

4. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are detailed as follows:

LAND, BUILDINGS, AND EQUIPMENT

	Book value at June 30, 2011	Additions	Disposals and closed projects	Book value at June 30, 2012
Land, buildings, and equipment	$ 3,725,231	$ 156,781	$ (43,020)	$ 3,838,992
Furniture, equipment, books, and collections	1,134,666	59,590	(20,581)	1,173,675
Construction in progress	394,630	357,024	(173,591)	578,063
Total before accumulated depreciation	$ 5,254,527	$ 573,395	$ (237,192)	$ 5,590,730
Accumulated depreciation	(2,107,516)			(2,268,832)
Net land, buildings, and equipment	$ 3,147,011			$ 3,321,898

Certain properties to which the University does not have title are included in physical assets at net book values, as follows: (1) land, buildings, and equipment of the Contract Colleges aggregating $607,441 and $558,410 at June 30, 2012 and 2011, 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 $384 and $13,422 at June 30, 2012 and 2011 respectively. The $13M reduction is due to the transfer of the operation of the federally-owned National Astronomy and Ionosphere Center (NAIC) on September 30, 2011.

The future commitments on capital projects in progress, excluding projects funded by New York State, for the fiscal years ending June 30, 2012 and 2011, are $139,118 and $94,441, respectively.

(dollars in thousands)

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

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

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

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

SPLIT INTEREST AGREEMENTS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	2012 Total	2011 Total
Funds held in trust by others					
Remainder	$ -	$ -	$ 57,097	$ 57,097	$ 70,966
Lead and perpetual	-	-	48,460	48,460	41,069
Total funds held in trust by others	$ -	$ -	$ 105,557	$ 105,557	$ 112,035
Obligations under split interest agreements	$ -	$ -	$ 115,063	$ 115,063	$ 114,077

SUMMARY OF LEVEL 3 SPLIT INTEREST AGREEMENT ACTIVITY

	Fair value at June 30, 2011	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value at June 30, 2012
Funds held in trust by others							
Remainder	$ 70,966	$ 500	$ (14,369)	$ -	$ -	$ -	$ 57,097
Lead and perpetual	41,069	7,525	(134)	-	-	-	48,460
Total funds held in trust by others	$ 112,035	$ 8,025	$ (14,503)	$ -	$ -	$ -	$ 105,557
Obligations under split interest agreements	$ 114,077	$ -	$ 986	$ -	$ -	$ -	$ 115,063

6. DEFERRED BENEFITS

A. General Information

Accrued employee benefit obligations as of June 30 include:

SUMMARY OF DEFERRED BENEFITS

	2012	2011
Postemployment benefits	$ 28,417	$ 24,027
Pension and other postretirement benefits	235,359	231,854
Other deferred benefits	179,863	175,683
Total deferred benefits	$ 443,639	$ 431,564

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

(dollars in thousands)

B. Pension and Postretirement Plans

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

The primary defined contribution plans for Endowed Ithaca and for exempt employees (those not subject to the overtime provisions of the Fair Labor Standards Act) at the Medical College are carried by the Teachers Insurance and Annuity Association, the College Retirement Equities Fund, the Vanguard Group (Medical College only), and Fidelity Investments (Endowed Ithaca only), all of which permit employee contributions. Total pension costs of the Endowed Ithaca and Medical College plans for the fiscal years ending June 30, 2012 and 2011 amounted to $86,273 and $84,107, respectively.

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

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

C. Obligations and Funded Status

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

SUMMARY OF OBLIGATIONS AND FUNDED STATUS

	Pension benefits		Other postretirement	
	2012	**2011**	**2012**	**2011**
Change in plan assets				
Fair value of plan assets at beginning of year	$ 55,614	$ 42,277	$ 168,229	$ 132,237
Actual return on plan assets	1,337	9,646	(2,022)	29,859
Employer contribution	6,205	6,052	9,272	8,632
Benefits paid	(2,599)	(2,361)	(2,849)	(2,499)
Fair value of plan assets at end of year	$ 60,557	$ 55,614	$ 172,630	$ 168,229
Change in benefit obligation				
Benefit obligation at beginning of year	$ 73,912	$ 76,100	$ 381,785	$ 357,452
Service cost (benefits earned during the period)	5,233	5,151	15,427	15,698
Interest cost	4,605	4,172	21,068	20,900
Plan amendments	-	(967)	-	-
Actuarial (gain)/loss	43	(8,183)	(16,781)	(20)
Gross benefits paid	(2,599)	(2,361)	(16,675)	(13,657)
Less: federal subsidy on benefits paid	-	-	2,528	1,412
Projected benefit obligation at end of year	$ 81,194	$ 73,912	$ 387,352	$ 381,785
Funded status	$ (20,637)	$ (18,298)	$ (214,722)	$ (213,556)
Amounts recognized in the consolidated Statement of financial position	$ (20,637)	$ (18,298)	$ (214,722)	$ (213,556)
Amounts recorded in unrestricted net assets not yet amortized as components of net periodic benefit cost				
Net transition obligation	$ -	$ -	$ 3,644	$ 7,289
Prior service cost	(875)	(967)	(214)	(290)
Net actuarial (gain)/loss	10,170	7,481	32,333	34,606
Amount recognized as reduction in unrestricted net assets	$ 9,295	$ 6,514	$ 35,763	$ 41,605

(dollars in thousands)

The accumulated benefit obligation for the pension plans was $70,715 and $56,358 at June 30, 2012 and 2011 respectively. The accumulated benefit obligation differs from the projected benefit obligation in the table above in that it includes no assumptions about future compensation levels. It represents the actuarial present value of future payments to plan participants using current and past compensation levels. For postretirement plans other than pensions, the accumulated benefit obligation is the same as the projected benefit obligations because the liabilities are not compensation-related.

D. Net Periodic Benefit Cost

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

NET PERIODIC BENEFIT COST

	Pension benefits		Other postretirement	
	2012	2011	2012	2011
Service cost (benefits earned during the period)	$ 5,233	$ 5,151	$ 15,427	$ 15,698
Interest cost	4,605	4,172	21,068	20,901
Expected return on plan assets	(4,007)	(3,505)	(12,485)	(10,580)
Amortization of initial transition obligation	-	-	3,644	3,644
Amortization of prior service cost	(92)	-	(76)	(76)
Amortization of net (gain)/loss	24	589	-	1,665
Net periodic benefit cost	$ 5,763	$ 6,407	$ 27,578	$ 31,252

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, 2013 are estimated as follows:

ESTIMATED COMPONENTS OF NET PERIODIC BENEFIT COST

	Pension benefits	Other postretirement
Transition obligation	$ -	$ 3,644
Prior service cost	(92)	(76)
Net actuarial (gain)/loss	199	76
Total	$ 107	$ 3,644

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	
	2012	2011	2012	2011
Used to calculate benefit obligations at June 30				
Discount rate	4.70%	5.90%	4.56% / 4.39%	5.75% / 5.60%
Rate of compensation increase	3.00%	6.10%		
Used to calculate net periodic cost at July 1				
Discount rate	5.90%	5.90%	5.75% / 5.60%	5.75% / 5.60%
Expected return on plan assets	7.00%	8.00%	7.30%	8.00%
Rate of compensation increase	6.10%	6.10%		
Assumed health care cost trend rates				
Health care cost trend rate assumed for next year	n/a	n/a	7.50%	7.00%
Ultimate trend rate	n/a	n/a	4.50%	5.00%
Years to reach ultimate trend rate	n/a	n/a	6	4

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 $69,739 and the annual service and interest cost by $7,910. Decreasing the health care cost trend rate by 1 percent in each future year would decrease the benefit obligation by $53,697 and the annual service and interest cost by $5,683.

(dollars in thousands)

F. Plan Assets

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

The University's Retirement Plan Oversight Committee (RPOC) provides guidance and oversight for the University's retirement plans, including oversight of asset allocation and the performance of both the defined benefit pension plan and the postretirement medical benefit plans. The committee engaged the services of an outside consulting firm to provide information to help that committee develop suggestions for strategies to better meet the overall objectives of growth coupled with a prudent level of risk. These suggestions, regarding possible changes to the long-term strategic allocations, will be presented to the trustee and investment manager. In fiscal year ending June 30, 2012, the consulting firm was focused on gathering key information to inform its guidance in subsequent years.

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

The expected rate of return assumptions are based on information provided by external experts, including but not limited to, investment managers at the trustee bank and the expertise within the University's Investment Office. The factors that impact the expected rates of return for various asset types includes assumptions about inflation, historically based real returns, anticipated value added by investment managers and expected average asset allocations. The expected return on plan assets by category for the fiscal year ending June 30, 2012 are similar the prior fiscal year: 8.2 percent on equity securities, 3.9 percent on fixed income securities and 7 percent on real estate compared to 7.9 percent, 4.5 percent and 7 percent, respectively.

SUMMARY OF PLAN ASSETS

	Target allocation	Pension benefits		Other postretirement	
		2012	**2011**	**2012**	**2011**
Percentage of plan assets					
Equity securities	39-85%	64.0%	66.0%	73.0%	72.0%
Fixed income securities	15-55%	30.0%	30.0%	27.0%	28.0%
Real estate	0-5%	6.0%	4.0%	0.0%	0.0%
Total		100.0%	100.0%	100.0%	100.0%

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

(dollars in thousands)

The fair value of the pension plan assets and postretirement medical benefit plan assets as of June 30, 2012 and the roll-forward for Level 3 assets are disclosed in the tables below.

PENSION PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	**2012** Total	**2011** Total
Cash and cash equivalents					
Cash	$ 1	$ -	$ -	$ 1	$ 227
Money market	181	-	-	181	107
Equity securities					
U.S. small cap	-	4,178	-	4,178	4,237
U.S. large cap	-	21,559	-	21,559	18,759
U.S. REITS	-	1,574	-	1,574	1,389
Emerging markets	-	3,331	-	3,331	4,479
International equity	-	8,054	-	8,054	7,676
Fixed income securities					
U.S. high yield bonds	-	3,936	-	3,936	3,097
Corporate bonds	-	9,704	-	9,704	9,942
Mortgage-backed securities	-	1,520	1,192	2,712	2,461
International fixed income	-	1,518	-	1,518	1,158
Other types of investments					
Real estate	-	-	3,809	3,809	2,082
Total assets	$ 182	$ 55,374	$ 5,001	$ 60,557	$ 55,614

SUMMARY OF LEVEL 3 PENSION PLAN ACTIVITY

	Fair value, June 30, 2011	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value, June 30, 2012
Mortgage-backed securities	$ 941	$ 52	$ 53	$ 386	$ (240)	$ -	$ 1,192
Corporate bonds	17	7	(7)	-	(17)	-	-
Real estate	2,082	139	198	1,390	-	-	3,809
Total Level 3 assets	$ 3,040	$ 198	$ 244	$ 1,776	$ (257)	$ -	$ 5,001

POSTRETIREMENT PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	**2012** Total	**2011** Total
Cash and cash equivalents					
Money market	$ 39	$ 2,437	$ -	$ 2,476	$ 9,452
Equity securities					
U.S. small cap	-	16,535	-	16,535	15,109
U.S. large cap	-	57,300	-	57,300	45,723
Emerging markets	-	19,245	-	19,245	27,422
International equity	-	29,000	-	29,000	30,114
U.S. REITS	-	4,495	-	4,495	2,153
Fixed income securities					
U.S. high yield bonds	-	7,662	-	7,662	6,494
Corporate bonds	-	35,917	-	35,917	27,926
Emerging markets debt	-	-	-	-	3,836
Mortgage-backed securities	-	-	-	-	-
Total assets	$ 39	$ 172,591	$ -	$ 172,630	$ 168,229

(dollars in thousands)

G. Expected Contributions and Benefit Payments

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

EXPECTED CONTRIBUTIONS AND BENEFIT PAYMENTS

			Other postretirement	
	Pension benefits		Employer paid	Government subsidy
University contributions				
2013	$ 5,243		$ 10,264	n/a
Future benefit payments				
2013	$ 3,052		$ 15,557	$ 1,859
2014	3,553		16,812	2,058
2015	3,394		18,410	2,254
2016	3,681		19,855	2,484
2017	4,330		21,422	2,727
2018-2022	23,783		133,380	17,472

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

H. Contract College Employees

Employees of the Contract Colleges are covered under the New York State pension plans. Contributions to the state retirement system and other employee benefit costs are paid directly by the state. The amounts of the direct payments applicable to the University as revenue and expenditures are not currently determinable and are not included in the consolidated financial statements. The University reimburses the state for employee benefit costs on certain salaries, principally those associated with externally sponsored programs. The amounts reimbursed to the state during the fiscal years ending June 30, 2012 and 2011 were $19,269 and $20,510, respectively, and were included in operating expenses.

7. FUNDS HELD IN TRUST FOR OTHERS

The University, in limited instances, invests funds as a custodian for other closely related parties. Independent trustees are responsible for the funds and for the designation of income distribution. The value of the funds is included in the consolidated statement of financial position within Investments which total $190,421 and $202,919 for the fiscal years ending June 30, 2012 and 2011, respectively. The University recognizes an offsetting liability for funds held in trust for others, with one adjustment described below.

The New York Hospital-Cornell Medical Center Fund, Inc. (Center Fund), which benefits the Weill Cornell Medical College and the New York-Presbyterian Hospital, is the major external organization invested in the University's long-term investment portfolio with assets and an offsetting liability of $153,273 and $160,501for the fiscal years ending June 30, 2012 and 2011, respectively. The liability for funds held in trust for others is then reduced by $100,374 and $91,766, for the fiscal years ending June 30, 2012 and 2011, respectively, representing the future income stream that will benefit the Medical College.

(dollars in thousands)

8. BONDS AND NOTES PAYABLE

A. General Information

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

SUMMARY OF BONDS AND NOTES PAYABLE

	2012	2011	Interest rates	Final maturity
Dormitory Authority of the State of New York (DASNY)				
Revenue Bond Series				
1990B-fixed rate	$ 45,440	$ 47,980	3.00 to 5.00%	2025
2000A-variable rate/weekly	49,100	51,090	2.99*	2029
2000B-variable rate/weekly	66,140	68,460	4.63*	2030
2004-variable rate/weekly	79,200	81,600	3.51*	2033
2006-fixed rate	184,735	196,120	4.00 to 5.00	2035
2008B&C-fixed rate	122,980	125,420	3.00 to 5.00	2037
2009-fixed rate	299,470	305,000	3.00 to 5.00	2039
2010-fixed rate	285,000	285,000	4.00 to 5.00	2040
Tax-exempt commercial paper	57,500	59,000	0.08 to 2.99*	2037
Tompkins County Industrial Development Agency (TCIDA)				
2002A-variable rate/weekly	40,495	41,940	4.52*	2030
2002B-variable rate/weekly	15,390	15,390	0.04 to 0.25	2015
2008A-fixed rate	67,170	68,630	2.00 to 5.25	2037
Bond Series 1987B-fixed rate	725	3,080	11.11	2013
Urban Development Corporation	2,125	2,250	-	2029
2009 Taxable-fixed rate	500,000	500,000	4.35 to 5.45	2014/2019
Taxable commercial paper	78,500	78,500	0.17 to 0.35	-
Other	2,588	2,676	6.63	2029
Total bonds and notes payable	$ 1,896,558	$ 1,932,136		

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

The University's bonds and notes payable had carrying amounts of $1,896,558 and $1,932,136 at June 30, 2012 and 2011, respectively, compared to estimated fair values of approximately $2,092,452 and $2,053,009 at June 30, 2012 and 2011, respectively. Estimated fair value of bonds is based on quoted market prices for the same or similar issues. The market prices utilized reflect the amounts a third party would pay to purchase the bonds and are not considered an additional liability to the University.

Interest expense during the fiscal year ending June 30, 2012 was $86,201, of which $85,722 was related to the bonds and notes payable displayed in the table above. During the fiscal year ending June 30, 2011, interest expense was $70,065, of which $69,730 was related to the bonds and notes payable. The University capitalized interest on self-constructed assets such as buildings, in the amounts of $12,257 and $19,313 for the fiscal years ending June 30, 2012 and 2011, respectively.

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

Under the DASNY Revenue Bond Series 1990B agreement, the bonds are a general obligation of the University and are secured by a pledge of revenue.

During fiscal year ending June 30, 2012, the University changed the standby bond purchase agreement provider for the TCIDA Series 2002A and 2002B bonds resulting in a tender offer of the bonds. The tender offer provided the mechanism for the substitution of the standby bond purchase agreement but did not alter the terms of the bonds. Due to the tender offer, the University was required to write off the unamortized issuance costs associated with the 2002 bonds of $219.

(dollars in thousands)

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

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

ANNUAL DEBT SERVICE REQUIREMENTS

Year	Principal	Interest	Total
2013	$ 39,543	$ 106,583	$ 146,126
2014	289,540	104,209	393,749
2015	49,452	90,602	140,054
2016	35,239	85,924	121,163
2017	36,672	81,858	118,530
Thereafter	1,446,112	901,985	2,348,097
Total	$ 1,896,558	$ 1,371,161	$ 3,267,719

In estimating future interest payments, the University uses the interest rate associated with the swap agreement until the termination date, where applicable. For unhedged taxable commercial paper debt, the University estimates future interest payments based on the 5-year London Interbank Offered Rates (LIBOR) swap rate.

B. Interest Rate Swaps

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

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

During the year ending June 30, 2012, the University transferred swap agreements from Morgan Stanley Derivative Products, Inc. to Morgan Stanley Capital Services, LLC. The novation revised collateral terms of the agreement but did not change the effective interest rates or other significant terms.

The University's swap agreements contain a credit-risk contingent feature in which the counterparties can request collateralization on agreements in net liability positions. The University could be required to post collateral if the University's credit rating is downgraded to A1 or A+. At June 30, 2012, the University had collateral on deposit with counterparties in the amount of $0 compared to $26,461 at June 30, 2011.

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

At June 30, 2012, the University had eight interest rate swap agreements to exchange variable-rate cash flows for fixed-rate cash flows without the exchange of the underlying principal amount. Net payments or receipts under the swap agreements are recorded as adjustments to interest expense and the incremental interest expense is disclosed in the table below. Two swap agreements that were executed during previous fiscal years became effective in fiscal year 2012. The interest expense related to these swaps is included in the interest expense on the Statement of Activity. In all agreements in effect at June 30, 2012, the counterparty pays a variable interest rate equal to a percentage of the one-month London Interbank Offered Rates (LIBOR).

(dollars in thousands)

The following table provides detailed information on the interest rate swaps at June 30, 2012, with comparative fair values for June 30, 2011. The swaps are reported based on notional amount.

FAIR VALUE OF INTEREST RATE SWAPS IN STATEMENT OF FINANCIAL POSITION

Location	Notional amount	Interest rate	Commencement	Termination date	Basis	2012 Level 2 fair value	2011 Level 2 fair value
Accounts payable and accrued expenses							
	$ 104,845	2.99%		October 1, 2012*	LIBOR	$ (8,184)	$ (8,003)
	42,340	4.52		July 1, 2030	LIBOR	(12,646)	(8,702)
	72,200	4.63		July 1, 2030	LIBOR	(22,037)	(15,255)
	86,075	3.51		July 1, 2033	LIBOR	(18,422)	(9,648)
	100,000	3.92		July 1, 2038	LIBOR	(30,657)	(16,303)
	275,000	3.88		July 1, 2040	LIBOR	(109,204)	(51,905)
	200,000	3.48	July 1, 2012	July 1, 2041	LIBOR	(54,741)	(17,272)
	200,000	3.77	July 1, 2014	July 1, 2044	LIBOR	(51,190)	(13,497)
Total fair value						$ (307,081)	$ (140,585)

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

The following table provides the amounts of the income, expenses, gains and losses recorded for the years ending June 30.

EFFECT OF INTEREST RATE SWAPS ON STATEMENT OF ACTIVITIES

	2012		2011	
Location	Income/(expense)	Gain/(loss)	Income/(expense)	Gain/(loss)
Operating expense				
Interest expense	$ (23,115)	$ -	$ (12,025)	$ -
Nonoperating activity - other				
Realized gain/(loss)	$ -	$ -	$ -	$ (18,500)
Unrealized gain/(loss)	-	(166,496)	-	43,698
	$ (23,115)	$ (166,496)	$ (12,025)	$ 25,198

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

C. Standby Bond Purchase Agreements

The University has standby bond purchase agreements with various financial institutions to purchase all of the University's variable-rate demand bonds in the event that they cannot be remarketed. In the event that the bonds covered by these standby bond purchase agreements are not remarketable and the agreements are not otherwise renewed, the University would be required to redeem the bonds or refinance the bonds in a different interest rate mode. In the event that the bonds are not remarketable and the University did not redeem, the Annual Debt Service Requirements table would be $119,225 for fiscal year 2013, $78,300 for fiscal year 2014, $17,035 for fiscal year 2015, $1,720 for fiscal year 2016, and $34,045 for fiscal year 2017. Detailed information about the standby purchase agreements is shown in the following table:

SUMMARY OF STANDBY BOND PURCHASE AGREEMENTS

Series	Provider	Expiration
2000A	JP Morgan Chase	Mar-13
2000B	JP Morgan Chase	Mar-13
2002A	Northern Trust	Jun-17
2002B	Northern Trust	Jul-15
2004	HSBC Bank	Apr-14

(dollars in thousands)

D. Lines of Credit

The University records the working capital lines of credit activity and outstanding balances as other liabilities in the consolidated statement of financial position. The two $100 million lines of credit have annual expiration dates of December 31 and April 1. As of June 30, 2012 and 2011, the University did not borrow against the lines of credit.

9. OPERATING LEASES

Although the University generally purchases, rather than leases, machinery and equipment, the University does enter operating lease agreements for the use of real property. Total lease expenses were $27,218 and $26,249 for the fiscal years ending June 30, 2012 and 2011, respectively. The future annual minimum lease payments in the following table are payments under operating leases expiring at various dates through September 1, 2043.

ANNUAL MINIMUM OPERATING LEASE PAYMENTS

Year	Payments
2013	$ 26,999
2014	24,713
2015	22,520
2016	18,974
2017	18,366
Thereafter	130,817
Total minimum operating lease payments	$ 242,389

10. FUNCTIONAL EXPENSES AND STUDENT AID

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

FUNCTIONAL EXPENSES

	2012	2011
Instruction	$ 661,762	$ 652,651
Research	561,727	593,005
Public service	115,328	109,479
Academic support	275,293	261,856
Student services	140,295	126,104
Medical services	761,708	649,746
Institutional support	388,021	371,733
Enterprises and subsidiaries	211,060	210,119
Total expenses	$ 3,115,194	$ 2,974,693

The expenses for operations and maintenance of facilities, depreciation, and interest related to capital projects are allocated to functional categories based on square footage. The amounts allocated for operations and maintenance were approximately $231,157 and $216,291 for the fiscal years ending June 30, 2012 and 2011, respectively.

Student financial assistance is shown as a component of instruction expense unless the assistance is for tuition and mandatory fees. If the assistance is for tuition and mandatory fees, the amounts are recorded as scholarship allowance which reduces tuition revenue. Total financial assistance amounts classified as instruction expense were $42,699 and $41,851 for the fiscal years ending June 30, 2012 and 2011, respectively.

(dollars in thousands)

11. NET ASSETS

A. General Information

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

SUMMARY OF NET ASSETS

	Unrestricted	Temporarily restricted	Permanently restricted	2012 Total	2011 Total
Endowment					
True endowment	$ (50,572)	$ 1,243,182	$ 2,027,374	$ 3,219,984	$ 3,274,626
Funds functioning as endowment (FFE)	1,252,053	327,277	-	1,579,330	1,653,444
Total true endowment and FFE	$ 1,201,481	$ 1,570,459	$ 2,027,374	$ 4,799,314	$ 4,928,070
Funds held by others, perpetual	-	-	147,640	147,640	131,336
Total University endowment	$ 1,201,481	$ 1,570,459	$ 2,175,014	$ 4,946,954	$ 5,059,406
Other net assets					
Operations	(683,955)	216,100	-	(467,855)	(173,664)
Student loans	12,569	-	38,052	50,621	49,342
Facilities and equipment	1,879,457	50,496	-	1,929,953	1,814,070
Split interest agreements	-	61,357	34,889	96,246	104,892
Funds held by others, other than perpetual	-	40,340	17,952	58,292	72,466
Contributions receivable, net	-	677,603	185,856	863,459	584,483
Total net assets	$ 2,409,552	$ 2,616,355	$ 2,451,763	$ 7,477,670	$ 7,510,995

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

B. Endowment

Of the endowment assets held at the University, 96 percent was invested in the LTIP at both June 30, 2012 and June 30, 2011. At June 30, 2012, 1,561 of 6,259 true endowment funds invested in the LTIP had a total historic dollar value of $638,885 and a fair value of $588,313, resulting in these endowments being underwater by a total of $50,572. The University holds significant appreciation on endowments to offset these temporary decreases in value. The University has maintained these true endowment funds at their historical book value.

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

SUMMARY OF ENDOWMENT ACTIVITY

	Unrestricted	Temporarily restricted	Permanently restricted	2012 Total	2011 Total
True endowment and FFE, beginning of year	$ 1,295,196	$ 1,727,904	$ 1,904,970	$ 4,928,070	$ 4,259,950
Investment return					
Net investment income	17,539	41,317	-	58,856	42,978
Net realized and unrealized gain/(loss)	(31,215)	(36,346)	(518)	(68,079)	691,584
Total investment return	$ (13,676)	$ 4,971	$ (518)	$ (9,223)	$ 734,562
New gifts	3,327	11,788	92,277	107,392	111,258
Amounts appropriated for expenditure/reinvestment	(68,099)	(170,171)	3,654	(234,616)	(173,114)
Other changes and reclassifications	(15,267)	(4,033)	26,991	7,691	(4,586)
Total true endowment and FFE, end of year	$ 1,201,481	$ 1,570,459	$ 2,027,374	$ 4,799,314	$ 4,928,070

12. CONTINGENT LIABILITIES

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

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

13. SUBSEQUENT EVENTS

The University has performed an evaluation of subsequent events through October 25, 2012, the date on which the consolidated financial statements were issued.

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