

Cornell University 2011-2012 Financial Report

Message from the Vice President for Finance and Chief Financial Officer	2
Financial Review by the University Controller	3
Management Responsibility for Consolidated Financial Statements	7
Report of Independent Auditors	8
Notes to the Consolidated Financial Statements	13
University Administration	37
Board of Trustees and Trustees At Large	38

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.

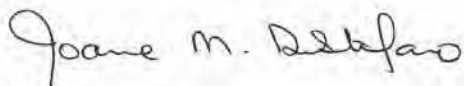
Operating costs at Cornell are less dependent on endowment payout than other highly endowed institutions. Less than 10 percent of the University’s operating costs were funded from its endowment in fiscal year 2012, mostly due to its revenue diversity. The market value of Cornell’s investments is \$5.9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

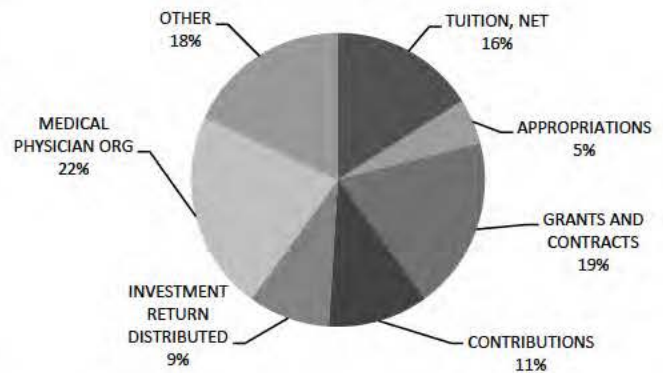
FINANCIAL YEAR IN REVIEW

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 sub-recipients 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. Con-

tribution 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

"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..."

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.

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.

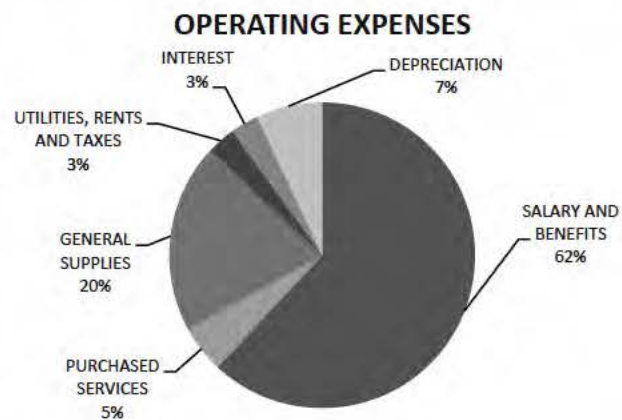
Revenues from educational activities and other sales and services increased by \$13.9 million. There are many different activities associated with this revenue, so it is difficult to isolate key components, although revenue from the Qatar operation grew by \$15.0 million. Revenues from the Medical College's 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 expe-

rienced 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.

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)
<u>\$ 2,720.8</u>	<u>\$ 3,070.2</u>	<u>\$ 3,623.2</u>	<u>\$ 4,180.4</u>	<u>\$ 5,197.5</u>	<u>\$ 5,378.1</u>	<u>\$ 3,794.3</u>	<u>\$ 4,223.2</u>	<u>\$ 4,921.8</u>	<u>\$ 4,786.9</u>
<u>\$ 42.65</u>	<u>\$ 46.51</u>	<u>\$ 50.11</u>	<u>\$ 55.42</u>	<u>\$ 66.62</u>	<u>\$ 65.37</u>	<u>\$ 45.12</u>	<u>\$ 47.38</u>	<u>\$ 53.58</u>	<u>\$ 50.67</u>

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 Rensselaer 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.

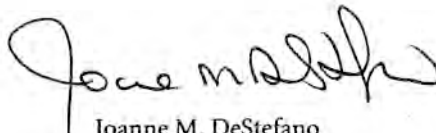
The University maintains a system of internal controls over financial reporting that is designed to provide reasonable assurance to the University's management and Board of Trustees regarding the preparation of reliable published financial statements. Such controls are maintained by the establishment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



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	<u>\$ 10,900,413</u>	<u>\$ 10,732,665</u>
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	<u>3,422,743</u>	<u>3,221,670</u>
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	<u>7,477,670</u>	<u>7,510,995</u>
22 Total liabilities and net assets	<u>\$ 10,900,413</u>	<u>\$ 10,732,665</u>

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
-	457,454	471,997	5
-	147,277	151,039	6
-	338,368	230,677	7
-	298,164	310,440	8
-	679,938	577,568	9
-	153,408	154,354	10
-	428,563	414,653	11
-	-	-	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
<u>\$ 2,451,763</u>	<u>\$ 7,477,670</u>	<u>\$ 7,510,995</u>	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	<u>(72,080)</u>	<u>146,016</u>
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	<u>(45,883)</u>	<u>(206,820)</u>
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	<u>234,547</u>	<u>106,706</u>
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	<u>\$ 262,654</u>	<u>\$ 146,070</u>
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.

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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

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.

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

Location	Derivative type	2012			2011		
		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

EFFECT OF DERIVATIVE HOLDINGS ON STATEMENT OF ACTIVITIES

Location	Derivative Type	2012	2011
		Unrealized gain/(loss)	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	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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

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.

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.

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

G. Expected Contributions and Benefit Payments

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

EXPECTED CONTRIBUTIONS AND BENEFIT PAYMENTS

	Pension benefits	Other postretirement	
		Employer paid	Government subsidy
University contributions			
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 \$160,501 for 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.

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	<u>\$ 1,896,558</u>	<u>\$ 1,932,136</u>		

* 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.

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).

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

Location	2012		2011	
	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

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.

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					
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.

UNIVERSITY ADMINISTRATION

David J. Skorton, *President*

W. Kent Fuchs, *Provost*

Dr. Laurie H. Glimcher, *Provost for
Medical Affairs and Stephen and Suzanne Weiss
Dean of the Joan and Sanford I. Weill Medical
College*

Glenn C. Altschuler, *Vice President for University
Relations*

Laura S. Brown, *Vice Provost for Undergraduate
Education*

Thomas W. Bruce, *Vice President for
University Communications*

Robert A. Buhrman, *Senior Vice Provost
for Research, Vice President for Technology Tran-
sfer, Intellectual Property and Research Policy*

Joseph A. Burns, *Dean of the University Faculty*

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

Michael B. Dickinson, *University Auditor*

Ted Dodds, *Vice President for Information
Technologies and Chief Information Officer*

Cathy S. Dove, *Vice President for Cornell NYC Tech*

A.J. Edwards, *Chief Investment Officer*

Antonio M. Gotto, Jr., *University Vice President*

Kent L. Hubbell, *Robert W. and Elizabeth C. Staley
Dean of Students*

Daniel P. Huttenlocher, *Vice Provost for Cornell
NYC Tech*

Stephen Philip Johnson, *Vice President for
Government and Community Relations*

Barbara A. Knuth, *Vice Provost*

Elmira Mangum, *Vice President for
Planning and Budget*

James J. Mingle, *University Counsel and
Secretary of the Corporation*

Susan H. Murphy, *Vice President for Student
and Academic Services*

Mary G. Opperman, *Vice President for
Human Resources and Safety Services*

Alan S. Paau, *Vice Provost for Technology
Transfer and Economic Development*

Alice N. Pell, *Vice Provost for
International Relations*

Charles D. Phlegar, *Vice President for
Alumni Affairs and Development*

Ronald Seeber, *Senior Vice Provost*

John A. Siliciano, *Senior Vice Provost for
Academic Affairs*

Kyu-Jung Whang, *Vice President
for Facilities Services*

ACADEMIC UNITS

College of Agriculture and Life Sciences
Kathryn J. Boor, *Ronald P. Lynch Dean*

College of Architecture, Art, and Planning
Kent Kleinman, *Gail and Ira Drukier Dean*

College of Arts and Sciences
G. Peter Lepage, *Harold Tanner Dean*

College of Engineering
Lance R. Collins, *Joseph Silbert Dean*

College of Human Ecology
Alan D. Mathios, *Rebecca Q. and James C.
Morgan Dean*

College of Veterinary Medicine
Michael I. Kotlikoff, *Austin O. Hooey Dean
of Veterinary Medicine*

Cornell University Library
Anne R. Kenney, *Carl A. Kroch University
Librarian*

Faculty of Computing and Information
Science, Daniel P. Huttenlocher, *Dean and
Dean of Cornell NYC Tech*

Graduate School
Barbara A. Knuth, *Dean*

Law School
Stewart J. Schwab, *Allan R. Tessler Dean*

School of Continuing Education and
Summer Sessions, Glenn C. Altschuler, *Dean*

School of Hotel Administration
Michael D. Johnson, *Dean*

School of Industrial and Labor Relations
Harry C. Katz, *Kenneth F. Kahn Dean*

S. C. Johnson Graduate School of
Management, Soumitra Dutta, *Anne
and Elmer Lindseth Dean*

Weill Cornell Graduate School of Medical
Sciences, David P. Hajjar, *Dean*

Weill Cornell Medical College
Stephen M. Cohen, *Executive Vice Dean
for Administration and Finance and
Executive Vice Provost*

Weill Cornell Medical College
Dr. Laurie H. Glimcher, *Stephen and Su-
zanne Weiss Dean and Provost for Medical
Affairs*

Weill Cornell Medical College in Qatar
Javaid I. Sheikh, *Dean*

BOARD OF
TRUSTEES AND
TRUSTEES AT LARGE

LEADERSHIP

Robert S. Harrison, *Chairman*
David D. Croll, *Vice Chairman*
Diana M. Daniels, *Vice Chairman*
Robert J. Katz, *Vice Chairman*
Andrew H. Tisch, *Vice Chairman*
Jan Rock Zubrow, *Chairman of the Executive Committee*

Ex Officio Members

David J. Skorton, *President of Cornell University*
Andrew Cuomo, *Governor of New York State*
Sheldon Silver, *Speaker of the New York State*
Dean G. Skelos, *Temporary President of the New York State Senate Assembly*

Other Members

Stephen B. Ashley	John A. Noble
Barbara A. Baird	Peter J. Nolan
Jessica M. Bibliowicz	Barbara Goldman
Samuel W. Bodman, III	Novick
Richard L. Booth	Lubna Suliman
Alexander W. Bores	Olayan
Douglas L. Braunstein	Armando J. Olivera
Ezra Cornell	Donald C. Opatrny
Gary S. Davis	William D. Perez
Darrick T.N. Evensen	Leland C. Pillsbury
David R. Fischell	Bruce S. Raynor
Gregory J. Galvin	Philip R. Reilly
Rana Glasgal	Gene D. Resnick
Kenneth A. Goldman	Meredith A. Rosenberg
Paul A. Gould	Irene B. Rosenfeld
Nelson G. Hairston	Robert L. Ryan
Patricia E. Harris	Paul Salvatore
Denis M. Hughes	Dalia P. Stiller
Ruben J. King-Shaw	Chiaki Tanuma
Peggy J. Koenig	Ratan N. Tata
Robert S. Langer, Jr.	Lisa Skeete Tatum
Linda R. Macaulay	Sheryl Hilliard Tucker
Lowell C. McAdam	M. Eileen McManus
William H. McAleer	Walker
Ronald D. McCray	Barton J. Winokur
Howard P. Milstein	Sheryl WuDunn
Alan L. Mittman	Craig Yunker
Elizabeth D. Moore	Michael J. Zak
	Karen P. Zimmer

COMMITTEES

Audit Committee

Barton J. Winokur, *Chairman*
Paul Salvatore, *Vice Chairman*

Board of Overseers - Weill Medical College and Graduate School of Medical Sciences

Sanford I. Weill, *Chairman*

Buildings and Properties Committee

Philip R. Reilly, *Chairman*
Dalia P. Stiller, *Vice Chairman*

Executive Committee

Jan Rock Zubrow, *Chairman*

Finance Committee

David D. Croll, *Chairman*
Kenneth A. Goldman, *Vice Chairman*
Ronald D. McCray, *Vice Chairman*

Investment Committee

Donald C. Opatrny, *Chairman*
Peter J. Nolan, *Vice Chairman*
Leland C. Pillsbury, *Vice Chairman*

Committee on Academic Affairs

David R. Fischell, *Chairman*
William D. Perez, *Vice Chairman*
Robert L. Ryan, *Vice Chairman*

Committee on Alumni Affairs

Gene Resnick, *Co-Chairman*
M. Eileen McManus Walker, *Co-Chairman*

Committee on Board Composition and Governance

Robert J. Katz, *Chairman*

Committee on Development

Stephen B. Ashley, *Co-Chairman*
Andrew H. Tisch, *Co-Chairman*

Committee on Governmental Relations

Elizabeth D. Moore, *Chairman*
Craig Yunker, *Vice Chairman*

Committee on Student Life

Peter J. Nolan, *Co-Chairman*
Irene B. Rosenfeld, *Co-Chairman*
Richard L. Booth, *Vice Chairman*
Lisa Skeete Tatum, *Vice Chairman*

Trustee-Community Communications Committee

Ezra Cornell, *Chairman*

Emeritus Chairmen of the Board

Austin H. Kiplinger
Peter C. Meinig
Harold Tanner

Other Emeritus Trustees

Robert H. Abrams
Ellen Gussman Adelson
Lilyan H. Affinito
John E. Alexander
Robert J. Appel
Richard A. Aubrecht
C. Morton Bishop
Robert W. Bitz
Robert T. Blakely, III
Kenneth H. Blanchard
Franci J. Blassberg
Ann Schmeltz Bowers
James L. Broadhead
Dwight L. Bush, Sr.
Richard C. Call
Michael W.N. Chiu
James M. Clark
J. Thomas Clark
Laura J. Clark
Abby Joseph Cohen
Paul F. Cole
Robert A. Cowie
Kenneth T. Derr
Ira Drukier
John S. Dyson
Robert R. Dyson
Anne Evans Estabrook
Fred J. Eydtt
Mary C. Falvey
Miguel A. Ferrer
Stephen W. Fillo
Samuel C. Fleming
Cheryl A. Francis
Barbara B. Friedman
H. Laurance Fuller
James Lowell Gibbs Jr.
Blanche S. Goldenberg
Myra Maloney Hart
Joseph H. Holland
H. Fisk Johnson
Thomas W. Jones
Albert J. Kaneb
Karen Rupert Keating

Robert D. Kennedy
Harvey Kinzelberg
Benson P. Lee
Charles R. Lee
Jon A. Lindseth
Marcus H. Loo
Carol Britton MacCorkle
Eli Manchester Jr.
Thomas A. Mann
Dale Rogers Marshall
Kevin M. McGovern
Ronay A. Menschel
Robert W. Miller
Rebecca Q. Morgan
Edwin H. Morgens
N.R. Narayana Murthy
John P. Neafsey
Carolyn Chauncey Neuman
Margaret Osmer-McQuade
Roy H. Park, Jr.
Jeffrey P. Parker
Andrew M. Paul
Robert A. Paul
William E. Phillips
Curtis S. Reis
Jerold R. Ruderman
William D. Sanders
Nelson Schaenen, Jr.
Richard J. Schwartz
Daniel G. Sisler
Robert W. Staley
Patricia Carry Stewart
Sherri K. Stuewer
Martin Y. Tang
Peter G. Ten Eyck II
Allan R. Tessler
Samuel O. Thier
Paul R. Tregurtha
Sanford I. Weill
Roger J. Weiss
Bruce Widger
Philip M. Young
David W. Zalaznick

**WEILL CORNELL MEDICAL COLLEGE
AND WEILL CORNELL GRADUATE SCHOOL
OF MEDICAL SCIENCES
BOARD OF OVERSEERS**

Sanford I. Weill, *Chairman*
Antonio M. Gotto Jr., M.D., D. Phil., *Co-Chair*
Robert Appel, *Vice Chair*
Barbara B. Friedman, *Vice Chair*
Arthur J. Mahon, *Vice Chair*

Tarek Abdel-Meguid
Michael M. Alexiades, M.D.*
Madelyn Antoncic, Ph.D.
Robert A. Belfer
Jessica Bibliowicz
Her Highness Sheikha Moza Bint Nasser
Lloyd C. Blankfein
David Blumenthal, M.D.
Chelsea V. Clinton
Abby Joseph Cohen
Timothy C. Collins
Alberto Criabiore
Elizabeth Rivers Curry
Sanford B. Ehrenkranz
Israel A. Englander
Anne E. Estabrook
Jeffrey J. Feil
Samuel Fleming
Charlotte M. Ford
Gerald J. Ford
Harold Ford, Jr.
Kenneth C. Frazier
Laurie H. Glimcher, M.D.*
Paul A. Gould
Jeffrey W. Greenberg
Maurice R. Greenberg
David P. Hajjar, Ph.D.*
Katherine A. Hajjar, M.D.
Leonard M. Harlan
Robert S. Harrison*
Raymond R. Herrmann Jr.†
Lawrence A. Inra, M.D.
Michael Jaharis
John Kanas
Harvey Kaylie
James M. Kilts
Harvey Klein, M.D.

Charles R. Lee
Michael T. Masin
Anna Sophia McKenney
Peter C. Meinig*
Ronay A. Menschel
Howard P. Milstein
Edwin H. Morgens
Rupert Murdoch
Spyros Niarchos
Timothy O'Neill
Margaret Osmer-McQuade†
Nancy C. Paduano
Nelson Peltz
Ronald O. Perelman
Bruce Ratner
Philip R. Reilly, M.D, J.D.
Burton P. Resnick
Frank H. T. Rhodes†
Isadore Rosenfeld, M.D.
Zev Rosenwaks, M.D.
Lawrence Ruben
Richard G. Ruben
Lewis A. Sanders
Herbert J. Siegel
David J. Skorton, M.D.*
A.J.C. (Ian) Smith
Daisy M. Soros
Saul P. Steinberg†
Patricia Carry Stewart†
Louis Wade Sullivan, M.D.
Harold Tanner†
Samuel O. Thier, M.D.
Roger Weiss†
Carolyn Wiener

* Ex officio

† Life Overseer

Produced by Cornell University
University Communications and the Division of Financial Affairs
341 Pine Tree Road, Ithaca, NY 14850
dfa-comm@cornell.edu
www.dfa.cornell.edu
607 255-6240

Additional copies of this report can be found at:
www.dfa.cornell.edu/accounting/reporting/annualstatements/index.cfm

Digital printing by Finger Lakes Press, Auburn, NY
Photo credits: Cornell University Photography
Cornell University is an equal-opportunity, affirmative-action educator and employer.
11/12 500 FLP 130051