Annual Report

2009–2010

Cornell University

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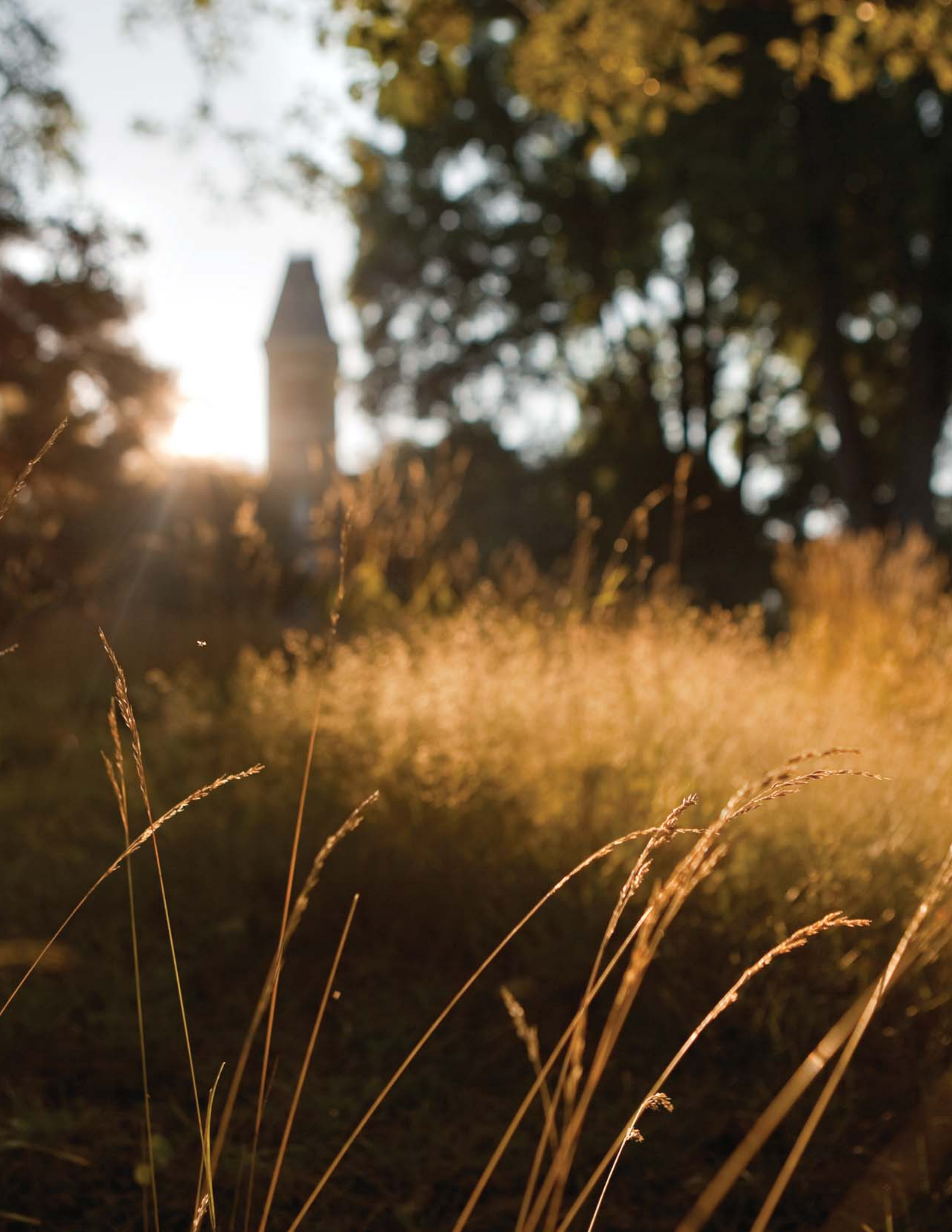
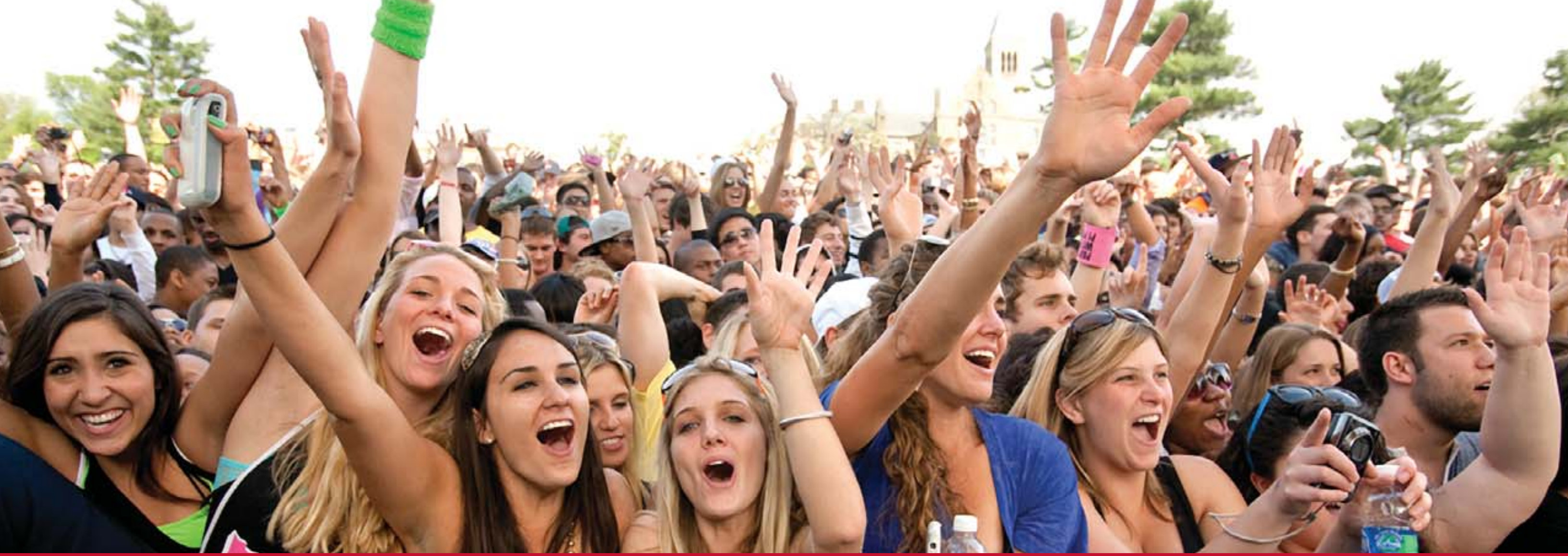




CORNELL UNIVERSITY HIGHLIGHTS

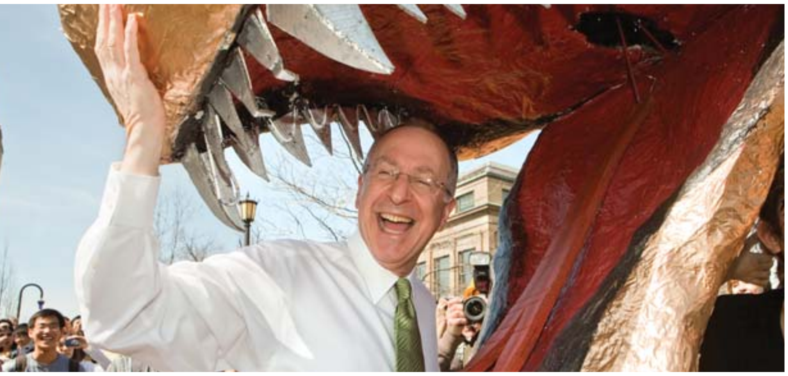
	2009-10	2008-09	2007-08
Fall enrollment (excluding in absentia)			
Undergraduate	13,931	13,846	13,510
Graduate	5,190	5,019	4,945
Professional	2,450	2,273	2,191
Total fall enrollment	21,571	21,138	20,646
Degrees granted			
Baccalaureate degrees	3,696	3,456	3,431
Masters degrees	1,996	1,816	1,750
PhD degrees	549	574	516
Other doctoral degrees (JD, MD, DVM)	378	361	369
Total degrees granted	6,619	6,207	6,066
Tuition rates			
Endowed Ithaca	$37,750	$36,300	$34,600
Contract colleges			
Resident	$21,610	$20,160	$19,110
Nonresident	$37,750	$35,200	$33,500
Medical campus	$44,650	$41,730	$39,180
Business	$47,150	$44,950	$42,700
Law	$48,950	$46,670	$43,620
Veterinary medicine	$26,500	$25,100	$24,000
Volumes in library (in thousands)	7,727	7,713	7,943
Academic workforce			
Full-time employees			
Faculty	3,063	3,095	3,057
Nonfaculty	939	992	980
Part-time employees			
Faculty	249	247	241
Nonfaculty	187	214	213
Total academic workforce	4,438	4,548	4,491
Nonacademic workforce			
Full-time employees	9,526	9,940	9,681
Part-time employees	635	838	813
Total nonacademic workforce	10,161	10,778	10,494
University endowment			
Market value of total university endowment (in millions)	$4,378.6	$3,944.2 *	$5,385.4
Unit value of Long Term Investment Pool	$47.38	$45.12	$65.37
Gifts received, excluding pledges (in millions)	$313.4	$450.5	$402.3 *
New York State appropriations through SUNY (in millions)	$159.5	$163.2	$170.4
Medical Physicians' Organization fees (in millions)	$557.2	$504.0	$451.4
Sponsored research volume (in millions)			
Direct expenditures	$434.7	$391.5	$365.6
Indirect-cost recovery	$126.0	$115.9	$113.4
Selected land, buildings, and equipment items and related debt (in millions)			
Additions to land, buildings, and equipment	$586.7	$732.7	$860.4
Cost of land, buildings, and equipment	$4,969.0	$4,604.4	$4,244.1
Outstanding bonds, mortgages, and notes payable	$1,931.0	$1,705.3	$999.1

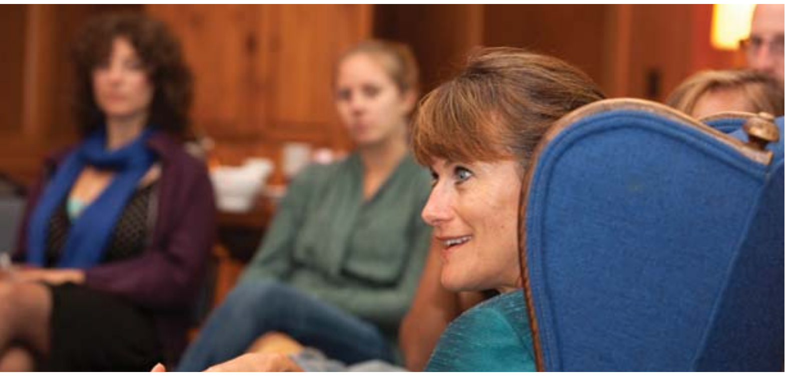
* Number restated

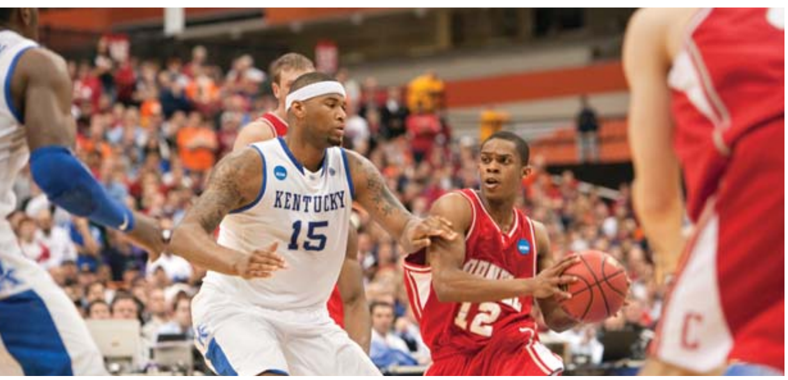
President's Message

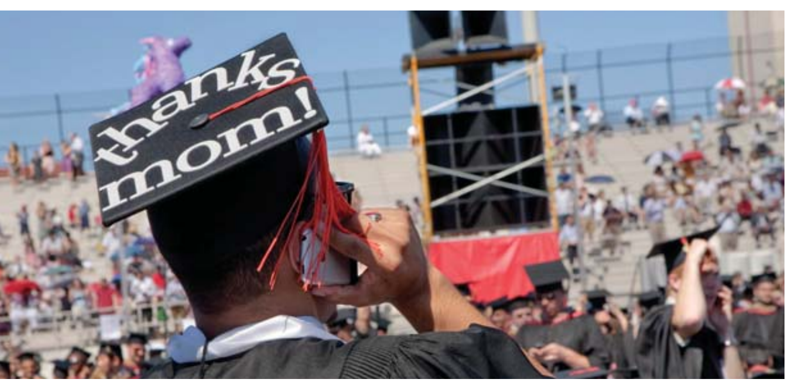
Cornell is on a new trajectory as we approach our sesquicentennial in 2015. Our mission, values, and overarching goals have not changed. But we approach the milestone of 150 years with a sharper focus, a higher, but achievable, aspiration, and the resolve to move forward as "One Cornell."

The evidence of the success of our collective work—involving Cornell's on-campus communities, trustees, overseers, council members, alumni, parents, and friends—lies in plain sight: We are implementing changes in administrative organization and management that will save us at least $75 million annually by fiscal year 2015, and we are on track toward a sustainable budget that includes growth. Just as important, we have re-examined many aspects of the university—not just how to cut our budget, but how to be a better university, to be the university we'd like to be.









FROM TOP TO BOTTOM: President Skorton participates in Dragon Day; Jacqueline Novogratz at the dinner before her Iscol Lecture; Cornell men's basketball makes it to 2010's NCAA Sweet Sixteen tournament; a grateful student talks on the phone at Commencement.

Three recent polls, national and international in scope, summarize the character of Cornell. The World University Rankings by London's *Times Higher Education* captured the rareified intellectual atmosphere of Cornell—placing us at #14 among the world's great universities, up from #15 last year. *U.S. News & World Report* ranked Cornell 7th, along with Dartmouth and the University of Chicago, in economic diversity among schools of our caliber, based on the percentage of our undergraduate students who qualify for federal Pell Grants for low-income students. In 2009–2010 we had the highest number of Pell Grant recipients at Cornell in at least five years—and although we had the same percentage of Pell Grant students in 2004–2005 and 2009–2010, the actual number of Pell Grant recipients was up by more than 100 last year. And Cornell was the only Ivy League university to earn a place on the *Wall Street Journal's* "top 25" list of universities where corporate recruiters turn for talent—coming in at #14 overall and at #7 in engineering.

Intellectual power. Access for students of talent and promise, regardless of economic circumstances. Skills sought after in the marketplace. That is our Cornell.

Our future, and our ability to excel in all three spheres, will be based on the people of Cornell and how we treat them.

First, our exceptional students, who make us proud by their accomplishments in the classroom, lab, and studio, on the athletic field, and in their public service. They are the reason we are here and why Cornell is such a vibrant place. We believe that it is imperative for America's top universities to educate the next generation, regardless of background or financial means, in order for our nation to stay competitive in the global marketplace and contribute to the solution of the world's problems.

Even in the depths of the Great Recession, Cornell maintained its need-blind admissions policy and strengthened its commitment to need-based financial aid. Beginning with the 2011–2012 school year for new students, we will match the parental contribution and need-based loan level of other Ivy schools to which our applicants are accepted, and will also strive to match the need-based parental contribution and need-based loan levels for Cornell applicants who are also accepted at Stanford, Duke, or MIT.

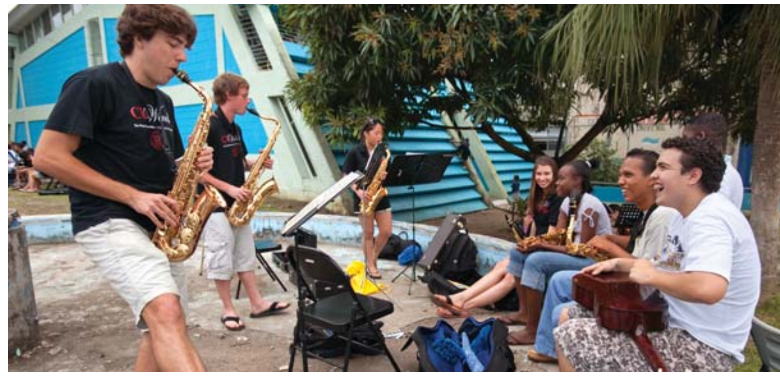
Philanthropy is critical to our ability to provide need-based financial aid. I am pleased to report that Cornell alumni, parents, and friends have already contributed more than $191 million for scholarships through the *Far Above* campaign, and we continue to make progress toward our $350-million scholarship goal through matching gifts.

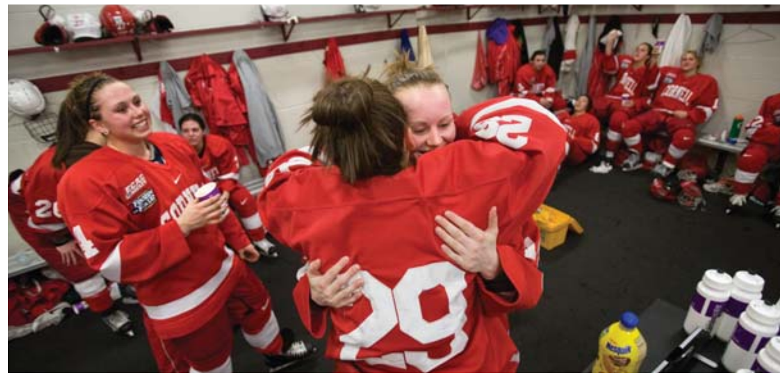
Second, the Cornell staff: the people who keep Cornell moving forward and make it possible for faculty and students to do their jobs. Although they have borne the brunt of personnel actions to decrease budgets, members of the staff have continued to serve the university with dedication and excellence. As we approach our sesquicentennial, we need to continue to value and learn from them, attract and retain a diverse workforce, continue to provide opportunities for job skill training, and collaborate with the local community to keep Ithaca and Tompkins County desirable places to live and work.

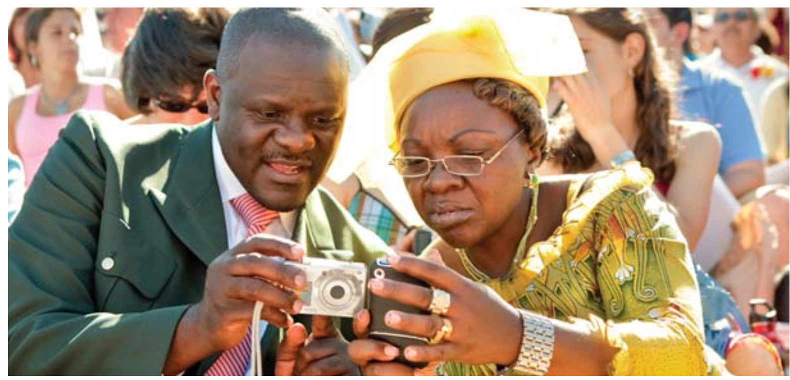
The third group critical to the future of Cornell is our alumni. Thanks to the leadership of our trustees, overseers, members of Council, and many other alumni, parents, and friends, Cornell just completed a very strong year in fund-raising, with new gifts and commitments for the year ending June 30, 2010, up 77 percent over the recession-driven declines of the previous year, for a total of $466 million. Last year, in fact, Cornell had the top results in the Ivy League for new gifts and commitments. The Cornell Annual Fund recorded its eighth consecutive year of growth, up 12 percent, with over $27.3 million given by more than 32,000 donors. So in terms of long-term commitments and current-use dollars provided through philanthropy, we are doing extraordinarily well, and we are grateful.

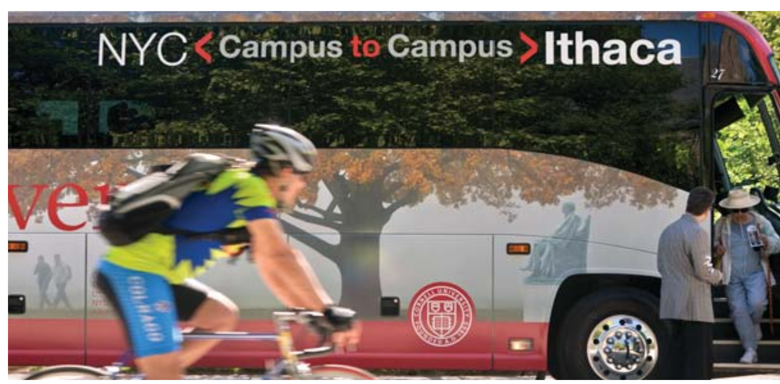
I want particularly to note a few transformational gifts from Cornell's alumni and friends: A gift of $25 million from the Dyson family to name the Charles H. Dyson School of Applied Economics and Management has greatly strengthened Cornell's already strong programs in this field; a gift of $10 million for the College of Veterinary Medicine from an anonymous trustee donor will establish the world's first canine genomics program and is the largest gift in the history of the college; several very significant gifts for the Cornell Center for a Sustainable Future, including a gift of $5 million from Yossie Hollander to help address energy needs and help farmers in developing countries, and a truly transformational gift of $80 million from Cornell Presidential Councillor David R. Atkinson '60 and his wife Pat for the Cornell Center for a Sustainable Future, now to become the David R. Atkinson Center.

With the talented leadership of the staff in Alumni Affairs, we are finding new ways to reach alumni. The Cornell Alumni Leadership Conference, for example, the first ever in Washington, D.C., brought together nearly 800 alumni volunteers for workshops, educational programming, and fellowship. Associate Vice President Chris Marshall, Vice President Tommy Bruce, and I have conducted over a dozen webinars—hour-long, interactive, online conversations on a variety of topics targeting alumni audiences around the world. We have launched CornellConnect, an online alumni directory and event registration tool that handles 1,400-plus events a year. And we are developing social media tools for Alumni Affairs and Development to use in its communications, marketing, volunteer management, alumni outreach, engagement measurement and analysis, prospect cultivation, and donor stewardship.

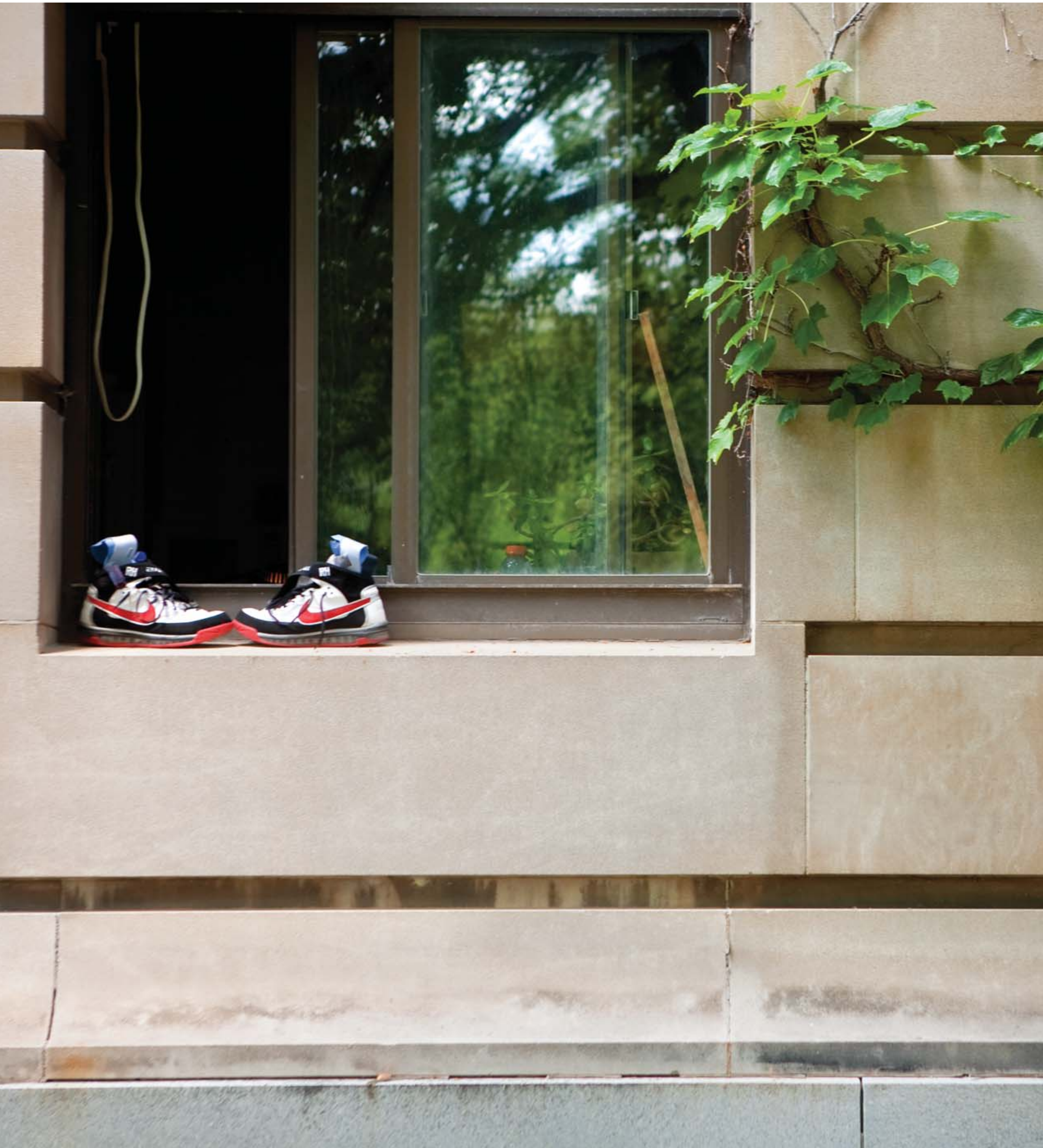








FROM TOP TO BOTTOM: CU Winds made its third biennial tour of Costa Rica over winter break 2010; the women's varsity hockey team makes its debut at the NCAA Frozen Four in March; proud relatives ready their camera at Commencement; the NYC-Ithaca campus bus shows off its fancy new "wrap" at Reunion 2010.



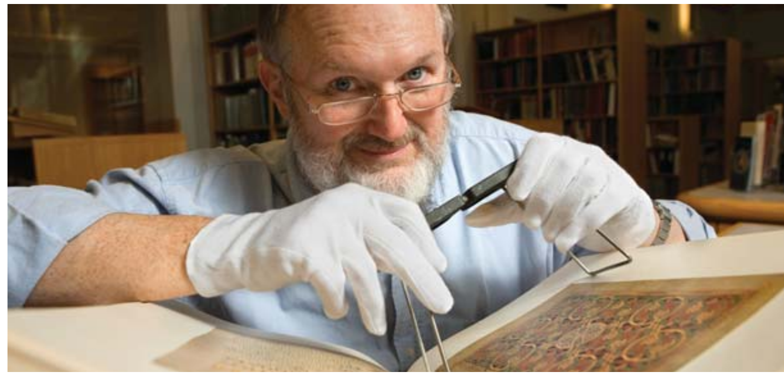
A fourth—and a most critical—group essential to the core academic mission of the university is the faculty, and the time for faculty renewal is now. The strength of Cornell's faculty across the disciplines is reflected in our high standing in the comprehensive national study of research doctoral programs released last month by the National Research Council. Sixty-one of Cornell's 81 doctoral fields in the Graduate School in Ithaca and seven doctoral fields in the Weill Cornell Graduate School of Medical Sciences were ranked in the study. No other private university in the United States had as many graduate fields ranked as did Cornell. Almost half of those fields (29) were included within the top-10 range of rankings on an overall measure, and over 75 percent (47) were within the top-20 range on an overall measure. Our NRC top-10 ranges of rankings went across the board—in Ithaca and at Weill Cornell—and included eight fields in engineering, physical and mathematical sciences; seven in agricultural sciences; seven in the humanities; six in biological and health sciences; and three in the social and behavioral sciences.

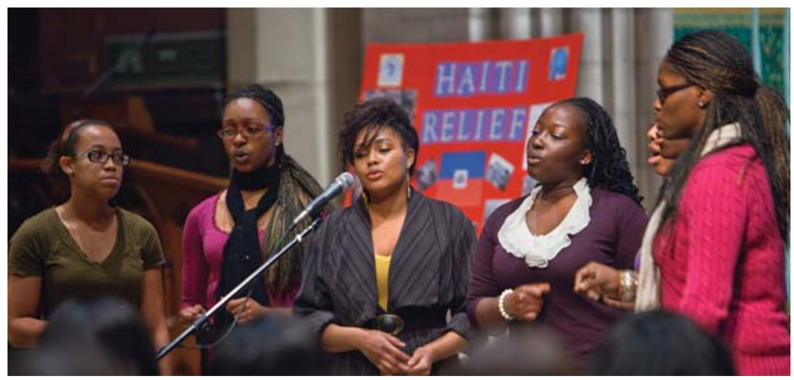
For the past decade, Cornell generally has been among the top five universities in funding from the National Science Foundation (NSF), and we were #1 in FY 2008. We recently received $109 million in awards from NSF to boost X-ray science and accelerator physics at Cornell. This funding will allow us to continue operation of the Cornell High-Energy Synchrotron Source, a national center for synchrotron X-ray research, and to continue development of a next-generation X-ray source, the Energy Recovery Linac.

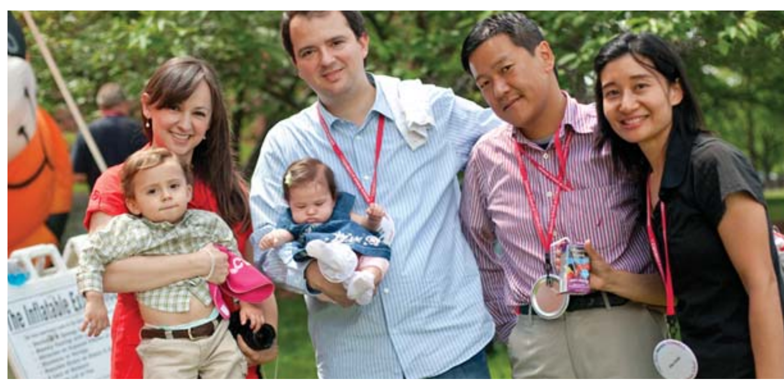
Currently, though, we have the oldest faculty in the university's 145-year history. Today 47 percent of Cornell professors are over 55, compared to about 25 percent in the early 1980s, and many of them will retire within the next decade. During the recession, we suspended or cancelled many faculty searches and our hiring dropped to 43 in 2009–2010, the second lowest number of new faculty hires in the last 30 years. In the coming decade, we need to hire upwards of 800, and perhaps as many as 1,000, new faculty members to enhance the faculty and replace those retiring. Now is the time to build the faculty of the future and with it the future of Cornell.

What will tomorrow's faculty be about? I suggest we must show the way in reinstating the value of knowledge as a priority in our society and the urgency of its pursuit, come what may. We must not retreat from the high intellectualism that has earned Cornell a place among the world's great universities. Sharing broad and deep knowledge and nurturing the skills to interpret, critique, and extend it are still the best ways to teach people who will live their lives amidst wildly changing conditions.

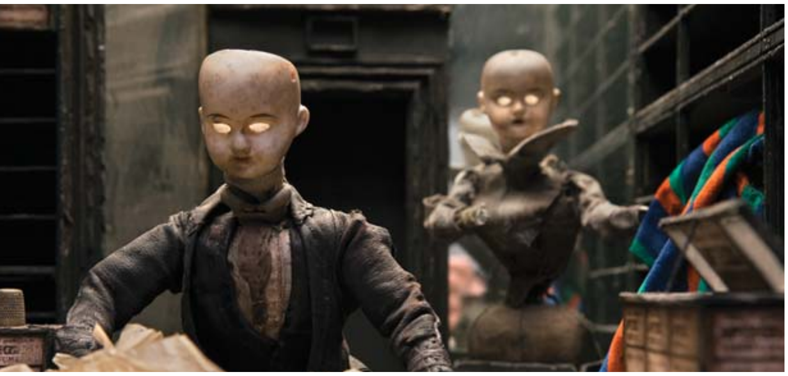
As a biomedical researcher, I firmly believe in the power of the scientific method to advance knowledge. But make no mistake: the world's most significant problems won't be solved by science alone. We need scientific and technical

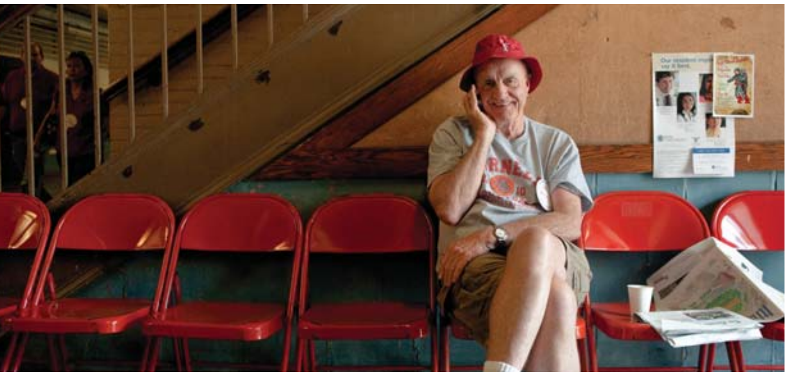


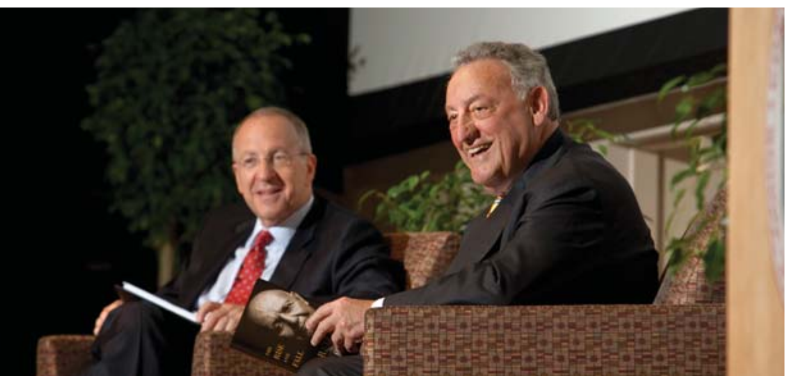


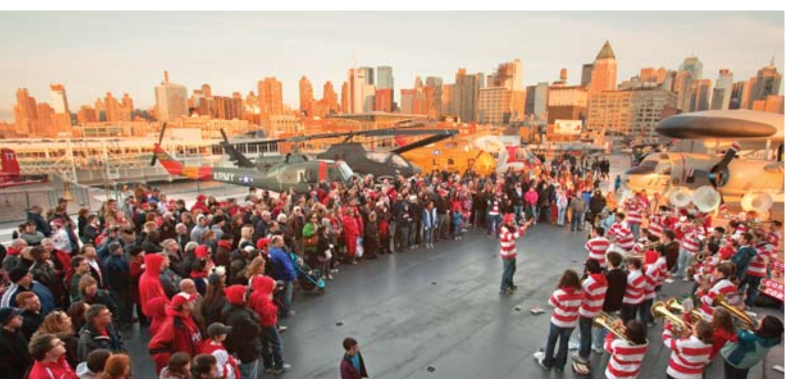


FROM TOP TO BOTTOM: Students play a tune on the Arts Quad at Reunion 2010; Professor John Cisne looks at a facsimile of folio 85v in *The Book of Durrow*, a manuscript with microscopically detailed illumination; members of Baraka Kwa Wimbo perform a concert in honor of victims of January's devastating earthquake in Haiti; alumni and their families reconnect at Reunion 2010.









FROM TOP TO BOTTOM: Visionary animated filmmakers Timothy and Stephen Quay exhibit film sets and decor in the Hartell Gallery; an alumnus takes a break during Reunion's all-alumni luncheon in Barton Hall; Cornell benefactor Sanford I. Weill discusses the state of the world's economy and its financial institutions with President David Skorton in a packed Alice Statler Auditorium; the Big Red Pep Band performs on the deck of the U.S.S. *Intrepid* for alumni in New York City.

knowledge, as well as knowledge based on research in the social sciences and humanities. And we also need people and approaches to motivate others to act upon that knowledge, recognizing its power as well as its limitations and the ethical and moral issues it might raise.

For that reason, we need to renew the faculty within each of the basic academic groupings—humanities and the arts; life sciences and agricultural sciences; physical sciences and engineering; social sciences; and professional schools. We also need to be strategic in our hiring—targeting appointments within those broad areas of knowledge to fields where it is important to maintain or increase strength.

In addition to underscoring the need for a broad sweep of faculty hiring, I want to make a special case for our efforts to bolster the arts and humanities. The need for investment in these areas is less intuitively obvious to many people than, say, investments to find cures for diseases or alternative sources of energy or to alleviate poverty or malnutrition. In fact some have argued, as did an English professor at another university in a recent *Chronicle of Higher Education* column, that "[c]urricula change over time, and the humanities simply don't have a place in the emergent curriculum of the 21st century." Nothing, I believe, could be further from the truth.

Course work in the humanistic disciplines is often promoted, legitimately, as a way to teach basic skills of critical—and contextual—thinking, communication, and ethics to scientists, engineers, business people, and those in other applied professions. As they provide a foundation for success in a wide range of careers, they serve as well as a prerequisite for responsible citizenship.

As David Feldshuh, Cornell professor of theatre, film, and dance, has written, "The ability to examine stories critically is a vital tool for any population that is to remain free and democratic."

It is in the nation's interest and essential to our global competitiveness to have the up-and-coming generation, from all backgrounds, educated broadly and well.

But we must also recognize and support the value of the humanities as a discipline of research and critical analysis in its own right and on its own terms. The events and creations of the past cannot change, but our knowledge of them can be enhanced through rigorous study and research.

As Laura Brown, Cornell's vice provost for undergraduate education, and John Wendell Anderson Professor of English, and several colleagues noted in their essay "Twenty-first Century Humanities at the Core of the University:"

> Concerns about life, wisdom, survival, transformation and interaction have long been deeply embedded in the humanities. Although the methods of interrogation change from generation to generation, questions about the mysteries of life, the human trajectory, the

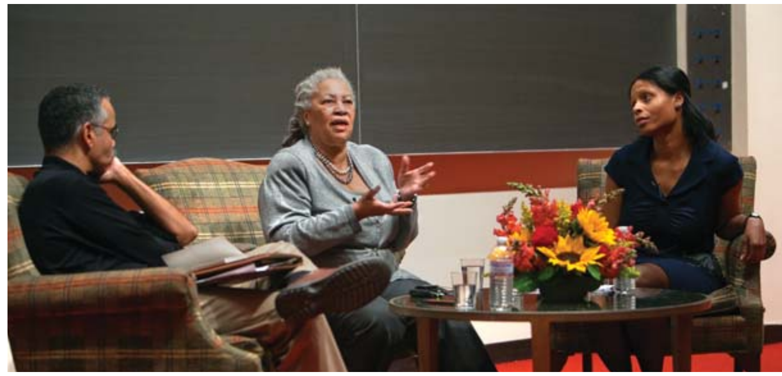
relations between humans and nature, the quest for understanding of the universe and world we inhabit are ongoing.

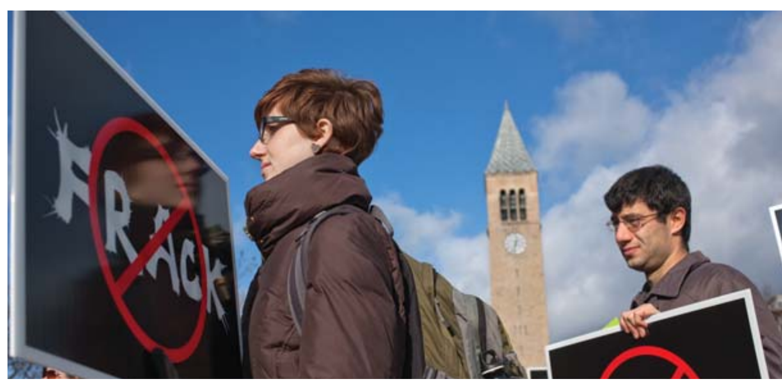
The impact of the humanities as a critical endeavor is most visible in the study of literature and the arts, but history, philosophy, law, linguistics, religion, and other humanistic disciplines can also help us grasp where we come from, and why, in order to lead us into the future. One thinks of M. H. Abrams' *The Mirror and the Lamp: Romantic Theory and the Critical Tradition*; or Max Black's *The Importance of Language*; or Milton Konvitz's *Fundamental Liberties of a Free People: Religion, Speech, Press, Assembly*; or Daryl Bem's work on personality theory, sexual orientation, and beliefs and attitudes; or Jonathan Culler's *On Deconstruction*; or Walter Lafeber's *The Clash: U.S.-Japanese Relations Throughout History*; or Michael Kammen's *People of Paradox*; or Hunter Rawlings' *The Structure of Thucydides' History*.

In addition, at a very fundamental level, the arts and humanities teach us what it means to be human. As I argued a few years ago during a Dana Foundation conference on "Transforming Arts Teaching: The Role of Higher Education:" "Music teaches in a way that we cannot replicate with words. Pedagogically complex, music transforms us, touches us alone or in a shared experience." And other creative activities, including art and literature, can be similarly powerful in their effects.

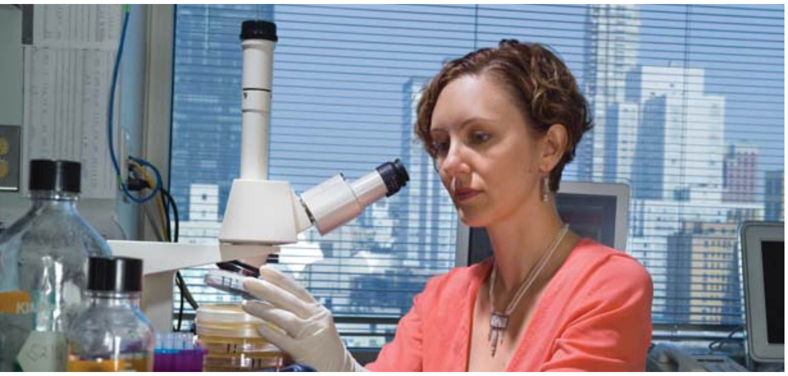
Few of us have read Tony Morrison's *Beloved*, or Kurt Vonnegut's *Slaughterhouse Five*, or Pearl Buck's *The Good Earth*, or Thomas Pynchon's *Gravity's Rainbow*—or works by younger Cornell-trained writers like Melissa Bank, MFA '98, Stewart O'Nan, MFA '92, and Junot Díaz, MFA '95—or watched a play written by Jenny Schwartz '95, winner of the 2010 Drama Award from the American Academy of Arts and Letters—without feeling enlightened, enriched, or even transformed.

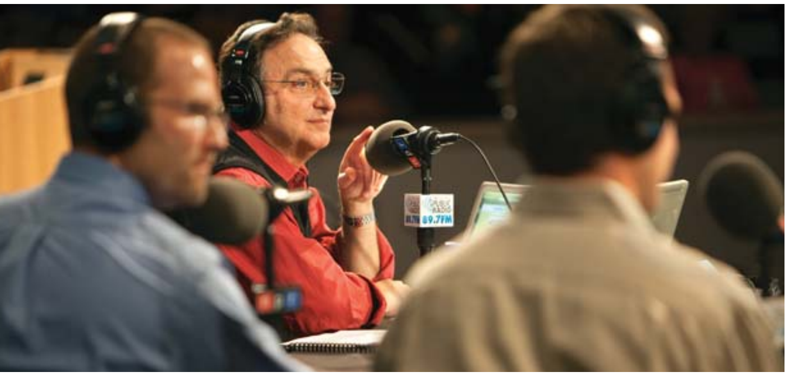
Despite all they bring to the human experience, the arts and humanities struggle for funding because their value is difficult to quantify and they are not seen as contributing directly to economic growth, health, or national security. For many years, neither Democrats nor Republicans have done much to provide increased financial support to the National Endowment for the Humanities (NEH) or the National Endowment for the Arts (NEA). Instead, these two important cultural agencies have been tempting targets for those seeking to advance particular political, social, or religious agendas or to show fiscal restraint. In the 2010 fiscal year, appropriations for both NEH and NEA remained down about a third in inflation-adjusted dollars from 1994 levels. By comparison federal funding for the National Institutes of Health has nearly doubled in inflation-adjusted dollars since 1994 and federal funding for the National Science Foundation has more than doubled.

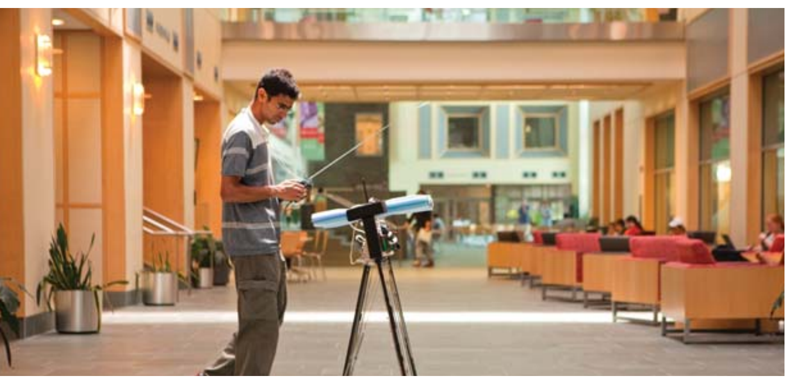


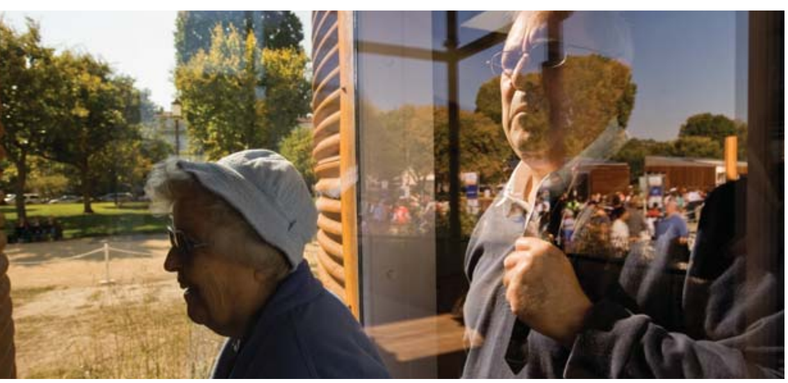


FROM TOP TO BOTTOM: Flaming Lips performs at Barton Hall; Toni Morrison, MA '55 reads from and talks about her work; Nobel laureate Elie Weisel speaks at Bailey Hall; students demonstrate against "fracking" (a means of natural-gas extraction employed in deep natural-gas well drilling) on Ho Plaza.









FROM TOP TO BOTTOM: Student engaged in research at Weill Medical College in New York City; Ira Flatow, host of NPR's *Science Friday*, and Cornell panelists listen to audience questions in Bailey Hall; Engineering graduate student Pranav Bhounsule runs the Cornell Ranger robot in the atrium of Duffield Hall; visitors tour the Solar Decathlon house on the National Mall in Washington, D.C.

Federal research budgets will make it easier for new faculty members in the sciences and engineering to find the support they need to drive innovation through their research, but the arts and humanities need our help. As Kent Kleinman, the Gale and Ira Drukier Dean of Architecture, Art, and Planning, has noted, art and design are increasingly recognized as principal modes of addressing some of the world's most complex problems—including global climate change, rapid urbanization, and the impact of technology on our social patterns. These issues, as Dean Kleinman noted, do not have linear solutions but require iterative and expansive approaches that question the very nature of the problem statement.

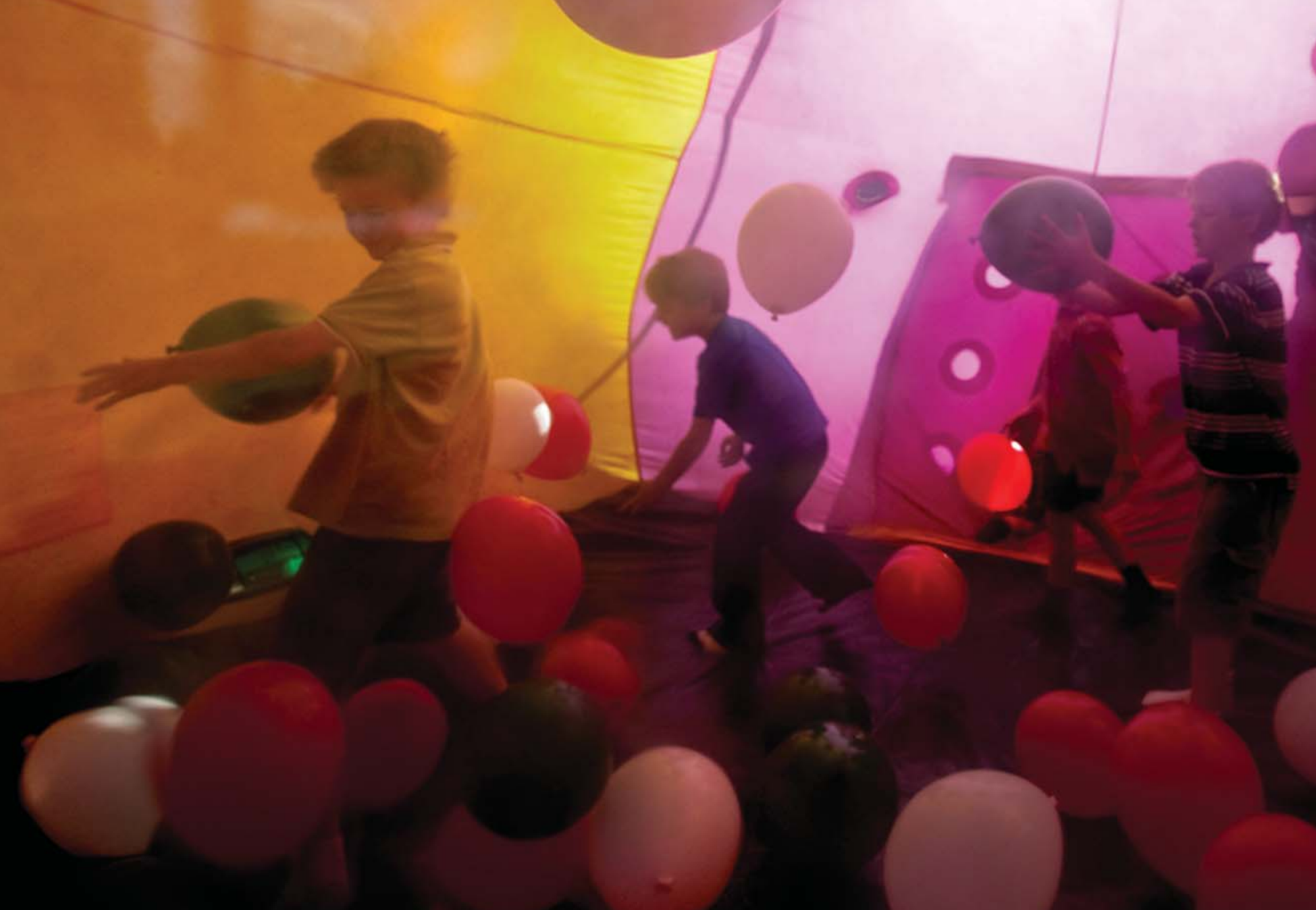
Another significant contributor to the vitality of the arts and humanities at Cornell is the Johnson Museum of Art, which has been led so ably by Frank Robinson, the Richard J. Schwartz Director, since 1992. Frank has raised the profile of the museum, spearheaded the museum's expansion that is now under way, and gained the respect and affection of our community and the wider alumni body. Frank will be stepping down as the Johnson Museum's director next year, and we will be mounting a national search for his successor.

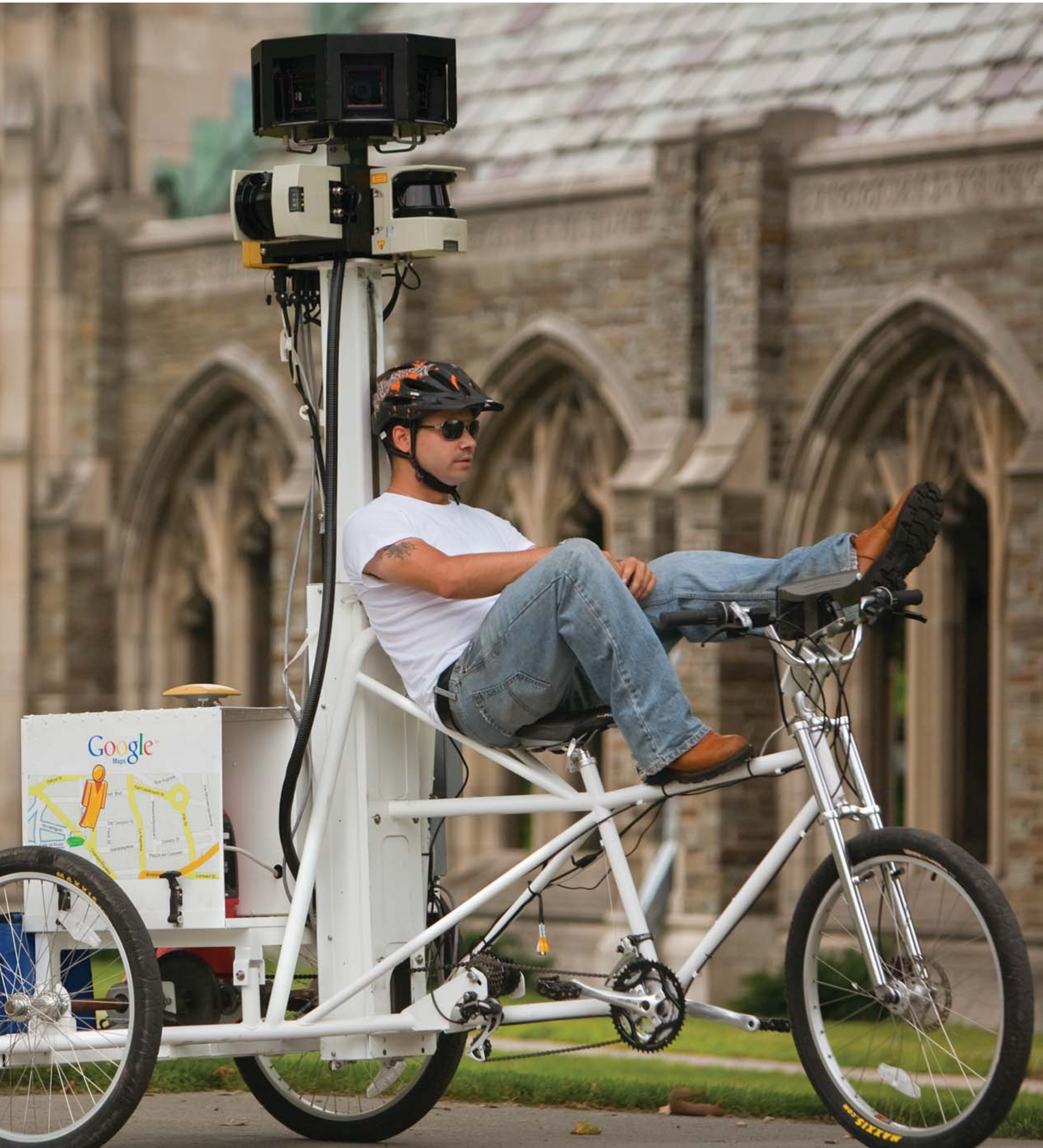
Over the next decade, the College of Arts and Sciences expects to hire more than 100 humanists. While most will be junior appointments, the college is aiming to hire faculty at various career points in order to create an invigorating blend of perspectives and experiences and a more regular rate of retirement and renewal. Thanks to a $2.5-million challenge grant we received a few years ago from the Andrew W. Mellon Foundation, and additional funding commitments that the College of Arts and Sciences now has in hand, for example, we anticipate hiring three mid-career humanists as "Mellon Chairs"—perhaps as soon as the end of this semester.

Now is the time for Cornell to step up and advocate for arts and humanities as we recruit faculty who will define our university for a generation. We need to hire the stars for future generations of Cornellians and give them the freedom—and the space, support, and infrastructure—they need to allow their thinking free rein. Faculty hiring across the disciplines is Cornell's top priority, and, within that priority, we must be a leader in hiring humanities faculty.

"Faculty renewal in the context of academic priorities and substantial retirements" is the #1 priority in Cornell's new strategic plan. We need to demonstrate our commitment to faculty renewal across the university, taking full advantage of the unique opportunity we have to be the university we want to be, and to get out in front on faculty hiring before many of our peer institutions are in a position to do so.

To strengthen and support our efforts to build the faculty of the future across all the colleges and

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disciplines, we have established a $100-million Faculty Renewal Fund, to be funded equally through philanthropy and the reallocation of university resources over the next five years. David Croll '70, chair of the Finance Committee of the Board of Trustees, and his wife, Victoria, have made a $5-million gift to the Faculty Renewal Fund, getting the effort off to a fantastic start.

Building the faculty of the future, as part of our strategic view of Cornell's future, is a once-in-a-generation opportunity for Cornell. More than ever before in our history, we have the opportunity to become the university we want and need to be: A university that after 150 years still combines liberal and practical education with a commitment to providing opportunity for students of talent and promise, no matter their economic circumstances; one of the few universities in the world to be recognized for its intellectual breadth and depth, the scope of its commitment to economic diversity, and the quality of its graduates as they enter the world of work; a university that can indeed meet its 21st century aspiration: "to be recognized as a top-10 research university in the world, and a model university for the interweaving of liberal education and fundamental knowledge with practical education and impact on societal and world problems."

As we go forward together, I hope for and am counting on your partnership.

David J Skorton

News of the Year

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

The Student Experience

IQ Ambassadors unite two campuses

August 10, 2009—When 24 students from Weill Cornell Medical College in Qatar (WCMC-Q) came to Ithaca this summer, they were met by the IthaQatar (IQ) Ambassadors, a welcoming committee of 19 Ithaca undergrads and two staff members. The Ithacans introduced the Qatar students—10 second-year pre-meds doing research through the Hughes Scholars program and five taking summer courses, plus nine incoming first-year pre-meds in WCMC-Q's Foundations Program who were enrolled in Cornell's Summer College—to campus, and together they began a dialogue to bridge the distance between Ithaca and Doha. They bonded on Cornell Outdoor Education's Hoffman Challenge Course, heard a chimes concert featuring Middle Eastern music atop McGraw tower, took weekend trips to New York City and Niagara Falls, and were guests at a dinner with faculty and administrators. Future goals for the program include holding regular interactive events like cross-campus discussions via video link, exploring an intercampus exchange program during the academic year, and bringing some Cornell traditions to Doha.

Faculty panel, students discuss novel

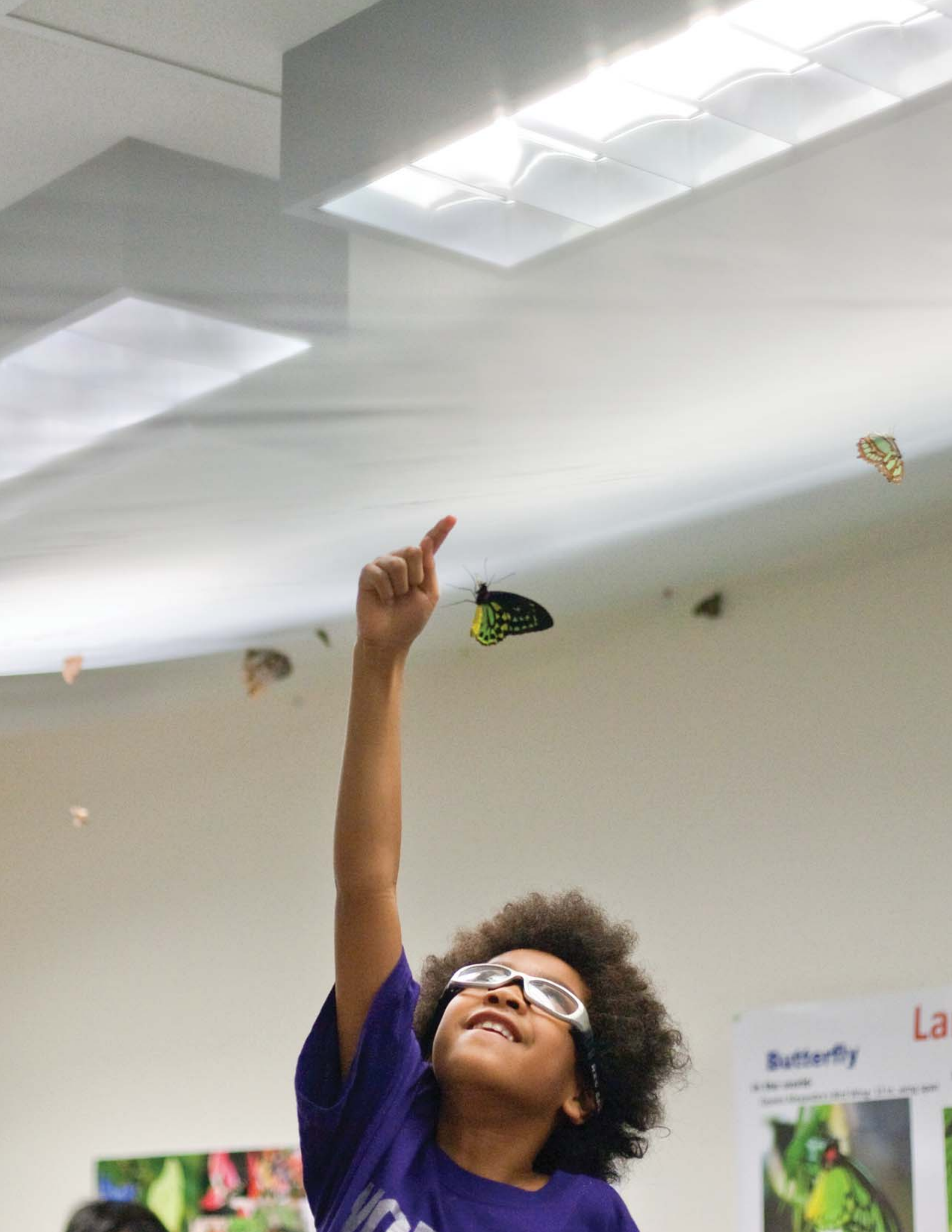
August 24, 2009—Four Cornell faculty members analyzed John Steinbeck's *The Grapes of Wrath* for 3,500 freshmen and new transfer students August 23 in Barton Hall, as part of the ninth annual New-Student Reading Project. Vice Provost for Undergraduate Education Laura Brown introduced the panelists and commented that the novel raises a range of social, economic, ecological, and historical issues. Jeremy Braddock, assistant professor of English, discussed elements representing truth and fiction in Steinbeck's novel and media attempts to document its subjects in real life. Natalie Mahowald, associate professor of earth and atmospheric sciences, described the experience of being in a dust storm and discussed the disasters that begin and end the book. Maureen O'Hara, professor of management, outlined the economic environment of the book—foreclosures, bank failures, rising unemployment, falling prices, government intervention, and "a widespread anger for Wall Street from Main Street." Jefferson Cowie, associate professor of labor history, illustrated how the novel's influence "crystallized a notion of the working-class hero."

West Campus is officially complete

August 25, 2009—On August 21 Flora Rose House opened its doors as the fifth and final house of the West Campus Residential Initiative. "The West Campus Residential Initiative was the university's largest single capital expenditure program and the largest innovative program in undergraduate education since 1865," said Isaac Kramnick, the Richard J. Schwartz Professor of Government, who was an early advocate of the house concept. Rose House now has a live-in house dean, full programming, and about 30 affiliated professors. The five West Campus houses accommodate 1,800 upperclassmen with faculty, staff, and graduate advisers in small communities that offer intellectual, cultural, and social activities and foster peer leadership.

Two new house deans named on West Campus

November 18, 2009—Professors André Dhondt and Scott MacDonald have accepted President David Skorton's offer to serve as the West Campus House System's new house professor-deans, starting in fall 2010. Dhondt, the Edwin H. Morgens Professor of Ornithology, will move into Alice Cook House, succeeding Ross Brann, the Milton R. Konvitz Professor of Judeo-Islamic Studies. He directs the Lab of Ornithology's bird populations unit and conducts research on how changes in natural habitat influence bird populations. MacDonald, PhD '86, the Norma K. Regan Professor in Christian Studies, will reside in Hans Bethe House, succeeding Porus Olpadwala, professor of city and regional planning. He specializes in medieval philosophy, philosophical theology, and issues in moral psychology and the philosophy of action. House professor-deans serve as the intellectual and cultural leaders in the five undergraduate residences and are responsible for creating vibrant living-learning communities.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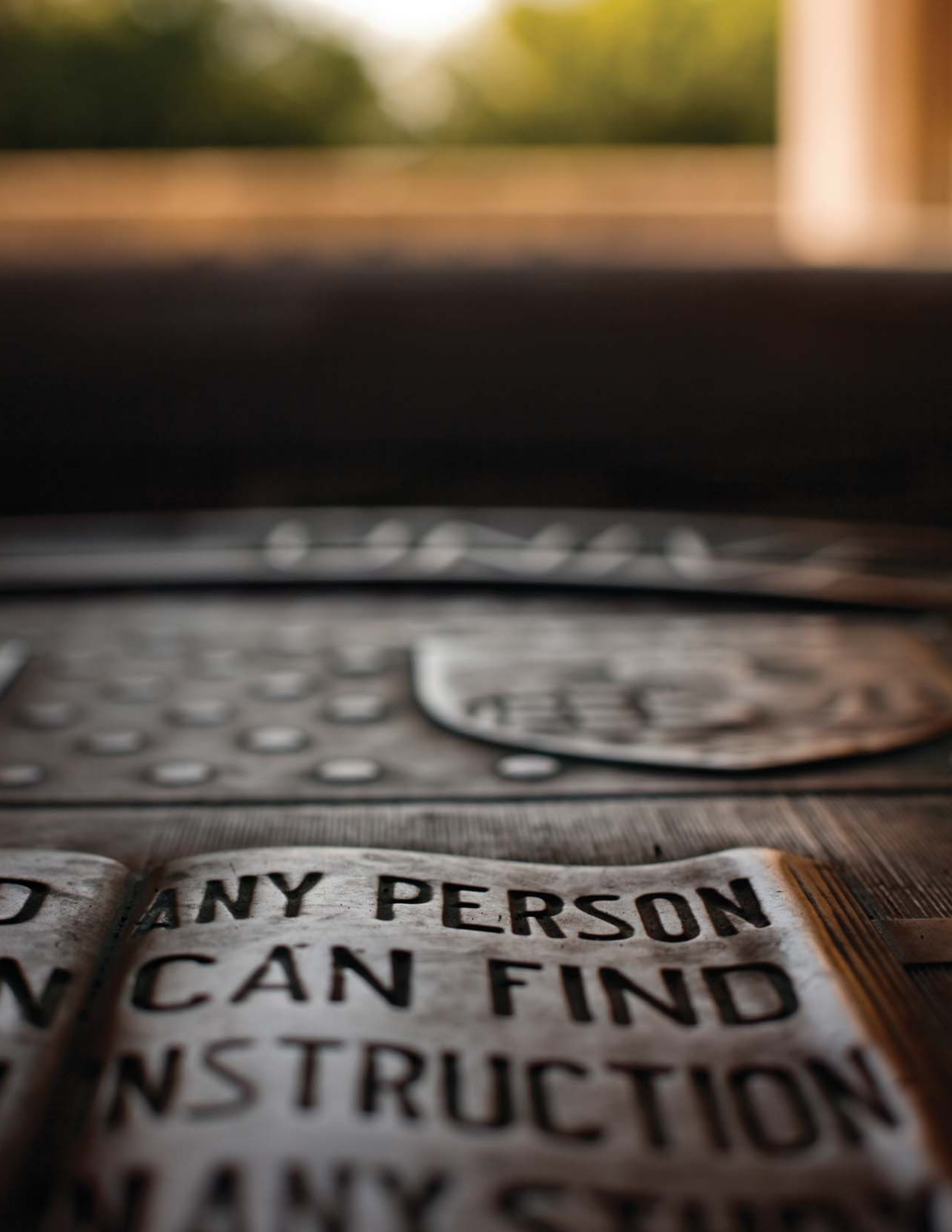
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Students take service-learning spring breaks

April 6, 2010—For the 10th year, the Cornell Public Service Center has offered students alternative to the typical spring break: an opportunity to do service learning at various locations. This year, some 90 students participated. The program has 13 sites that host teams of five to eight students. The teams partner with local organizations that address such social issues as poverty, homelessness, racism, and domestic violence. Some groups worked in New York State, such as Lake Placid or New York City, but other students traveled as far as West Virginia and Florida. “The mission of the Alternative Breaks program is to promote service learning through direct public service with communities to heighten social awareness, enhance personal growth, and advocate lifelong social action,” said Joyce Muchan of the Cornell Public Service Center, which oversees the trips.

Cornell United Religious Work celebrates 80 years

May 12, 2010—In celebration of Cornell United Religious Work (CURW)’s 80th anniversary, May 11 at the Cathedral NYC, Cornell President David Skorton and Provost W. Kent Fuchs participated in a multifaith discussion, which explored social justice, religious pluralism, secular humanism, and science on college campuses. Reverend Kenneth I. Clarke Sr., director of CURW, moderated panels that included Jewish, Muslim, Tibetan/Buddhist/Christian, and humanist chaplains from various universities. Clarke challenged the panelists by asking how universities can reach out and include religious and nonreligious community members in conversations, coalitions, and activities. “One of the central roles of the university is to strengthen the values students need in order to lead valuable lives,” said Skorton. As part of the Cornell’s strategic plan, students will be required to display “multicultural competency, moral/ethical compass, self-management, and community engagement,” he said.

Caring Community

Cornell launches efforts to support mental health

September 9, 2009—A new set of efforts is under way at Cornell to better prepare faculty, staff, students, and parents with skills to recognize and help a person in distress. These efforts include a new handbook for faculty, as well as an educational program that uses theater to teach recognition of a depressed, suicidal, or simply overstressed student. Content for the handbook, “Recognizing and Responding to Students in Distress,” was directed by Assistant Dean of Students Casey Carr. The book includes common behavioral or physical indicators of depression or suicide risk, and phone numbers for mental health and other services on campus. Similar materials are being developed for staff, students, and parents. Gannett Health Center staff members are leading “Notice and Respond” sessions with staff and faculty, which include the screening of a DVD produced by the Cornell Interactive Theater Ensemble, and training staff volunteers as facilitators.

CU community helps ill students

September 12, 2009—Hundreds from the Cornell community have come together in the past several weeks to help students who have the flu. About 535 students with flulike symptoms have visited or called Gannett Health Services since the beginning of the semester. Staff at Gannett, Facilities Services, Cornell Dining, and Residential Programs have been teaming up to provide sick students with “home flu kits” containing basic self-care supplies, meals, snacks, and information to help them take care of themselves while they are recovering. Any student on the meal plan can have a friend bring them a flu kit and a “sick tray” meal from a dining hall. Residential advisers and staff have been delivering meals to students whose friends are unavailable. Students with concerns about their health should contact Gannett Health Services 24/7 (255-5155). A website provides current information about H1N1—cornell.edu/flu. A flu phone line (255-0101) and email (flu-info@cornell.edu) are also available.

Community comes together following tragedies

March 16, 2010—In response to three recent student deaths in the gorges around campus, the university has mobilized a host of outreach efforts, including augmented counseling services, regular checks in residence halls, and an appeal to faculty, teaching assistants, and supervisors to talk with students about maintaining perspective in stressful times. Monitors that have been posted on campus bridges will remain through the end of the week as a reassuring presence for everyone and a deterrent for anyone at immediate risk. At Gannett’s Counseling and Psychological

Services, counselors are reaching out to students through secure e-mails, encouraging students to take advantage of the Let's Talk service, and providing walk-in counseling at sites around campus. A new website—caringcommunity.cornell.edu—provides news updates, contact information for campus services, and a list of relevant events. Gannett's Notice and Respond website, offers guidance for those who know someone in distress—gannett.cornell.edu/notice/index.cfm.

CU boosts mental health in ways visible and invisible

March 29, 2010—"The resources are there, at Gannett and across campus, to support those in crisis," said Susan Murphy, vice president for student and academic services. "Take advantage of them. Reach out, ask for help, and take good care." Staff will continue to check in regularly with students living in residence halls across campus, and programs to continue to build a caring community are planned throughout the semester. Gannett Health Services has streamlined the process for connecting after-hours callers to a nurse or counselor. With the addition of new counseling staff, the health center will increase availability of appointments in Counseling and Psychological Services. Depression screening for visitors to Gannett will be extended to include all primary care visits. Temporary fencing is in place or being installed on six campus bridges, and university officials are currently developing long-term options, said deputy spokesman Simeon Moss. Monitors will continue on the bridges "as deemed necessary and appropriate," he said.

Cornell's Strategic Plan

Skorton: Strategic plan will give faculty flexibility

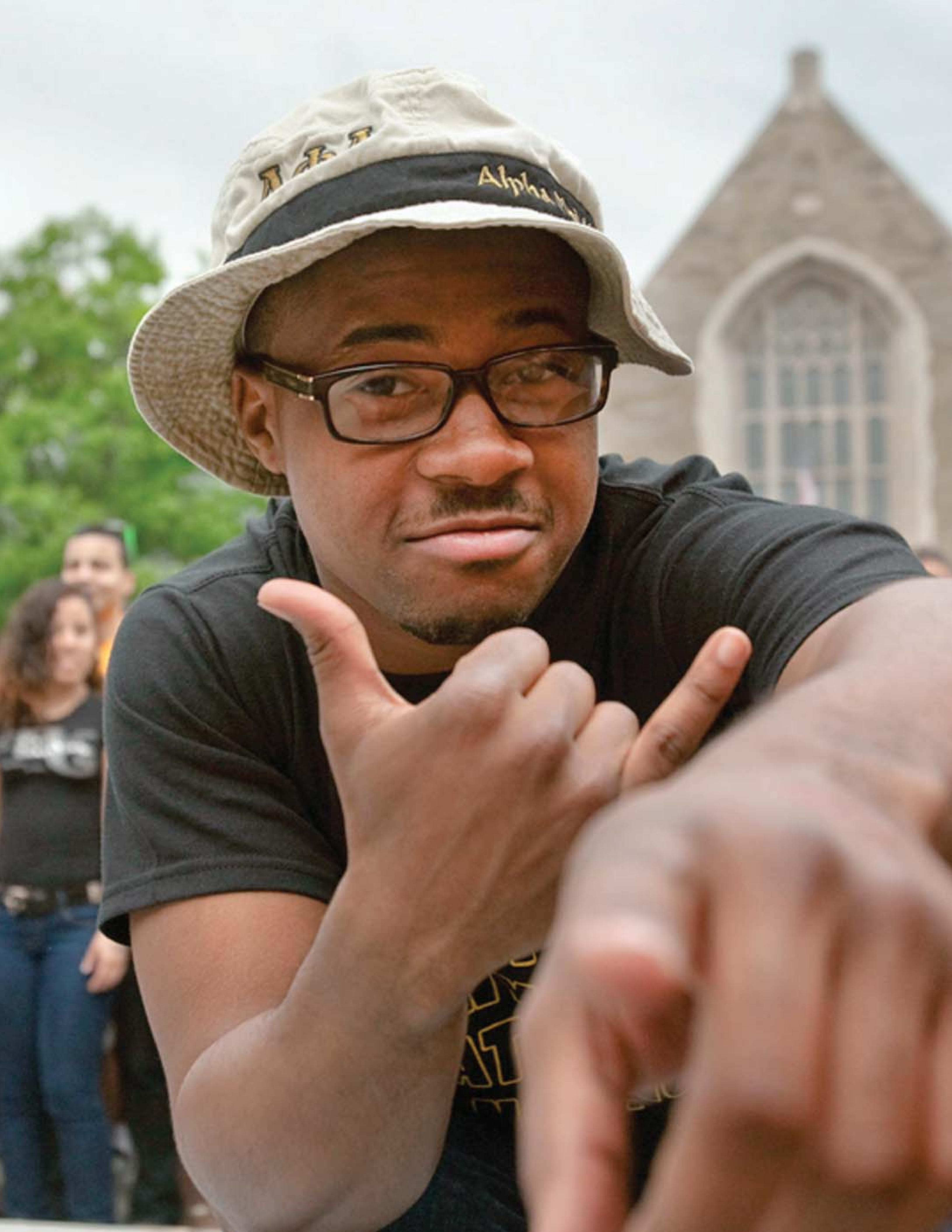
September 17, 2009—There's a key reason why Cornell must erase its projected $215 million deficit over the next five years: so faculty members can regain the resources they need to fulfill their academic aspirations. That was the message from President David Skorton to about 200 faculty members and others at a forum in Kennedy Hall's Call Auditorium on September 16. He reviewed actions of the past year to whittle the deficit to $135 million from $215 million: FY 2010's five percent budget cut, deferring some construction, and a seven percent reduction in personnel—two-thirds from voluntary retirements and one-third from layoffs. Provost Kent Fuchs described the strategic planning process now under way: the task forces looking at ways to streamline Cornell's academic side, consultants who are making "recommendations, not decisions" on how to reduce administrative costs, and the provost's office long-term strategic planning. The discussion was the second of five forums about the strategic planning process being held through October for staff, faculty, and students.

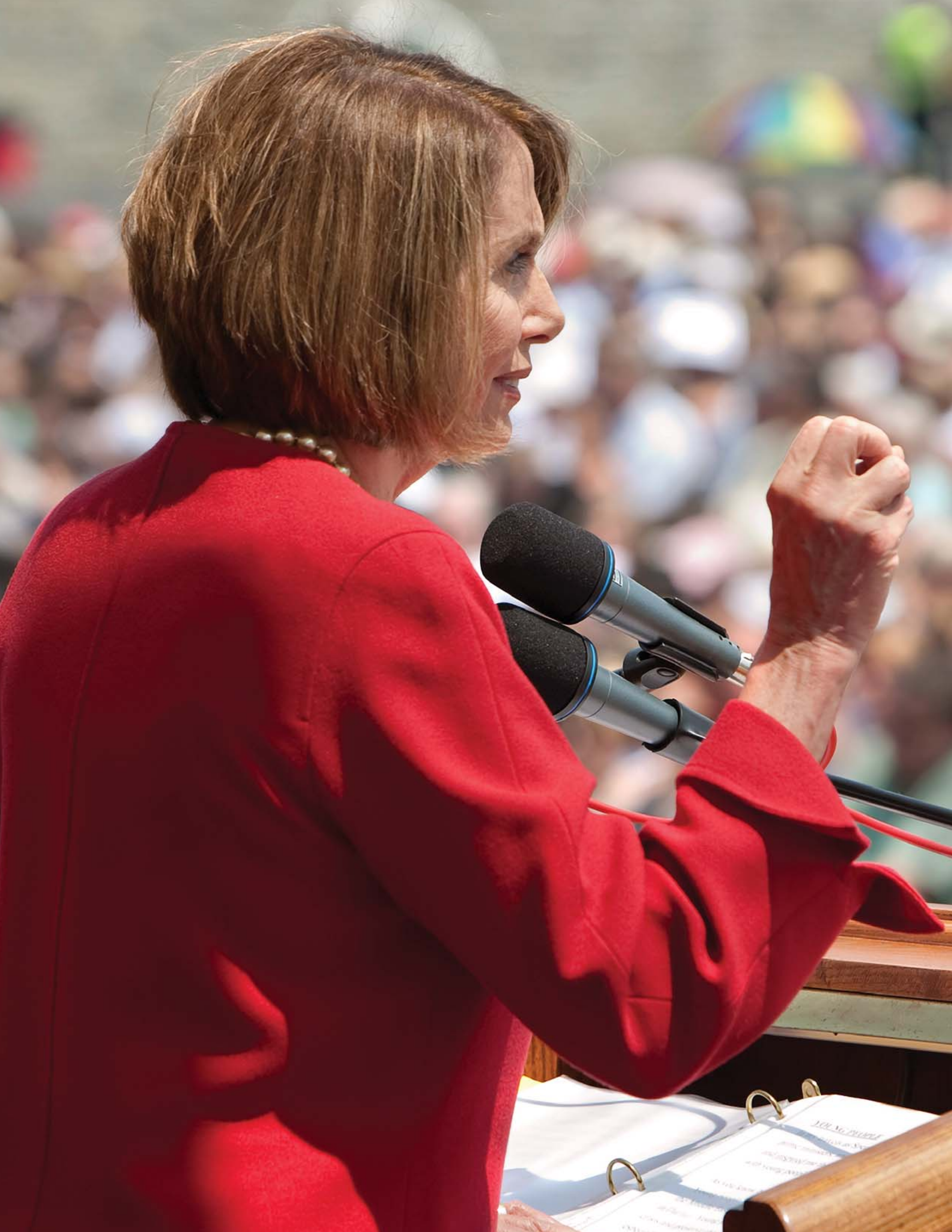
Provost taps eight key faculty to draft strategic plan

October 15, 2009—Eight Cornell faculty members will advise the university's president and provost on the roadmap for Cornell's future. The Strategic Plan Advisory Council members are: Lance Collins, professor of mechanical and aerospace engineering; Jonathan Culler, Class of '16 Professor of English; Sandra Greene, professor of history; Katherine Hajjar, professor of cell and developmental biology (Weill Cornell Medical College); Martha Haynes, Goldwin Smith Professor of Astronomy; Susan McCouch, professor of plant breeding and genetics; and Michael Waldman, Charles H. Dyson Professor of Economics. Ed Lawler, Martin P. Catherwood Professor of ILR, will chair the council. The council will oversee four working groups on education; research, scholarship and creativity; public engagement; and organizational stewardship. Members of the campus community are invited to offer their input about Reimagining Cornell via the strategic plan website at cornell.edu/reimagining.

Cornell University issues Strategic Plan 2010–2015

May 11, 2010—The final version of the university's strategic plan has been released by the Strategic Planning Advisory Council, headed by Professor Ed Lawler and Provost Kent Fuchs. The highest overall priority proposed for the next five years is to enhance faculty excellence. The plan also calls for special emphasis to be given to promoting and recognizing excellence and leadership in research, scholarship, creativity, and graduate education. In the context of these overarching priorities, the plan proposes seven strategic initiatives over the next five years—including faculty renewal in the context of academic priorities, enhancing a culture in support of teaching, cost-effective enhancements to the infrastructure, diversity across campus, and connecting public engagement with research, scholarship, and education. The complete plan is available at cornell.edu/strategicplan.





Streamlining University Operations

Administrators give update on Reimagining Cornell

July 23, 2009—Bill Fry, dean of the university faculty, convened a meeting of the Faculty Senate on July 22 to discuss the first phases of the Reimagining Cornell strategic-planning process. Interim Vice President for Budget and Planning Paul Streeter began the meeting by explaining that Cornell would have faced an annual budget deficit of $215 million and a cumulative deficit of $1.1 billion by 2014 if the first phase of budget cutting and downsizing had not been implemented last fiscal year. Even with FY2009–2010 reductions, the university still faces a significant deficit, Streeter said, and similar budget-cutting measures will be required for FY2010–2011. Everything is on the table, said Provost Kent Fuchs: "There is a lot of freedom to think creatively." Task forces from each college and school and several cross-disciplinary areas are working with an emphasis on the core missions of teaching, research, and outreach to find ways to position Cornell for future academic excellence. At the same time, consultant firm Bain & Co. will meet with hundreds of faculty, administrators, and staff, focusing on finding ways to streamline nonacademic operations. For updates, see cornell.edu/reimagining.

CU to save $90M by streamlining administrative costs

October 1, 2009—Cornell expects to save at least $90 million in annual administrative costs over the next four years, making a significant dent in its projected 2015 budget deficit of $135 million, Provost Kent Fuchs announced October 1 at the fourth of five forums he and President David Skorton are holding this semester for staff, faculty, and students to discuss the university's strategic planning process. (Forums are streamed live and archived at CornellCast—cornell.edu/video.) An estimated one-third of the $90 million in savings would come from a more cohesive procurement process, said Joanne DeStefano, vice president for finance. Additional savings will come from long-term operations efficiencies in information technology, facilities, utilities, and simplifying the university's complex organizational structure. Twenty task forces continue to develop recommendations to refocus the university's academic aspects. The administration hopes task force recommendations will help close the remaining $45 million budget gap. As the markets continue to recover, the administration also expects an increase in philanthropy and improved endowment performance, Fuchs said.

Sustainability

Cornell unveils its climate neutrality plan

September 15, 2009—Cornell's new Climate Action Plan, released September 15, will make the university far more energy efficient and also could save Cornell hundreds of millions of dollars over the next 40 years. Presented online—at sustainablecampus.cornell.edu/climate—the plan seeks to enhance the university's core mission of academics, research, and outreach, while cutting net carbon emissions to zero by 2050. The plan includes 19 specific actions across five key areas—green development, energy conservation, fuel mix and renewable energy, transportation, and carbon-offsetting actions. The plan fulfills the American College and University Presidents' Climate Commitment that Cornell President David Skorton signed in 2007. Kyu Whang, vice president for facilities services, served as co-chair of the climate implementation committee with Tim Fahey, the Liberty Hyde Bailey Professor of Natural Resources.

Experiment Station adopts culture of sustainability

February 2, 2010—The Cornell University Agricultural Experiment Station (CUAES) has adopted a culture of sustainability. The unit has created a sustainable action team of 10 people who brainstorm strategies based on their work experiences and then offer ways to implement their ideas, said Mike Hoffmann, director. Changes already implemented include using a biodiesel blend in tractors, retrofitting greenhouses with energy-saving light fixtures, and stabilizing a creek bank. A pilot project will cut energy use and the carbon footprint for selected buildings in the College of Agriculture and Life Sciences. CUAES is printing on both sides of paper, working to find grasses that require less mowing than traditional lawns, and developing new tilling implements that require fewer passes over fields. This spring, an energy-conservation pilot study in selected CALS buildings will analyze how human behavior influences energy conservation. CUAES is also completing a feasibility study for the Cornell University Renewable Bioenergy Initiative, a plan to harness 57 campus waste streams and other biomass resources for generating bioenergy.

Faculty Achievements

Basu appointed a chief economic adviser to India

November 5, 2009—The government of India has named Cornell economist Kaushik Basu as its new chief economic adviser in the Ministry of Finance. The C. Marks Professor of International Studies and the Donald C. Opatrny '74 Chair of the Department of Economics, Basu hopes to use policy to improve living standards of the some 200 million people living in poverty in India, while also steering one of the fastest growing economies in the world. He may begin his new position as early as mid-December and will be on leave from Cornell for two years while serving India's government.

Thirteen faculty honored as AAAS fellows

December 17, 2009—Thirteen Cornell faculty members have been named fellows of the American Association for the Advancement of Science:

Tadhg P. Begley, professor of chemistry and chemical biology

Anthony Paul Bretscher, professor of molecular biology and genetics

Richard A. Cerione, Goldwin Smith Professor of Chemistry and Chemical Biology

James M. Cordes, professor of astronomy

Janis Lou Dickinson, associate professor of natural resources

Francis J. DiSalvo, John A. Newman Professor of Physical Science

Jack H. Freed, Frank and Robert Laughlin Professor of Physical Chemistry

William E. Fry, professor of plant pathology

Stephen Hilgartner, associate professor of science and technology studies

Melissa A. Hines, professor of chemistry and chemical biology

Kenneth J. Kemphues, professor of genetics

Maurine E. Linder, professor and chair of molecular medicine

Michael Scanlon, associate professor of plant biology

Three elected to National Academy of Engineering

February 23, 2010—Professors Thomas W. Parks and Stephen B. Pope have been elected to the National Academy of Engineering this year. Cornell Trustee N.R. Narayana Murthy was also elected a foreign associate to the academy. Parks, professor emeritus of electrical and computer engineering, was honored for "contributions to digital filter design, fast computation of Fourier transforms and education." Pope, the Sibley College Professor of Mechanical and Aerospace Engineering, was recognized for his "contributions to the modeling of turbulent flow, including the development of probability distribution function methodologies for turbulent combustion." Murthy, chairman of the board and chief mentor of Infosys Technologies Ltd. in Bangalore, India, was honored for "contributions to the development of global information technology services."

Five named to American Academy of Arts and Sciences

April 22, 2010—This year's class of American Academy of Arts and Sciences fellows includes four Cornell faculty members:

Valerie Jean Bunce, Aaron L. Binenkorb Professor of International Studies and professor of government

Theodore Eisenberg, Henry Allen Mark Professor of Law

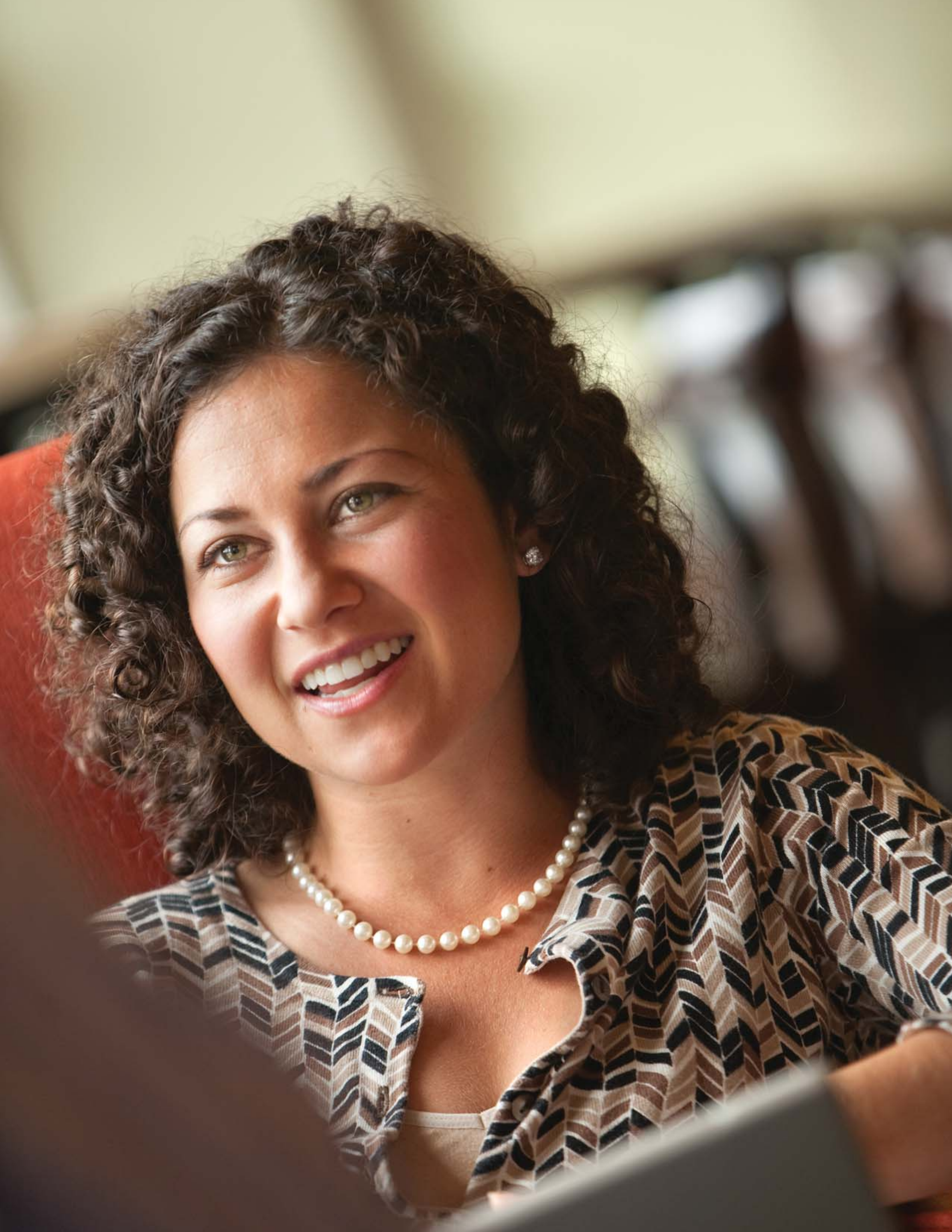
Ronald R. Hoy, David and Dorothy Merksamer Professor of Biological Sciences

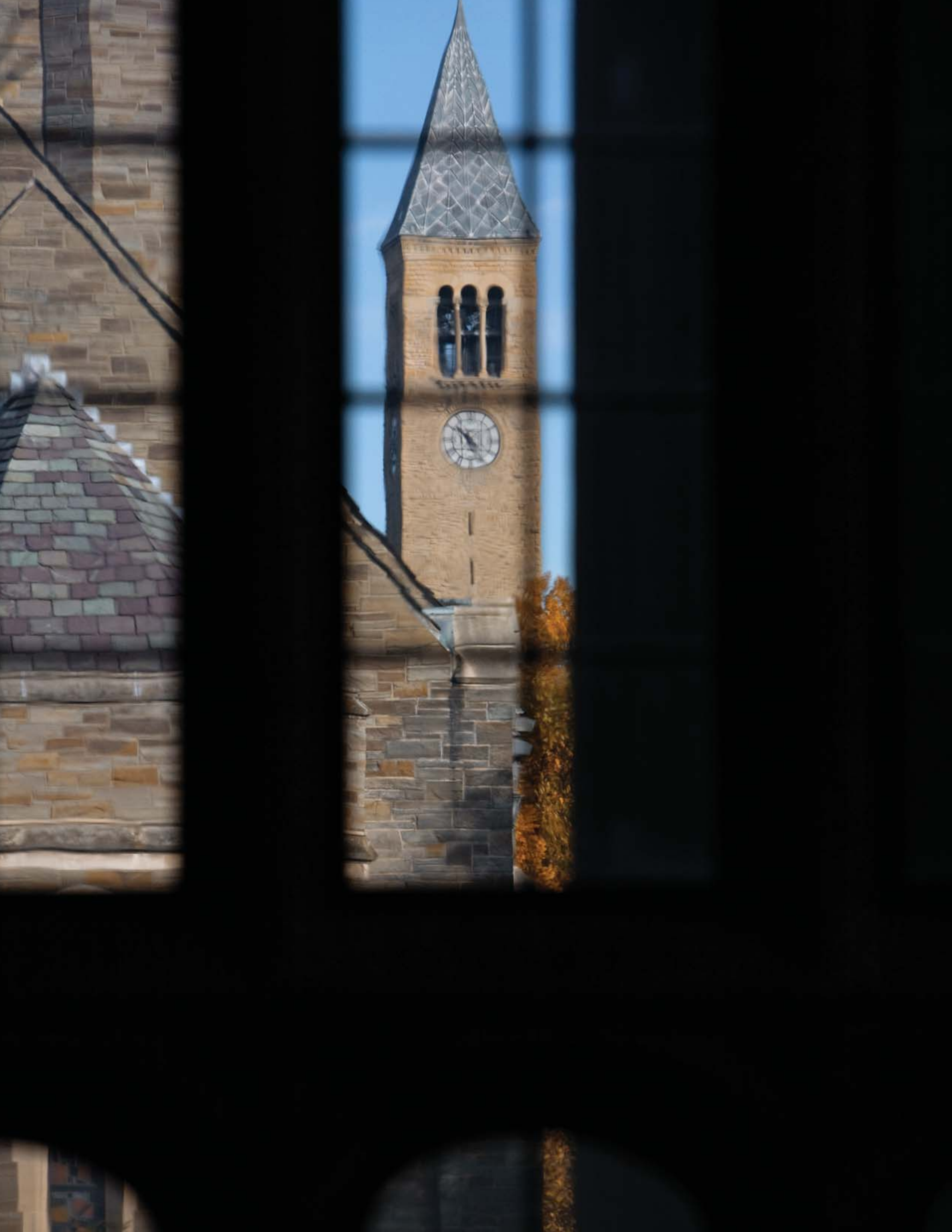
Roberto Sierra, Old Dominion Foundation Professor in the Humanities and chair of the Department of Music

In addition, Ratan Tata '62, chairman of Tata Sons, the holding company of the Tata Group and a Cornell benefactor, was elected a foreign honorary member.

Seamus Davis elected to National Academy of Sciences

April 29, 2010—J.C. Séamus Davis, the J.G. White Distinguished Professor of Physical Science, has been elected to the National Academy of Sciences. Davis, who also serves as a senior physicist and director of the Center for Emergent Superconductivity at Brookhaven National Laboratory, conducts research into the behavior of superconductors and superfluids at temperatures close to absolute zero in order to learn more about the fundamental physics of matter. His research has opened new understanding of "high-temperature" superconductors.





Mary Beth Norton elected to American Philosophical Society

May 3, 2010—Mary Beth Norton, the Mary Donlon Professor of American History, was elected to the American Philosophical Society April 24. An expert on early America, she is completing the last of a three-volume project that examines the interplay of gender, society, and politics in America from the beginnings of settlement to approximately 1800. The American Philosophical Society, based in Philadelphia, is the oldest learned society in the United States, founded by Benjamin Franklin in 1743 for "promoting useful knowledge." The society supports research, discovery, and education through grants and fellowships, lectures, publications, prizes, and exhibitions. Since 1900, more than 260 members have received the Nobel Prize.

Three faculty members appointed to endowed chairs

June 9, 2010—Three faculty members were elected to newly endowed chairs by the Cornell Board of Trustees in May. T. Michael Duncan was elected the first Raymond G. Thorpe Teaching Professor of Chemical and Biomolecular Engineering. He studies heterogeneous catalysis and advanced materials to determine the molecular basis for macroscopic effects such as chemical, electrical, and mechanical properties. Pamela Tolbert, chair of the Department of Organizational Behavior, was elected the first Lois S. Gray Professor of Industrial Relations and Social Sciences. Her research includes studies of tenure systems in higher education, the effects of organizational and occupational demography on career patterns, and the effects of earnings differences in dual-career couples on spousal relationships. Harold Bierman Jr. was elected the first Harold Bierman Jr. Distinguished Professor of Management, an endowed chair created in his honor. Bierman, who joined Cornell in 1956, is interested in investment and corporate financial policy decisions.

Research

Cornell's cancer vaccine begins clinical trials

August 21, 2009—The Bioproduction Facility in Cornell's Stocking Hall, a partnership between the Ludwig Institute for Cancer Research and Cornell, has produced the first batch of a cancer vaccine that is now being used in clinical trials for patients facing either ovarian cancer or melanoma. The melanoma trial is being conducted at New York University Medical Center, while the ovarian cancer vaccine trial is at the Roswell Park Cancer Institute in Buffalo, New York. The trials are assessing the safety and the anti-tumor immune response of the NY-ESO-1 recombinant protein cancer vaccine alone and in combination with other agents. The goal of these trials is to maximize the body's immune response to the NY-ESO-1 protein.

Scholar helps classify clicks in African languages

October 21, 2009—Visiting linguistics scholar Amanda Miller researches the phonetics of Khoesan languages, many of which are extinct or endangered—including N|uu, the subject of a study she recently published in the *Journal of the International Phonetic Association*. Click consonants "don't fit into the classifications that are used for European languages," Miller said. By using portable, high-speed ultrasound imaging equipment to record the N|uu speakers' tongue movements at 124 frames per second, the researchers could document all of the sounds of the language, which is spoken by only 10 remaining people in South Africa. They were then able to develop a system to classify the sounds. Miller's collaborative research on Mangetti Dune !Xung, spoken in northern Namibia by about 500 people, will use some of the same methodology. The research "helps with understanding universal systems for languages and is important for historical understanding of how people originated," Miller said.

Cornell to lead new cancer research center

October 27, 2009—A new $13 million Center on the Microenvironment and Metastasis at Cornell will focus on using nanobiotechnology and related physical science approaches to advance research on cancer. The center is one of 12 new research centers across the nation announced October 26 by the National Cancer Institute. Cornell will serve as the lead institution in a partnership with Weill Cornell Medical College in New York City and the University at Buffalo. Barbara Hempstead, professor of medicine and co-chief of the Division of Hematology and Medical Oncology at Weill Cornell Medical College, will serve as the senior co-investigator. Three faculty members from Cornell's Department of Biomedical Engineering are co-leaders with Weill Medical College faculty of the collaborative research projects—Claudia Fischbach-Teschl: examining physio-chemical transducers and their role in tumor angiogenesis; Cynthia Reinhart-King: physical and chemical cues in tumor cell migration; and Michael King: adhesion of tumor cells in the vascular microenvironment.

Researchers create cell phones for sign language

December 2, 2009—Cornell researchers and colleagues have created cell phones that allow deaf people to communicate in sign language, any time, anywhere. Sheila Hemami, Cornell professor of electrical and computer engineering, leads the research project, Mobile ASL (American Sign Language). The technology allows deaf people "untethered communication in their native language," Hemami said. The phones offer a type of mobile videoconferencing designed specifically with ASL users in mind. The goal is to send clear video over existing limited-bandwidth networks. The Mobile ASL team learned that deaf people often use only one hand to sign, that they're very good at adapting as needed, and that when two people are talking to each other, they spend almost the entire time focused on the other person's face. They concluded that their cellphone video would need to be clearest in the face and hands. The first phone prototypes were created last year and are now in the hands of about 25 deaf people in the Seattle area. The researchers are perfecting their intelligibility metrics and looking for ways to bring down the cost. Making the phones as user friendly as possible is a key goal of the project, Hemami said.

Miniature ultrasound device could revolutionize pain relief

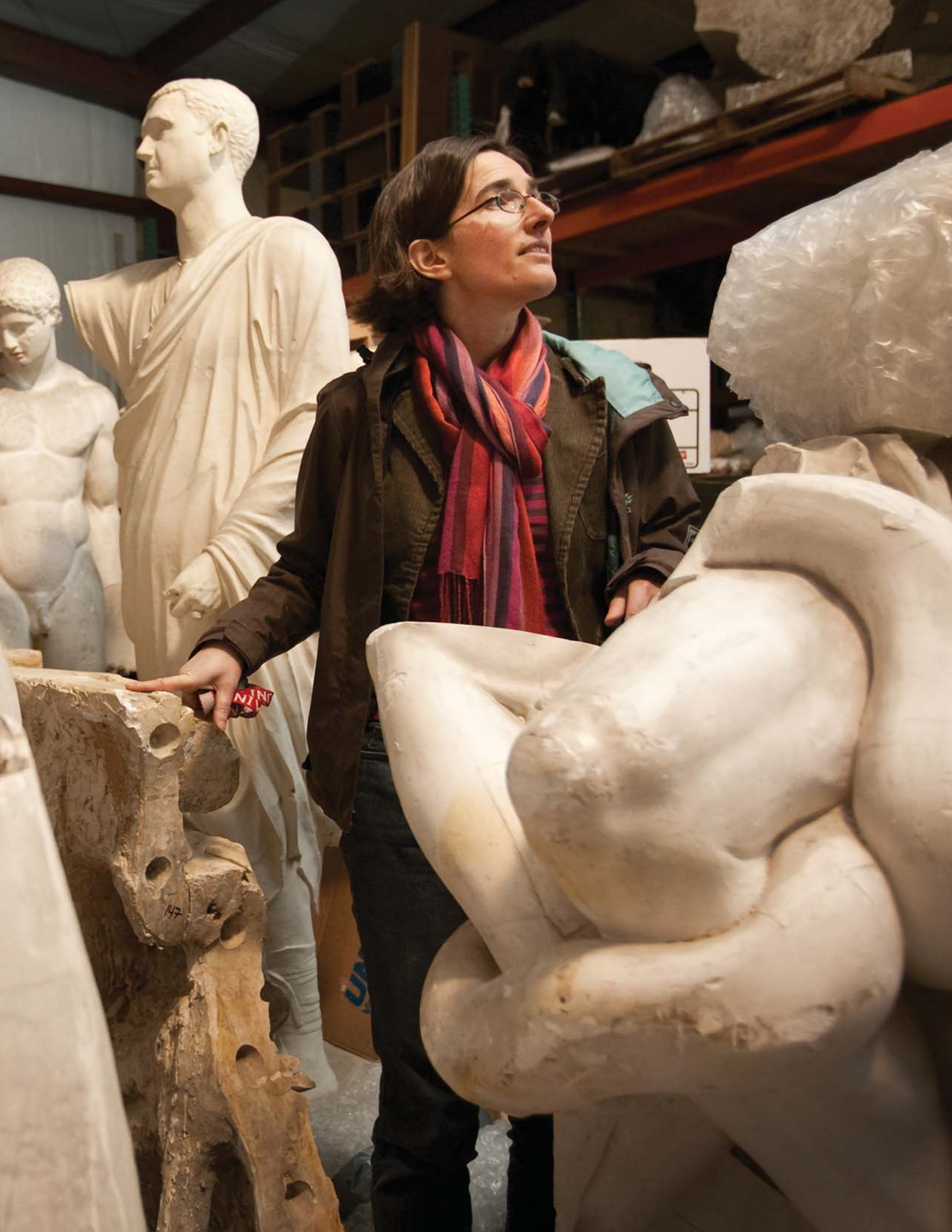
February 16, 2010—The latest ultrasound device created by Cornell graduate student George K. Lewis could one day introduce a whole new level of home therapy for pain management. The sleek device slips into a pocket and sends ultrasound waves deep into muscles via a coin-sized polystyrene pad, the transducer, which converts electrical energy into ultrasound. Lewis's prototype, possibly the world's smallest ultrasound device, is gentle enough to be kept close to the skin for up to 10 hours. Lewis has partnered with Cary Reid, a geriatrician at Weill Cornell Medical College, and Charles Henderson, senior research associate in the Department of Human Development, to prepare their first clinical trial. The study will focus on osteoarthritis patients to determine whether the devices can significantly reduce joint pain. Lewis, a National Science Foundation fellow and a Cornell Presidential Life Sciences fellow, hopes that the device can one day hit the marketplace and find itself in the pockets of millions of people.

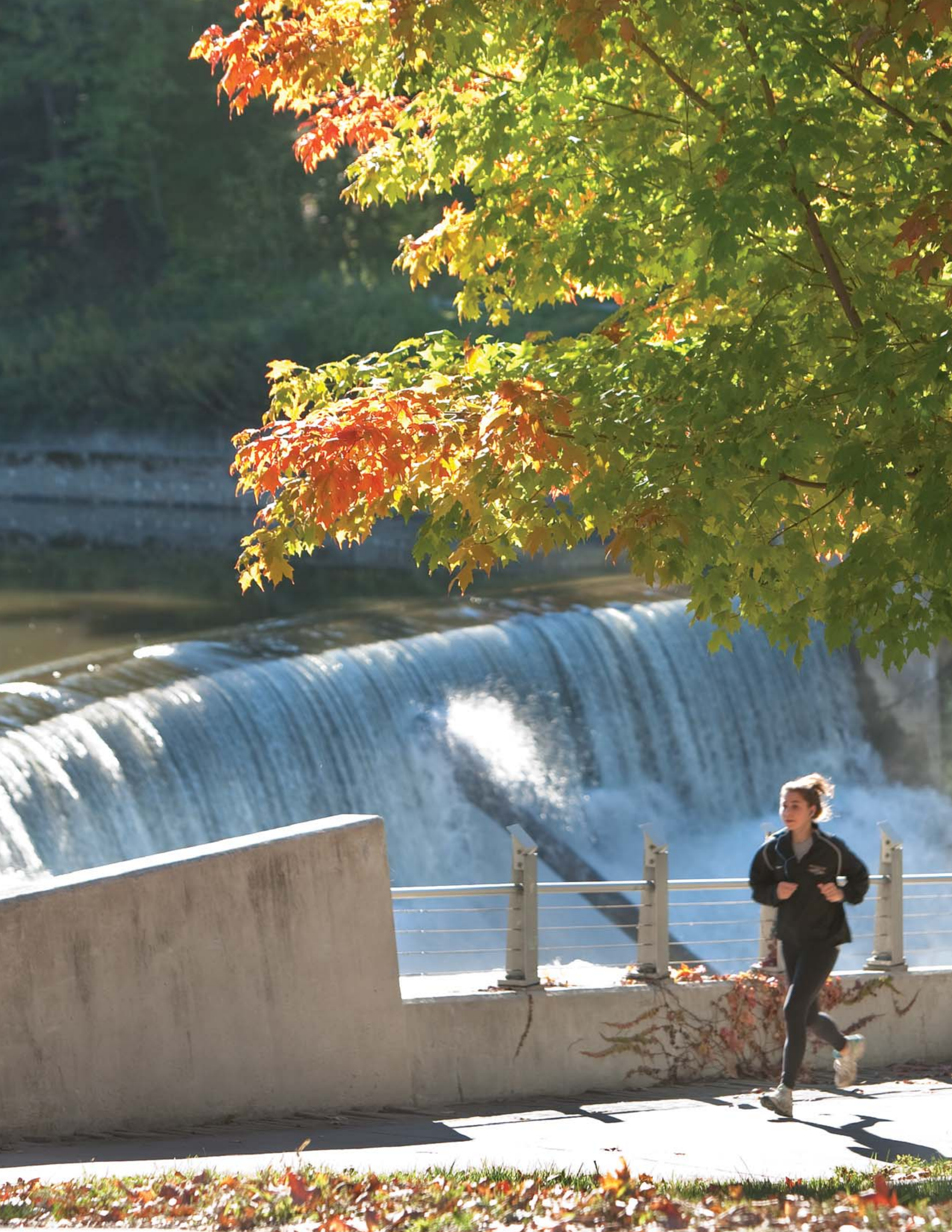
CU-built FORCAST views the universe in infrared

May 25, 2010—For Cornell astronomer Terry Herter and the team behind FORCAST, the Faint Object Infrared Camera for the SOFIA Telescope, tonight's flight will be the culmination of 13 years of planning and design—and the beginning of the camera's career as a key instrument on NASA's new airborne observatory. The camera can see through dust in space and provide a multicolor view of places that are otherwise obscured, including the center of our galaxy, nearby galaxies, and areas around newly forming stars and young star clusters. Cooled with liquid helium to 4.2 degrees Kelvin, FORCAST can collect up to 500 images per second and provide the highest spatial resolutions possible with SOFIA, resolving fine details better than its predecessor, the Kuiper Airborne Observatory, by a factor of three. Education and public engagement are key pieces of the FORCAST mission, said Herter, the project's principal investigator. Data from the instrument will be available online, and educators will be invited to join scientists on flights once operations are up and running.

Engineers, surgeons make biomaterial for wounds

June 1, 2010—A gel, based on a natural compound produced in the body during the metabolism of glucose, may help to heal wounds following surgery, according to a study by Cornell biomedical engineer David Putnam and Jason Spector, a plastic surgeon at Weill Cornell Medical Center. The gel, made of polyethylene glycol and a polycarbonate of dihydroxyacetone (MPEG-pDHA), sticks to certain amines in biological tissues. To create MPEG-pDHA, Putnam and colleagues first made DHA molecules stable enough to manipulate, then bound them together to form a polymer, or chain of molecules, along with MPEG—producing a gel that could be injected through a syringe. When injected into a surgical wound, the gel can hold tissues together during the healing process and, as the researchers found during a study with rats that had had breast tissue removed, it helps prevent internal pockets from filling with seroma fluid. And because it is biodegradable and water soluble, DHA does not stay tacked onto the body's tissues forever, thus lowering the risk of infection.





Big Red Athletic Teams

Big Red hockey fans take over Madison Square Garden

November 30, 2009—With more than 12,000 Cornell fans showing up to taunt the Terriers, the Big Red gave Boston University a big scare at the Red Hot Hockey game at Madison Square Garden, November 28. Cornell held on to a one-point lead until the final minute of the third period when BU evened out the score. The game went into an intense but scoreless overtime, resulting in a tie of 3–3. "Cornell took advantage of an incredible opportunity to gather hundreds of Cornell alumni, parents, students, and friends in the heart of New York City," said Jessica Raha '99, senior associate director of regional programs in the Office of Alumni Affairs. Big Red fans got revved up at several alumni events before the game—some of the largest: 800 fans at the Rinkside Rally with President David Skorton, Coach Mike Schafer '86, and the Big Red Pep Band; a gathering of fans and alumni aboard the USS *Intrepid*, also with the band; and more than 500 young alumni at a post-game reception at Slattery's.

Three Cornellians go for the gold in Vancouver

February 4, 2010—When the Winter Olympics opens in Vancouver on February 12, three athletes with Cornell University ties will be among those vying for gold medals. Hockey players Douglas Murray '03 and Rebecca Johnston '12 and bobsled team member Jamie Moriarty '03 will help carry the hopes for their respective countries while representing the Big Red of Cornell. Murray, a defenseman at Cornell from 1999–2003, is currently a defenseman for the San Jose Sharks of the National Hockey League and will play for his native Sweden at the Olympic Games. Johnston will represent her native Canada and has expressed excitement about competing in the Olympics in her home country. Canada's women's team is one of the strongest in the world, having won gold at both the 2002 and 2006 Winter Olympics. Moriarty, a former Cornell football player, is a member of the U.S. Olympic bobsled team. He will be in the four-man USA III sled.

Women's ice hockey to make debut at NCAA Frozen Four

March 18, 2010—An already historic season continues for the Cornell women's hockey team, as it makes its first appearance March 19 in the NCAA Division I Women's Hockey Frozen Four against top-seeded Mercyhurst. One of the nation's top young programs, Cornell earned its berth in the NCAA semifinals with a 6–2 victory over fourth-seeded Harvard on March 12 in Cambridge, Massachusetts. The Big Red qualified for the NCAA tournament after winning the ECAC hockey tournament and garnering the league's automatic berth into the field of eight teams. Cornell and Mercyhurst have the nation's two longest unbeaten streaks—Cornell's streak is at 11 games, while Mercyhurst is 10–0–0. The winner will advance to the national championship game, which will be played Sunday at 1 p.m. against the winner of Minnesota vs. Minnesota-Duluth.

CU makes history, defeats Temple in NCAA first round

March 19, 2010—On March 19, the 12th-seeded Big Red defeated the fifth-seeded Temple Owls, 78–65, in the first round of the NCAA tournament—the school's first-ever NCAA tournament win in men's basketball. Led by a talented senior class that had the nation talking "Cinderella," the Big Red proved that Cornell can dance with the best of them. "I thought we did everything you need to do against a very good defensive team," said Coach Steve Donahue. Cornell controlled the game from the start, and although Temple is a talented shooting team, Cornell shut them down with a powerful, opportunistic defense. The Cornell players moved the ball comfortably. They found daylight with the open man and shot 56 percent from the floor. Coming into the game as underdogs, they only trailed once the entire game. On Sunday at 2:50 p.m. EDT, the Big Red will take on the No. 4-seeded Wisconsin Badgers.

Decisive win over Wisconsin sends Big Red to Sweet 16

March 21, 2010—The Cornell men's basketball team continued its unprecedented run in the NCAA tournament with a resounding 87–69 second-round win March 21 over the fourth-seeded Wisconsin Badgers. It was Cornell's celebrated senior leaders who broke open the game early and never looked back. Senior guard Louis Dale had a game-high (and career-high) 26 points, and senior forward Ryan Wittman had 24. Senior center Jeff Foote scored 12, sophomore guard Chris Wroblewski had 12, and senior forward Jon Jaques had nine. Senior forward Mark Coury added four. Cornell now has 29 wins—the most ever for an Ivy League school's single season. The win sends the

12th-seeded Red into the East Regional semifinals, better known as the "Sweet 16," at the Carrier Dome in Syracuse, March 25. Cornell is the first Ivy League school to make the Sweet 16 since the University of Pennsylvania went to the Final Four in 1979.

Cornell fan base ready to paint the Carrier Dome Big Red

March 25, 2010—About 400 students, alumni, friends, and fans turned out for a pep rally in Syracuse on March 25 to get in the mood for the men's basketball team's Sweet 16 matchup against the Kentucky Wildcats. The event, sponsored by Alumni Affairs and Development, took place at the Sheraton Hotel on the Syracuse University campus. The party was filled to capacity with lots of red, lots of food, and an air of confidence that 12th-seeded Cornell would put its best foot forward on the court. The pep band, cheerleaders, and dancing Big Red Bear got the crowd amped and ready. Television screens were set up for those who couldn't get game tickets.

Kentucky ends Cornell's run in NCAA tournament

March 26, 2010—The men's basketball team's incredible run in the NCAA tournament ended on March 25 with a 62–45 loss against the University of Kentucky Wildcats. Their final season record was 29–5. Despite a strong start that had every Cornell fan in the Carrier Dome on their feet, the Big Red were outmatched by the top-seeded Wildcats. Senior guard Louis Dale had a game-high 17 points. Senior forward Ryan Wittman had 10 points, and senior center Jeff Foote had eight. Cornell made a run during the second half, cutting the point deficit to six after being down 32–16 at halftime. But the gap never narrowed that much again. The Big Red shot 33 percent from the field and were outrebounded 41–28. At the start of the game, it was clear whose house the Wildcats had stepped into. Cornell fans showered the dome in red, drowning out the blue-clad Kentucky fans and supporting each hard-fought Cornell basket with deafening cheers. Though things grew quieter as the game wound down, the fans ended the night by shouting "Thank you, seniors" to the team's talented leadership.

500 welcome Big Red team home in front of Day Hall

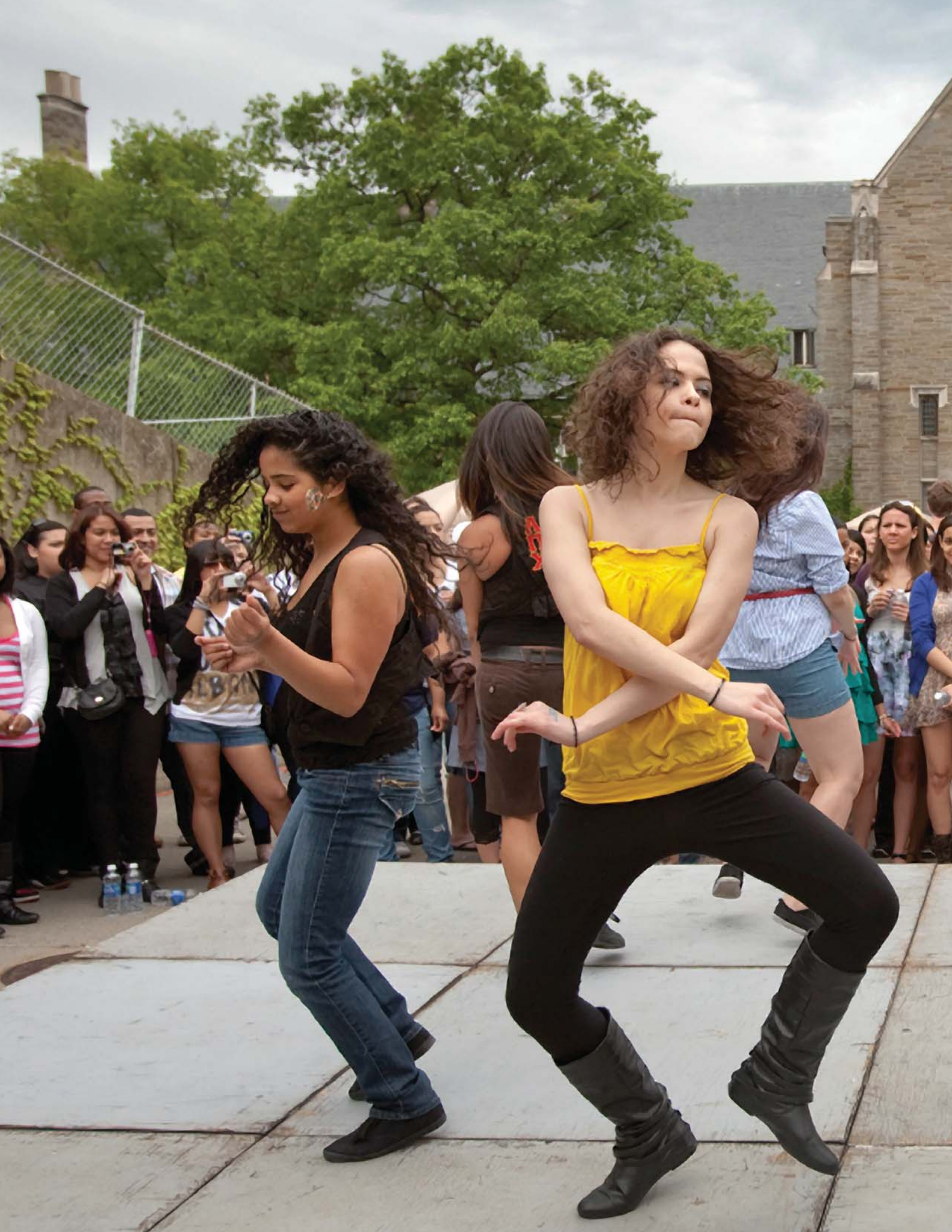
March 26, 2010—Cheerleaders, signs, sirens, drum rolls, and the cheers of staff, students, and faculty members chanting, "Let's go Red," greeted the men's basketball team as it returned to Ithaca March 26. They had just completed their stunning run toward the NCAA championship the night before when the team succumbed to the No. 1 seed—the University of Kentucky Wildcats—before a packed house at the Syracuse Carrier Dome. The game against Kentucky was the Big Red's first dance in the tournament's Sweet 16 round. They ended their season with a record-breaking 29–5. "You are what scholar-athletes are all about," said Susan Murphy, vice president for student services. "On behalf of all of us who are Cornellians—we are so proud of you."

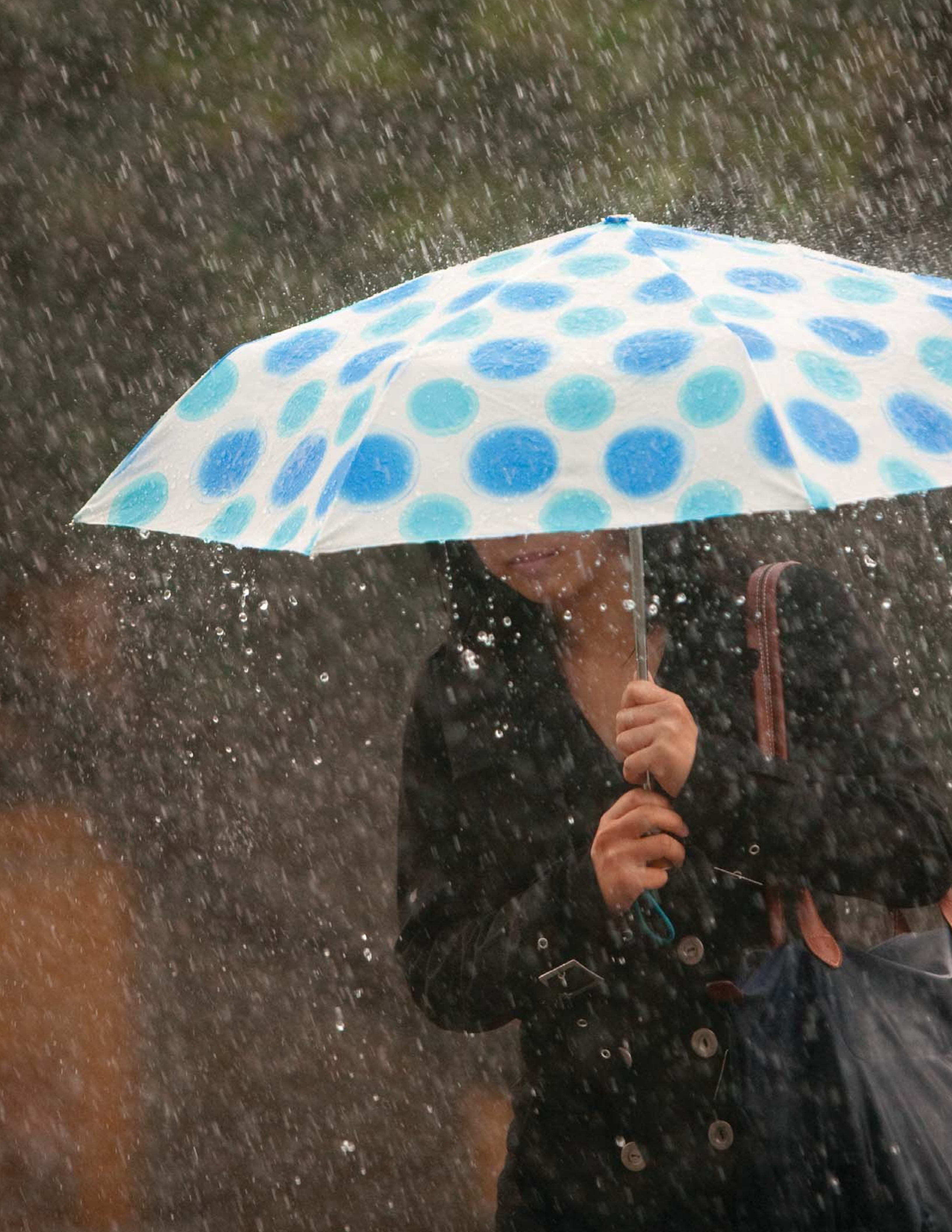
400 Club honors 101 student-athletes

April 5, 2010—A breakfast last month honored 101 Cornell student-athletes from the spring 2009 and fall 2009 semesters who posted perfect 4.0 grade-point averages. These student-athletes are inducted into the athletic department's 400 Club for their demonstration that the ideal is achievable, that it is possible to excel both in the classroom and in the sporting arena. "Being a student-athlete at an Ivy League institution is no easy task," said Chris Wlosinski, the Andrew '78 and Margaret Paul Assistant Director of Athletics for Student Services. "For these students to practice 20 hours a week, commit themselves to Division I athletics without a scholarship, and to achieve a perfect 4.0 or above is a tremendous accomplishment that deserves to be recognized by the administration."

Men's lacrosse falls to Fighting Irish in semifinals

May 29, 2010—The Big Red had its unexpected run to the national Final Four ended by unseeded Notre Dame this afternoon at M&T Bank Stadium in Baltimore, as the Fighting Irish took the 12–7 victory. Cornell ends its season with an impressive record of 12–6. Notre Dame goalkeeper Scott Rodgers was the difference, making 16 saves to keep the Big Red at bay all afternoon despite an advantage in shots (40–32), ground balls (39–31), and face-offs (12 of 13). Cornell freshman Steve Mock had three goals and added five ground balls, while senior Ryan Hurley posted two goals and an assist. Freshman Mike Bronzino had three caused turnovers, and USIL Attackman of the Year Rob Pannell had two assists and six ground balls, while David Lau chipped in two assists. In their final game in a Cornell uniform, Pierce Derkac picked up five ground balls and caused two turnovers, and Austin Boykin went 8 for 16 in the face-off circle and picked up three ground balls.





Alumni News

Cornell alumni join forces at leadership conference

February 4, 2010—The first Cornell Alumni Leadership Conference, held January 29–31 in Washington, D.C., gathered alumni volunteers from Cornell Clubs, classes, associations, and regions. More than 800 volunteering alumni attended the conference, which was organized by the Office of Alumni Affairs. Participants brainstormed and shared ways to connect as Cornellians. Many of the nearly 40 sessions offered a toolbox of solutions to the day-to-day challenges that all alumni groups share, from how to leverage social media to how to get alumni to open e-mails and read them. The leadership conference builds on the success of the Mid-Winter Meeting, hosted since 1905 by the Cornell Association of Class Officers. That annual training weekend is open only to class officers, while the conference was open to all Cornell University volunteers.

Student phoners pass $1 million mark for annual fund

April 2, 2010—For the first time in its 13-year history, Cornell's student-staffed fund-raising phonathon raised $1 million (and counting) in a single fiscal year. The big moment came on March 18, the Thursday before spring break. At the same time last year, the phonathon had raised $601,000. For six nights a week, every week since August (excluding university holidays and one power outage), 30 of the 151 Big Red Phonathon employees—all Cornell undergraduates—gather in a calling room in the Engineering Library in Carpenter Hall and don headsets to phone alumni, parents, and friends to ask for gifts to the Cornell Annual Fund. So far this year, Big Red Phonathon callers have logged 2,577 hours of talk time. They've completed 43,135 conversations and written more than 10,000 thank-you notes to every person who has either made a gift or agreed to think about making a gift. The average commitment is $132.21, but callers have secured gifts up to $5,000. "It's the broadest personal outreach program that we have," says Maya Gasuk, director of the Annual Fund.

Cornell Business Communities is expanding

April 21, 2010—The university is expanding its business communities for alumni in finance, high-tech, and entrepreneurial sectors. Cornell Entrepreneur Network, Cornell Silicon Valley, and Cornell Wall Street together are known as Cornell Business Communities (CBC). The CBC helps alumni make useful connections with each other and faculty, staff, and students through small and large events. Collectively the CBC plans to produce 150 events for 6,000 Cornellians in the next year, in cities from New York City to San Francisco to Miami, said CBC Senior Director Shannon Murray '94. Networking is one benefit. But each group's events also focus on current industry-specific topics. Cornell Silicon Valley, which caters to the approximately 10,000 Cornell alumni who live and work in the San Francisco Bay area, hosts events tied to technology and entrepreneurship. Cornell Wall Street caters to the more than 50,000 Cornellians in the financial sector.

AAD expands to the Northeast corridor

May 26, 2010—More Cornellians live in the Northeast corridor than anywhere else in the world. Many additional Cornellians use New York City as a base or gateway for their business or professional activities. The Division of Alumni Affairs and Development is expanding its New York City focus to better reach them. It aims to offer more networking and professional programs for alumni where they live and work and direct additional efforts toward the larger urban base of Cornellians in that region. To lead the effort, AAD has hired Claude Johnson to fill the new position of assistant vice president. He will identify new ways to accelerate and support programs and fundraising from Washington, D.C. to Boston. He will oversee new initiatives, which concentrate on connecting Cornellians who work in finance and related industries, and he will help Cornellians tap into the wealth of opportunities afforded by Ithaca's proximity to Manhattan.

Reunion Weekend goes green, offers lectures and tours

June 2, 2010—From bird walks and lectures to wine tours, Cornell alumni from classes ending in 0 and 5 will be treated to a bevy of activities during Reunion Weekend. This year, the Reunion committee has pledged to make the three-day affair a green one. Efforts include doing away with the printed schedule booklet and limiting bottled water for individual events. Beyond the traditional Reunion events, new faces and activities will also be part of this year's celebration. For the first time, the Cornell Asian Alumni Association and the Cornell Latino Alumni Association will have their own events during the weekend.

$25 million gift establishes applied economics school

June 8, 2010—Cornell President David Skorton announced that $25 million from the family of John Dyson '65 will establish a new school, the Charles H. Dyson School of Applied Economics and Management, in the College of Agriculture and Life Sciences. The school is named for Dyson's father to recognize his contributions to American business. The gift is directed at the Department of Applied Economics and Management, one of only two Ivy League undergraduate business programs that consistently is ranked in the top 10 in its field. The Dyson family would like to see the university use the funds to hire the best faculty members possible—and continue to give students on-the-ground training, Dyson said, noting that he has used the accounting that he learned at Cornell every day of his business life. "Most business schools are too theoretical. ... They do not have the breadth of framing and grounding in reality that Cornell's applied economics and management program has had for its 100 years," said Dyson, former chairman of the New York Power Authority. "The uniqueness of this program is what we want to continue and accentuate. This is a broad education, not just a business education."

A Great Place to Work

Custodians' tales move *The Philosopher Kings* audiences

August 26, 2009—Cornell building staff applauded colleagues James Evener and Gary Napieracz and the makers of *The Philosopher Kings* on August 26 in Bailey Hall. The documentary celebrates the wisdom and humanity of eight custodial workers filmed in 2008 at seven universities, including Evener and Napieracz from Cornell. The film intertwines their stories, showing the custodians at work and at home, with families and friends. Commentary comes in the form of quotes from philosophers on heroism, marriage, and life. Just as profoundly, the custodians share their lives and what they've learned, often through adversity. A public showing followed a morning screening for more than 400 Building Care and Campus Life custodians. Director of Building Care Rob Osborn hosted a post-screening panel of director-producer Patrick Shen, co-producer Greg Bennick, and custodians Evener, Napieracz, Oscar Dantzler from Duke University, Melinda Augustus from the University of Florida, and JeSue LaJeunesse from Princeton. Michael Seals of the University of California, Berkeley arrived on campus to join the afternoon panel. The Cornell screenings kicked off a national tour of the film.

Cornell is first to win AARP's top award twice

September 9, 2009—The AARP has named Cornell the top U.S. employer for workers 50 and older for the second consecutive year, the first employer in AARP's history to be recognized more than once as the No. 1 employer. Cornell was recognized for such innovative policies as phased retirement for faculty and staff, an on-site wellness program, flexible work options (such as telecommuting and compressed work weeks), paid days off for family care giving, a university-subsidized prescription drug plan, and free Cornell education for Cornell retirees. New programs and services for employees 50 and older at Cornell are in the works, including a web site that is being specifically designed to provide retirees with resources and life tips, and the "Encore Cornell" program (expected to roll out later this fall) that will provide assistance to Cornell retirees in Ithaca and throughout the nation in obtaining temporary on-site and remote employment opportunities with Cornell.

Working Mother names Cornell a best employer

September 22, 2009—Cornell has been named a top-100 best employer for mothers in the workforce by *Working Mother* magazine for the fourth consecutive year because of its family-friendly policies despite economic pressures in a recession and for continuing to improve key employee benefit programs. "Cornell has an ongoing commitment to understanding and responding to the needs of our talented faculty and staff," said Mary Opperman, vice president for human resources. Lynette Chappell-Williams, associate vice president for workforce diversity and inclusion, added: "Cornell's commitment to diversity and inclusion drives its efforts to address the needs of working mothers, in particular, and all parents and guardians, in general."

Cornell University 2009-2010 Financial Report

I am very pleased to report on the progress Cornell has made in fiscal year 2010. In the most challenging economic environment in recent history, we acted decisively to adjust the University's cost structure and improve its liquidity position, while continuing to invest in the future. At the same time, the University benefited from a return of 12.6 percent on its investments, a healthy increase in gifts and pledges over the prior year, and significant federal stimulus funds for research.

Thanks to actions taken this year, Cornell is well on the way to emerging a stronger institution. The University restructured its debt portfolio and reduced operating costs by streamlining its workforce and "reimagining" its processes. New practices are now in place that will strengthen the entire institution's financial position, which, in turn, will further Cornell's enduring mission of teaching, research, and public engagement.

We tackled the fiscal situation without sacrificing the University's longer-term strategic ambitions, and continued to invest in our commitment to an accessible education by implementing a new enhanced financial aid program. We completed the financing of a Medical Research Building at East 69th Street and York Avenue, a project that will double the medical college's research space and strengthen biomedical research University-wide. Finally, we promulgated a new comprehensive strategic plan that includes faculty renewal as a top University priority. The University plans to invest in recruiting exceptional faculty in advance of an unprecedented number of retirements.

I know that we still face fiscal challenges that demand our continued attention and may require additional action. But as I look at our financial performance over the past year, I am proud of our accomplishments and ability to achieve cost-reduction objectives without sacrificing academic goals. The numbers alone do not tell the whole story of the extraordinary work performed by the University staff members at every level. Their loyalty, drive, and effort are a large part of what makes Cornell an exemplary institution, and what will undoubtedly move it into the future with fiscal strength.

Joanne M. DeStefano

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

OVERVIEW

This year's financial results reflect an encouraging year, much better than last. This is true in at least two ways. First, during fiscal year 2010 there was an overall increase in net assets of $624.4 million, compared to a $1.9 billion reduction in the prior fiscal year. Second, the University accomplished several key financial goals, particularly increased operating revenues, control of operating costs, and a shift of the University's debt portfolio from variable-rate to fixed-rate debt.

The financial press, however, reminds us to be cautious. Some experts suggest that the economy is emerging from recession; others assert that it is poised for another decline, warning about severe inflation, dangerous deflation, or a recalcitrant job market that refuses to grow. In the face of these continued uncertainties about the larger economy, the University concentrated its efforts this year on identifying and implementing financial strategies that addressed these reservations while achieving University goals.

> "…the University accomplished several key financial goals, particularly increased operating revenues, control of operating costs, and a shift of the University's debt portfolio…"

As you review the University's Statement of Financial Position and Statement of Activities, I encourage you to focus not only on the growth of operating revenues and decline in operating expenses but also the continued shift of the debt portfolio from variable-rate to fixed-rate debt. With interest rates at near record lows, the University also refinanced a portion of its variable-rate debt, increasing the fixed-rate portfolio to 80.6 percent of overall debt, compared to 60.9 percent at the prior fiscal year-end and 24.9 percent at fiscal year-end 2008.

NEW STANDARDS, EMERGING ISSUES, AND INITIATIVES

Financial Accounting Standards Board ("FASB")

In fiscal year 2010, the FASB released its much anticipated Accounting Standards Codification (ASC). This is now the authoritative source for generally accepted accounting principles (GAAP). The ASC is organized by major topic; each section includes the relevant guidance for that topic. The FASB issues new guidance as Accounting Standards Updates (ASUs). The consolidated financial statements no longer refer to FASB pronouncements by name or number.

In the current year, the notes to the financial statements include new disclosures in compliance with GAAP. The note on investments (Note 3) provides additional information on both derivatives and those investments whose fair market values are measured using net asset value (NAV). Note 6, on deferred benefits, includes new information about the overall investment strategy for managing pension and post-retirement plan assets. GAAP also requires additional new disclosures on all derivative instruments and, therefore, Note 8, on bonds and notes payable, provides additional disclosures on the debt swaps.

Regulatory Environment

On September 17, 2010, the governor of New York signed into law the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As disclosed in Note 13, this will impact the next fiscal year, primarily in the University's classification of net assets. But it will also enable the University to provide payout on true endowment funds that are "under water," if the payout meets prudency standards.

In addition, the University has continued to enhance its programs and procedures in anticipation of the Federal Trade Commission's originally announced, but not yet implemented, "red flag rules," as well as to enhance the University's payment card industry (PCI) compliance. Both are important components of overall efforts to mitigate risks associated with security and privacy.

The University has complied with the federal reporting requirements for funds received under the American Recovery and Reinvestment Act (ARRA)—primarily research-related funding. Management also implemented procedures in fiscal year 2010 to comply with the "eVerify" requirement to review the employment eligibility of individuals paid on U.S. government contracts.

Initiatives

The University has undertaken a major institutional initiative, called "Reimagining Cornell." There are many components to this overarching plan, but key among them are proposals for reorganizing delivery of financial transaction processing services, information technology services, and facilities-related services to the campus. New shared service organizations have been designed to provide efficiencies, deliver quality service, and, over time, contain administrative costs.

Another major initiative is the University's implementation on the Ithaca campus of the Kuali Financial System (KFS), an open-source system developed by a partnership of institutions of higher education. In this fiscal year, various teams of subject matter experts, business analysts, communicators, trainers, and programmers devoted their efforts to the goal of implementing KFS at Cornell on July 1, 2011.

Finally, the Ithaca campus continued its strategic sourcing initiative which, over time, is designed to produce significant savings by channeling purchasing dollars to key, selected vendors, which will, in turn, generate better pricing and better service.

FINANCIAL YEAR IN REVIEW

Operating Revenue

In the fiscal year ended June 30, 2010, the operating revenues of the University grew by over 10.7 percent, most significantly in sponsored support and donor support. This compares to growth in revenues in the prior fiscal year of less than 1 percent.

Tuition revenue grew by $44 million, or 6.4 percent, in fiscal year 2010, due primarily to rate increases. Tuition revenue, net of the scholarship allowance, reflects a decline of 3.2 percent from the prior year because of the increase in the scholarship allowance.

Appropriation revenue, as anticipated, continued to decline due to Federal and State budgets. The decline in State support for operations is anticipated to continue because of severe budget constraints, although New York State provided increased support for contract college capital projects which, for the fiscal year ended June 30, 2010, amounted to $64.5 million, compared to $26.9 million for the fiscal year ended June 30, 2009. The University records the support as current non-operating revenue if expenditures have already been incurred and as deferred revenue if expenditures have not yet been incurred. Deferred revenue for the State support for capital projects is $38.7 million at June 30, 2010.

Once again, as a testament to the University's outstanding research faculty, grant and contract revenues increased by $111.8 million, or 26.0 percent, with approximately $51 million from American Recovery and Reinvestment Act (ARRA) funding. Indirect cost recoveries increased by $9.9 million, or 7.8 percent. The growth in indirect cost recoveries is not proportional to the direct revenues for many reasons, but key among them is that expenditures for equipment and facilities are not eligible for indirect cost recoveries. After the latest negotiations, the medical college indirect cost recovery rate increased one percentage point from 68 percent to 69 percent. The Ithaca campus will be negotiating its rates during calendar year 2011, applicable to fiscal year 2012.

The University's donors increased their support substantially in this fiscal year. Contributions for operations were $189.9 million, double the amount from the prior fiscal year. Contribution revenue for endowment and physical plant is $253.5 million in this fiscal year, a 124.7 percent increase from the prior year. Contributions for true endowment, included in the $253.5 million, increased from $38.7 million in fiscal year 2009 to $137.6 million in fiscal year 2010. This increase is significant because true endowments provide an important resource base for the University's continued growth. It is important to emphasize that approximately $308 million, or 66 percent of this year's total contribution revenue, is from pledges that must, under GAAP, be recorded as current-year revenue, even though this revenue does not provide cash. For that reason, the University's budget office does not record a pledge as an available resource until payment is received.

Revenue from investment return distributed for operations remained essentially flat, with approximately $304.7 million in fiscal year 2010 compared to $304.1 million in the prior year. In the current year, the payout on shares in the long-term investment pool was $2.55, compared to $3.00 in the prior year. This 15.0 percent decrease in payout is offset by an increased number of shares outstanding and associated expenses. The Board has authorized payout for fiscal year 2011 at $2.20 per share, a 13.7 percent decline from fiscal year 2010, consistent with its planned long-term strategy.

The revenues from the Medical Physician Organization grew at a rate of 10.5 percent in fiscal year 2010, compared to 11.7 percent in the prior year. The revenue growth continues to reflect the expansion of facilities and growth of faculty in key medical and surgical disciplines, such as fertility medicine, that occurred in prior years.

Operating Expenses

Operating expenses decreased by over $20.2 million in the fiscal year ended June 30, 2010, or almost 1 percent. More importantly, total compensation and benefit expenses

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)

declined significantly due to the acceptance by more than 400 Ithaca campus employees of the voluntary retirement incentive offered at the end of the last fiscal year. In addition, there was no salary improvement program on the Ithaca campus for fiscal year 2010, as the University focused on its necessary cost containment objectives. Universities are labor intensive and compensation and benefits generally constitute the major factor in overall operating costs. That continues to be the case, but for fiscal year 2010 these costs are 62.7 percent of total operating expenses, compared to 65.3 percent for the prior fiscal year.

The 8.5 percent increase in expenses for purchased services reflects increased costs for consulting services, and nursing and other technical services obtained by the medical college from the New York Presbyterian Hospital. The 6.6 percent increase in supplies and general expense for this fiscal year is based primarily on charges for bad debt reserves at the medical college. In fiscal year 2010, the medical college incurred a charge of $18.3 million to establish a reserve for receivables from affiliated institutions primarily to cover "older invoices." The medical college also increased its reserve for grants and contracts and patient receivables.

The $33.7 million increase in interest expense is a direct result of the University's increase of $500 million in taxable debt and $305 million in tax-exempt financing in the prior fiscal year. The decrease in utility costs reflects a decline in the market price of electricity during fiscal year 2010, decreases in heating costs due to weather, and the emerging trend of reduced costs due to many energy conservation initiatives across campus.

Non-Operating Revenues and Expenses

In fiscal year 2010, the University's change in net assets from non-operating activity is an increase of $490.6 million, compared to a $1.8 billion dollar loss in fiscal year 2009. The strong results for the current year are based on the performance of the investment portfolio and the increased generosity of the University's donors, who supported both construction projects and endowment.

Miscellaneous non-operating income and expense is identified on the Statement of Activities as "Other." In the fiscal year ended June 30, 2010, these expenses declined due to a decline in the incremental expense associated with the debt swaps and the recognition of non-operating income from a portion of the proceeds from a patent infringement case.

Statement of Financial Position

The Statement of Financial Position enables the reader to review the financial history of the University over time, particularly net assets, which represents the University's accumulated wealth since inception. In the current year, net assets are $6.7 billion, a 10.3 percent increase from the prior year. For Cornell and other universities that have major endowments and investment portfolios, the growth or decline of the investment portfolio has a significant, albeit not singular, impact on the growth or decline in net assets.

Assets

In fiscal year ended June 30, 2010, the University's total assets increased by $880.2 million, or 9.7 percent, from the prior year. The most significant increases were in the two major components of total assets: Investments and Land, and Buildings and Equipment.

The University's cash and cash equivalents declined by $93.6 million, or 48.3 percent. Cash equivalents are those short-term investments that are, at the time of purchase, scheduled to mature within 90 days. These short-term investments are reclassified as cash and cash equivalents to comply with GAAP, and generally account for any major fluctuation in "cash" from year to year.

Accounts receivable net of the allowance for doubtful accounts increased by $72.6 million or 22.9 percent. The Table in Note 2 provides information on the various components of the receivable balance. The major increase in grants and contract receivables, patient receivables, and the New York receivable for capital projects are related to overall increased revenues, although the $38.7 million receivable from New York State is recorded as deferred, rather

2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
$ 3,288.0	$ 3,043.9	$ 2,750.4	$ 2,720.8	$ 3,070.2	$ 3,623.2	$ 4,180.4	$ 5,197.5	$ 5,378.1	$ 3,794.3
135.4	132.5	124.3	88.9	234.8	202.0	128.7	236.8	190.5	573.9
(84.6)	(110.5)	(128.1)	(116.4)	(37.1)	(33.7)	(125.1)	(130.1)	(340.9)	(578.7)
(294.9)	(315.5)	(25.8)	376.9	355.3	388.9	1013.5	73.9	(1433.4)	433.7
$ 3,043.9	$ 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
$ 51.85	$ 44.95	$ 42.65	$ 46.51	$ 50.11	$ 55.42	$ 66.62	$ 65.37	$ 45.12	$ 47.38

than current, revenue. The receivable for collateral related to the interest rate swaps increased because the University is required to deposit collateral when the fair market value adjustment for certain swaps creates a significant increase in the debt swap liability. The significant increase in the other receivable is based on increased billings for various unit-level activities and a receivable for proceeds from the intellectual property settlement not yet received. Gross receivables grew by 29.1 percent, but net receivables by only 22.9 percent. The difference is because of the substantial increase in the allowance for doubtful accounts, primarily associated with the receivables from affiliated institutions.

The value of the University's overall investment portfolio increased by 11.0 percent. More importantly, the University's investment strategy returned 12.6 percent for its long-term investment portfolio, benefiting from strong returns in both equity and credit markets. The return on the University's long-term investment portfolio is based on investment returns prior to any adjustment for payout and distributions. Another asset affected by the market is funds held in trust by others; its 6.3 percent increase is based almost entirely on fair market value adjustments.

The University's fixed assets increased by $209.8 million in the fiscal year ended June 30, 2010, which represents an increase of 7.4 percent from the prior fiscal year. The rate of increase, however, is less rapid than in prior years. Many major projects were completed in the fiscal year ended June 30, 2010, the largest of which were the Olin Hall infrastructure upgrade, the School of Hotel Administration's Fly Tower, the Uris Hall Animal Facility, the Ives renovation, and the combined heat and power project referred to as CCHP. The latter project, which enables heat and electricity to be generated together using significantly less energy, is important because it provides evidence of the University's commitment to sustainability. There are also significant capital projects in progress, such as the Physical Sciences Building, Milstein Hall, the Animal Health Diagnostic Lab, and the Martha Van Rensselaer renovation.

Liabilities

In fiscal year 2010, the University's liabilities grew by 8.5 percent. Accounts payable and accrued expenses increased by 13.9 percent, due primarily to the $59.6 million increase in the fair market value adjustment for debt swaps, recorded on the statement of financial position as an increase in accrued expense.

Deferred revenue and other liabilities decreased by 16.2 percent from the prior fiscal year, but this overall decrease consists of increases in deferred revenue offset by a major decrease in other liabilities. Deferred revenue increased because of support from the State of New York for capital projects previously described. There was also an increase of approximately $38 million related to premiums received as part of the 2010 bond financing and refinancing. At June 30, 2010, the University had no outstanding debt related to the University's two lines of credit, compared to $104 million at June 30, 2009, and this accounted for the significant decrease in other liabilities.

Deferred benefits increased by $17.6 million, based on increases in workers' compensation, increases in other liabilities for deferred compensation, and a modest increase in the liability for post-retirement pension and medical benefits.

The net increase of $225 million in bonds and notes payable at June 30, 2010 consists of an increase of $285 million in tax-exempt debt for the Medical Research Program at the medical college, and a reduction in liabilities for the principal paid on debt in fiscal year 2010.

Summary

I hope this review of the University's financial results for the fiscal year ended June 30, 2010 highlights challenges, initiatives, and accomplishments. The University's finance-related initiatives planned and/or begun in this fiscal year are designed to help ensure the University's ongoing financial strength for providing financial aid to its students, and achieving continued excellence in the University's delivery of education, research, and public service.

Anne Shapiro

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, are responsible for engaging independent accountants and meeting with management, internal auditors, and the independent accountants to ensure that all are carrying out their responsibilities. Both internal auditors and the independent accountants have full and free access to the Audit Committee.

David J. Skorton
President
Cornell University

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

Anne Shapiro
University Controller

Independent Auditors' Report

The Board of Trustees of Cornell University:

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of activities, and of cash flows, present fairly, in all material respects, the financial position of Cornell University at June 30, 2010, 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 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, 2009 financial statements, and in our report dated October 1, 2009, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 29, 2010
Rochester, New York

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2010 (in thousands)
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2009)

		2010	2009
Assets			
1	Cash and cash equivalents	$ 100,168	$ 193,739
2	Collateral for securities loaned	23,247	24,970
3	Accounts receivable, net (note 2-A)	386,554	314,494
4	Contributions receivable, net (note 2-B)	557,926	425,375
5	Inventories and prepaid expenses	48,556	51,929
6	Student loans receivable, net (note 2-C)	69,994	70,535
7	Investments (note 3)	5,633,184	5,073,854
8	Land, buildings, and equipment, net (note 4)	3,056,633	2,846,850
9	Funds held in trust by others (note 5)	97,270	91,514
10	Total assets	$ 9,973,532	$ 9,093,260
Liabilities			
11	Accounts payable and accrued expenses	$ 421,385	$ 370,099
12	Payable under securities loan agreements	25,685	27,408
13	Deferred revenue and other liabilities (note 8-D)	203,060	242,409
14	Obligations under split interest agreements (note 5)	108,703	105,476
15	Deferred benefits (note 6)	447,481	429,792
16	Funds held in trust for others (note 7)	92,325	93,652
17	Bonds and notes payable (note 8)	1,930,582	1,705,378
18	Government advances for student loans	47,353	46,536
19	Total liabilities	3,276,574	3,020,750
Net assets (note 11)			
20	Unrestricted	3,508,534	3,186,340
21	Temporarily restricted	971,503	856,515
22	Permanently restricted	2,216,921	2,029,655
23	Total net assets	6,696,958	6,072,510
24	Total liabilities and net assets	$ 9,973,532	$ 9,093,260

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

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2009)

		Unrestricted	Temporarily Restricted
	Operating revenues		
1	Tuition and fees	$ 741,836	$ -
2	Scholarship allowance	(280,300)	-
3	Net tuition and fees	461,536	-
4	State and federal appropriations	176,559	-
5	Grants, contracts and similar agreements		
6	Direct	542,234	-
7	Indirect cost recoveries	137,258	-
8	Contributions	77,644	112,293
9	Investment return, distributed (note 3-A)	218,938	85,811
10	Medical Physician Organization	557,179	-
11	Auxiliary enterprises	152,440	-
12	Educational activities and other sales and services	416,207	16
13	Net assets released from restrictions	146,049	(146,049)
14	Total operating revenues	2,886,044	52,071
	Operating expenses (note 10)		
15	Compensation and benefits	1,758,101	-
16	Purchased services	135,045	-
17	Supplies and general	530,721	-
18	Utilities, rents and taxes	141,377	-
19	Interest expense (note 8)	59,791	-
20	Depreciation	179,234	-
21	Total operating expenses	2,804,269	-
22	Change in net assets from operating activities	81,775	52,071
	Nonoperating revenues and (expenses)		
23	State and federal appropriations for capital acquisitions	25,824	-
24	Grants, contracts and similar agreements for capital acquisitions	-	-
25	Contributions for capital acquisitions, trusts and endowments	28,872	87,024
26	Investment return, net of amount distributed (note 3-A)	220,178	6,158
27	Change in value of split interest agreements	5,586	6,421
28	Pension and postretirement changes other than net periodic costs (note 6-C)	(5,608)	-
29	Other	(50,478)	-
30	Net asset released for capital acquisitions and reclassifications	16,045	(36,686)
31	Change in net assets from nonoperating activities	240,419	62,917
32	Change in net assets	322,194	114,988
33	Net assets, beginning of the year	3,186,340	856,515
34	Net assets, end of the year	$ 3,508,534	$ 971,503

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

Permanently Restricted	2010 Total	2009 Total	
$ -	$ 741,836	$ 697,493	1
-	(280,300)	(220,522)	2
-	461,536	476,971	3
-	176,559	182,371	4
			5
-	542,234	430,408	6
-	137,258	127,316	7
-	189,937	94,625	8
-	304,749	304,111	9
-	557,179	504,092	10
-	152,440	145,502	11
-	416,223	388,744	12
-	-	-	13
-	2,938,115	2,654,140	14
-	1,758,101	1,845,274	15
-	135,045	124,471	16
-	530,721	497,728	17
-	141,377	152,941	18
-	59,791	26,041	19
-	179,234	178,046	20
-	2,804,269	2,824,501	21
-	133,846	(170,361)	22
-	25,824	26,896	23
-	-	-	24
137,654	253,550	112,830	25
24,772	251,108	(1,811,607)	26
4,199	16,206	(22,241)	27
-	(5,608)	(4,815)	28
-	(50,478)	(96,847)	29
20,641	-	-	30
187,266	490,602	(1,795,784)	31
187,266	624,448	(1,966,145)	32
2,029,655	6,072,510	8,038,655	33
$ 2,216,921	$ 6,696,958	$ 6,072,510	34

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)
(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2009)

		2010	2009
	Cash flows from operating activities		
1	Change in net assets	$ 624,448	$ (1,966,145)
	Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities		
2	Contributions for capital acquisitions, trusts and endowments	(251,687)	(99,193)
3	Depreciation	179,234	178,046
4	Net realized and unrealized (gain)/loss on investments	(463,047)	1,578,212
5	Pension and postretirement changes other than net periodic costs	5,608	4,815
6	Change in value of interest rate swaps	73,948	90,162
7	Other adjustments	3,132	(11,478)
	Change in assets and liabilities		
8	Accounts receivable, net	(72,060)	(37,603)
9	Contributions receivable, net	(132,551)	241,442
10	Inventories and prepaid expenses	7,589	18,153
11	Accounts payable and accrued expenses	(22,662)	(26,717)
12	Deferred revenue and other liabilities	(39,349)	(56,874)
13	Change in obligations under split interest agreements	(2,529)	(8,674)
14	Deferred benefits	12,081	(61)
15	Net cash provided/(used) by operating activities	(77,845)	(95,915)
	Cash flows from investing activities		
16	Proceeds from the sale and maturities of investments	21,438,356	13,362,173
17	Purchase of investments	(21,534,640)	(13,462,513)
18	Acquisition of land, buildings, and equipment (net)	(392,956)	(397,502)
19	Student loans granted	(8,507)	(7,385)
20	Student loans repaid	9,856	9,448
21	Change in funds held in trust for others	(1,327)	(53,384)
22	Net cash used by investing activities	(489,218)	(549,163)
	Cash flows from financing activities		
	Contributions restricted to		
23	Investment in endowments	155,383	79,046
24	Investment in physical plant	93,826	22,032
25	Investment subject to living trust agreements	2,478	(1,885)
26	Principal payments of bonds and notes payable	(74,156)	(178,315)
27	Proceeds from issuance of bonds and notes payable	299,360	884,523
28	Bond issuance costs incurred	(4,216)	(7,253)
29	Government advances for student loans	817	(610)
30	Net cash provided by financing activities	473,492	797,538
31	Net change in cash and cash equivalents	(93,571)	152,460
32	Cash and cash equivalents, beginning of year	193,739	41,279
33	Cash and cash equivalents, end of year	$ 100,168	$ 193,739
	Supplemental disclosure of cash flow information		
34	Cash paid for interest	$ 67,630	$ 40,820

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

1. SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Organization

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

B. Basis of Presentation

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

Permanently restricted net assets include the historical dollar amount of gifts, pledges, trusts, and gains explicitly required by donors to be permanently retained.

Temporarily restricted net assets include gifts, pledges, trusts, income, and gains that can be expended, but for which the donor restrictions have not yet been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors or implied by the nature of the gift (e.g., future capital projects, pledges to be paid in the future, life income funds). Expiration of donor restrictions is reported in the consolidated statement of activities as a reclassification from temporarily restricted net assets to unrestricted net assets on the net assets released from restrictions lines.

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

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

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. Collateral for Securities Loaned

The University has an agreement with its investment custodian to lend University securities to approved brokers for a fee. The securities on loan are returnable on demand and are collateralized by cash deposits that are adjusted daily based on the market value of the securities loaned. The collateral is invested in short-term securities with the goal of preserving capital, and the earnings are recorded as additional income to the investment pools. Collateral is reported as both an asset and liability of the University. The University realizes losses on any investments that are deemed permanently impaired, and may reflect the collateral reported as an asset at a value different from the University's liability for the return of the cash collateral.

E. Contributions

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the appropriate categories of net assets in the period received. A pledge is recorded at present value of estimated future cash flows, based on an appropriate discount rate 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.

F. Investments

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

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

G. Derivative Instruments

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.

H. Land, Buildings, and Equipment

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

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

I. Funds Held in Trust by Others

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

J. 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.

K. Endowments

In approving endowment spending and related policies, and in keeping with the prudent and diligent discharge of its duties, the Board of Trustees of Cornell University, as authorized by the New York Not-for-Profit Corporation Law (the "law"), has relied upon the actions, reports, information, advice, and counsel taken or provided by its duly constituted committees and the duly appointed officers of the University, including University Counsel, and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor direction to the contrary.

As a result of this interpretation, for accounting and financial statement purposes, the University classifies as permanently restricted net assets the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the directions of the applicable gift instruments.

The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified for accounting and financial statement purposes in accordance with requirements of the Financial Accounting Standards Board and the law.

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 5 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 over time from the endowment so that present and future needs can be treated equitably in inflation-adjusted terms.

The University has a total distribution policy for the Long Term Investment Pool, in which most of the endowment assets are invested. Under this policy, a distribution is provided from the pool, independent of the cash yield and investment returns in a given year. This insulates both investment policy from budgetary pressures and the distribution from fluctuations in financial markets. Distributions from the pool are approved by the Board of Trustees as part of the financial planning process. The annual distribution is set so that, over time, a sufficient portion of the return is reinvested to maintain the purchasing power of the endowment and provide reasonable growth in support of programs.

The annual distributions, or payout, to endowment funds are normally five percent greater than the prior fiscal year, as long as that increase allows the payout to remain within a defined target range 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 and current market conditions.

Total distributions, or spending, include payout, investment expenses, and service charges that support the general and stewardship costs of the University endowment.

L. 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.

M. 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.

N. 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.

O. 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.

P. Accounting Pronouncements

The Financial Accounting Standards Board (FASB), in June 2009, established the Accounting Standards Codification (ASC) as the authoritative source for U.S. generally accepted accounting principles. The codification did not affect the content or application of GAAP that was in effect and had no material impact on the consolidated financial statements. The University followed the guidance in the ASC in preparing its consolidated financial statements for fiscal year ended June 30, 2010 and no longer references FASB announcements in the statements by the former names and numbers.

(dollars in thousands)

Effective for the fiscal year ended June 30, 2010, the University adopted additional disclosures related to the fair value measurements of investments in certain entities that calculate a net asset value per share. The guidance permits investors to use Net Asset Value (NAV) as a practical expedient for fair value where the investment companies follow the AICPA Guide in arriving at their reported NAV. The required disclosures are included in Note 3.

In accordance with GAAP, the University also adopted additional disclosures about derivative instruments and hedging activities that provides information about how and why derivatives are used, and tabular disclosures about the effect of derivatives on the consolidated financial statements. These required disclosures are included in Note 3 and Note 8.

Finally, the University adopted new disclosures required of employers about their postretirement benefit plan assets. Under this guidance, the University provides more detail about the fair value of each major category of pension and postretirement plan assets according to the fair value hierarchy. The required disclosures are included in Note 6.

Q. Reclassifications

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

R. 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 positions each fiscal year to determine whether the University's tax position 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

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

SUMMARY OF ACCOUNTS RECEIVABLE

	2010	2009
Grants and contracts	$ 137,902	$ 100,247
Collateral related to interest rate swap agreements	29,048	20,341
New York Presbyterian Hospital and other affiliates	53,818	69,658
Patients (net of contractual allowances)	81,094	68,955
State of New York for capital projects	38,717	28,850
Student accounts	6,225	8,884
Other	91,458	42,650
Gross accounts receivable	$ 438,262	$ 339,585
Less: allowance for doubtful accounts	(51,708)	(25,091)
Net accounts receivable	$ 386,554	$ 314,494

The patient accounts receivable for medical services was comprised of the following at June 30, 2010 and 2009, respectively: commercial third parties 56.1 percent and 56.8 percent; federal/state government 18.2 percent and 16.7 percent; and patients 25.7 percent and 26.5 percent.

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

(dollars in thousands)

B. Contributions Receivable

Unconditional promises to give, or pledges, are recorded in the consolidated financial statements at present value using discount rates ranging from 3.4 percent to 7 percent. Contributions are expected to be realized as follows:

SUMMARY OF CONTRIBUTIONS RECEIVABLE

	2010	2009
Less than one year	$ 235,438	$ 179,825
Between one and five years	294,494	259,448
More than five years	210,195	121,473
Gross contributions receivable	$ 740,127	$ 560,746
Less: unamortized discount	(123,562)	(96,531)
Less: allowance for uncollectible amounts	(58,639)	(38,840)
Net contributions receivable	$ 557,926	$ 425,375

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

EXPECTED PURPOSE OF CONTRIBUTIONS RECEIVABLE

	2010	2009
Support of University operations	$ 163,662	$ 137,140
Capital purposes	188,837	133,723
Endowments and similar funds	205,427	154,512
Net contributions receivable	$ 557,926	$ 425,375

At June 30, 2010 and 2009, conditional promises not reflected in the consolidated financial statements, which consist primarily of bequest intentions, were approximately $231,427 and $196,889, respectively.

C. Student Loans Receivable

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

SUMMARY OF STUDENT LOANS RECEIVABLE

	2010	2009
Federal revolving loans	$ 44,731	$ 46,267
Institutional loans	30,431	30,243
Gross student loans receivable	$ 75,162	$ 76,510
Less: allowance for doubtful accounts	(5,168)	(5,975)
Net student loans receivable	$ 69,994	$ 70,535

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

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

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.

(dollars in thousands)

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 and 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 active markets that the University has the ability to access 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.

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 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.

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	**2010** Total	**2009** Total
Cash and cash equivalents	$ 227,653	$ 104,150	$ -	$ 331,803	$ 556,339
Derivatives	2,539	(2,011)	-	528	9,704
Domestic equities	210,611	137,449	1,634	349,694	129,419
Fixed income	1,011,434	566,048	359,530	1,937,012	1,254,375
Foreign equities	306,842	40,237	25,152	372,231	226,912
Hedged equities	-	297,438	167,522	464,960	763,745
Marketable alternatives	32	82,391	524,654	607,077	740,808
Private equities	-	-	860,788	860,788	736,633
Real assets	-	-	721,732	721,732	584,039
Receivable for Investments Sold	2,977	-	-	2,977	37,431
Payable for Investments Purchased	(73,539)	-	-	(73,539)	(16,649)
Other	-	-	57,921	57,921	51,098
Total investments	$ 1,688,549	$ 1,225,702	$ 2,718,933	$ 5,633,184	$ 5,073,854
Securities not included in investment portfolio					
Cash and cash equivalents	$ 58,156	$ -	$ -	$ 58,156	$ 173,347
Collateral for securities loaned	$ -	$ 23,247	$ -	$ 23,247	$ 24,970

(dollars in thousands)

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, 2009	Realized gains/(losses)	Unrealized gains/(losses)	Net purchases, sales, settlements	Transfers in/(out) of Level 3	Fair value at June 30, 2010
Derivatives	$ 1,614	$ -	$ -	$ -	$ (1,614)	$ -
Domestic equities	13,628	28,485	(40,100)	75	(454)	1,634
Fixed income	354,964	8,661	84,071	(57,535)	(30,631)	359,530
Foreign equities	44,845	739	8,014	1,698	(30,144)	25,152
Hedged equities	747,315	53,870	2,295	(338,520)	(297,438)	167,522
Marketable alternatives	740,808	80,810	42,293	(256,866)	(82,391)	524,654
Private equities	736,633	31,456	76,957	15,742	-	860,788
Real assets	584,039	9,495	34,139	94,059	-	721,732
Other	51,098	-	1,205	156	5,462	57,921
Total Level 3 investments	$ 3,274,944	$ 213,516	$ 208,874	$ (541,191)	$ (437,210)	$ 2,718,933

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, 2010.

Under the terms of certain limited partnership agreements, the University is obligated to make additional capital contributions up to contractual levels. At June 30, 2010 and 2009, the University had commitments of $840,144 and $1,067,403, respectively, for which capital calls had not been exercised. 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, 2010 and 2009, the University had premium payment commitments of $27,674 and $8,999, respectively. The University's premium payment schedule is as follows: $6,235 annually for the years ended June 30, 2011, 2012, and 2013; $5,235 for the year ended June 30, 2014, and $3,735 thereafter.

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

INVESTMENTS POOLS/CATEGORIES AT FAIR VALUE

	2010	2009
Working capital	$ -	$ 1,185
Intermediate-term	605,794	625,261
Long-term investment pool (LTIP)	4,223,208	3,794,336
Separately invested portfolio	477,033	444,266
Pooled life income funds	12,048	10,042
DASNY Holdings	296,563	156,372
Other	18,538	42,392
Total	$ 5,633,184	$ 5,073,854

(dollars in thousands)

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

SUMMARY OF INVESTMENT RETURN

	2010	2009
Interest and dividends, net of investment fees	$ 92,810	$ 70,716
Net realized gain/(loss)	217,096	(499,093)
Net unrealized gain/(loss)	245,951	(1,079,119)
Total investment return	$ 555,857	$ (1,507,496)
LTIP distributions for operations	$ 267,535	$ 256,617
PBIF distributions for operations	3,202	34,681
Trust and other income for operations	34,012	12,813
Investment return, distributed	$ 304,749	$ 304,111
Investment return, undistributed	251,108	(1,811,607)
Total investment return	$ 555,857	$ (1,507,496)

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, 2010 and 2009, the fair values per unit were $47.38 and $45.12, respectively. The total return on the University's long-term investments, of which the LTIP is the major component, was 12.6 percent for the fiscal year ended June 30, 2010. The changes in the fair value and cost of the LTIP and information about its participating units as of June 30, 2010 and 2009 are as follows:

SUMMARY INFORMATION - LONG-TERM INVESTMENT POOL

	Fair value	Cost	Appreciation/ (depreciation)	Fair value per unit	Number of units
End of year	$ 4,223,208	$ 3,865,716	$ 357,492	$ 47.38	89,137,470
Beginning of year	$ 3,794,336	$ 3,671,369	$ 122,967	$ 45.12	84,095,359
Unrealized net gain/(loss) for year			$ 234,525		
Realized net gain/(loss) for year			$ 199,130		
Net gain/(loss) for year			$ 433,655		

For the fiscal year ended June 30, 2010, investment payout to participating funds totaled $217,152 ($2.55 per unit) of which $192,682 was paid out for the University's operations, with the balance in the amount of $24,470 either returned to principal or distributed to funds held for others. The payout for the fiscal year ended June 30, 2010 was comprised of $18,882 in net investment income and $198,270 paid from accumulated gains. For the fiscal year ended June 30, 2009, the investment payout was $250,681 ($3.00 per unit), and was comprised of $13,097 in net investment income and $237,584 paid from accumulated gains.

C. Separately Invested Portfolio, Pooled Life Income Funds, and 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 lifetime. 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 $296,563 and $156,372 as of June 30, 2010 and 2009, respectively. The amount of bond proceeds not yet expended included in the total reserves at DASNY are $266,704 and $126,873 as of June 30, 2010 and 2009, respectively.

(dollars in thousands)

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 exposures, and 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, 2010 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

		2010			2009		
Location	Derivative type	Notional amount	# of Contracts	Level 2 fair value	Notional amount	# of Contracts	Level 2 fair value
Investments							
	Foreign currency	$ -	78	$ 6,052	$ -	33	$ 1,509
	Commodity	195,587	53	(3,581)	70,989	21	908
	Synthetic	49,914	41	(195)	96,592	19	720
	Interest rate	1,937,668	4	(1,748)	1,515,000	1	6,567
Total fair value		$ 2,183,169	176	$ 528	$ 1,682,581	74	$ 9,704

EFFECT OF DERIVATIVE HOLDINGS ON STATEMENT OF ACTIVITIES

		2010	2009
Location	Derivative Type	Unrealized gain/(loss)	Unrealized gain/(loss)
Investment return, net of amount distributed			
	Foreign currency	$ 6,052	$ 1,509
	Commodity	(3,581)	908
	Synthetic	(36)	805
	Interest rate	(7,567)	5,567
Total unrealized gain/(loss)		$ (5,132)	$ 8,789

The unrealized gain or loss from derivative holdings affect unrestricted net assets, and in the consolidated statement of cash flows, are a component of the net realized and unrealized gain/loss on investments line in the operating activities section.

(dollars in thousands)

E. Alternative Investments Measured Using Net Asset Value

The University uses the 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 equities	Buyout	$ 326,719		$ 162,814	
	Special situation	242,337		152,190	
	Venture capital	268,536		132,033	
	Total private equities	$ 837,592	1 to 10 years	$ 447,037	1 to 10 years
Real assets	Real estate	495,888		176,844	
	Natural resource	204,157		106,080	
	Total real assets	$ 700,045	1 to 8 years	$ 282,924	1 to 8 years
Fixed income	Distressed	161,947		23,070	
	Leveraged loans	76,268		-	
	Mezzanine	56,255		75,113	
	Multi-strategy	80,155		12,000	
	Total fixed income	$ 374,625	1 to 10 years	$ 110,183	1 to 10 years
Foreign equities	Emerging markets	50,572			
	Global equities	4,724			
	Total foreign equities	$ 55,296			
Hedged equities	Global equities long/short	191,665			
	U.S. equities long/short	273,294			
	Total hedged equities	$ 464,959			
Marketable alternatives	Event driven	77,562			
	Global macro	28,512			
	Multi-strategy	171,798			
	Relative value	83,103			
	Special opportunity	246,070			
	Total marketable	$ 607,045			
Total for alternative investments using NAV		$ 3,039,562		$ 840,144	

REDEMPTION INFORMATION FOR ALTERNATIVE INVESTMENTS MEASURED USING NET ASSET VALUE

Asset class	Redemption Terms	Redemption Restrictions*
Private equities	Funds are in private equity structure, with no ability to be redeemed	n/a
Real assets	Funds are in private equity structure, with no ability to be redeemed	n/a
Fixed income	93% of NAV is in private equity structure, with no ability to be redeemed 7% have ranges between quarterly redemption with 45 days notice, to annual redemption with 90 days notice	No lock up provisions
Foreign equities	Ranges between monthly redemption with 30 days notice, to triennial redemption with 30 days notice	No lock up provisions
Hedged equities	Ranges between monthly redemption with 10 days notice, to triennial redemption with 45 days notice	7% of NAV has remaining lock up provisions ranging from 6 months to 12 months
Marketable alternatives	Ranges between quarterly redemption with 30 days notice, to triennial redemption with 90 days notice	47% of NAV has remaining lock up provisions ranging from 3 months to 6 months

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

(dollars in thousands)

Investments which 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 which cannot be redeemed on the measurement date or in the near term are classified as Level 3. The new guidance did not materially affect the University's consolidated financial statements.

As a result of adopting the new guidance for estimating fair value of investments, certain investments have been reclassified as Level 2 assets subject to criteria described above based upon the year end recorded amounts. The amounts reclassified to Level 2 are as follows: fixed income $25,169; foreign equity $30,144; hedged equity $297,438; marketable alternatives $82,391.

4. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are detailed as follows:

LAND, BUILDINGS, AND EQUIPMENT

	Book value at June 30, 2009	Additions	Disposals and closed projects	Book value at June 30, 2010
Land, buildings, and equipment	$ 3,207,817	$ 183,284	$ (1,277)	$ 3,389,824
Furniture, equipment, books, and collections	972,383	128,702	(28,884)	$ 1,072,201
Construction in progress	424,248	274,693	(191,990)	$ 506,951
Total before accumulated depreciation	$ 4,604,448	$ 586,679	$ (222,151)	$ 4,968,976
Accumulated depreciation	(1,757,598)			(1,912,343)
Net land, buildings, and equipment	$ 2,846,850			$ 3,056,633

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 $478,424 and $428,431 at June 30, 2010 and 2009, 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 $18,100 and $13,842 at June 30, 2010 and 2009, respectively.

The future commitments on capital projects in progress at June 30, 2010, excluding projects funded by New York State, is $172,468.

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

The University elected to report 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	**2010** Total	**2009** Total
Funds held in trust by others					
Remainder	$ -	$ -	$ 62,735	$ 62,735	$ 56,515
Lead and perpetual	-	-	34,535	34,535	34,999
Total funds held in trust by others	$ -	$ -	$ 97,270	$ 97,270	$ 91,514
Obligations under split interest agreements	$ -	$ -	$ 108,703	$ 108,703	$ 105,476

(dollars in thousands)

SUMMARY OF LEVEL 3 SPLIT INTEREST AGREEMENT ACTIVITY

	Fair value at June 30, 2009	Realized gains/(losses)	Unrealized gains/(losses)	Net purchases, sales, settlements	Transfers in/(out) of Level 3	Fair value at June 30, 2010
Funds held in trust by others						
Remainder	$ 56,515	$ -	$ 5,599	$ 621	$ -	$ 62,735
Lead and perpetual	34,999	(382)	21	(103)	-	34,535
Total funds held in trust by others	$ 91,514	$ (382)	$ 5,620	$ 518	$ -	$ 97,270
Obligations under split interest agreements	$ 105,476	$ -	$ 3,227	$ -	$ -	$ 108,703

6. DEFERRED BENEFITS

A. General Information

Accrued employee benefit obligations as of June 30 include:

SUMMARY OF DEFERRED BENEFITS

	2010	2009
Postemployment benefits	$ 26,916	$ 24,421
Pension and other postretirement benefits	259,038	250,910
Other deferred benefits	161,527	154,461
Total deferred benefits	$ 447,481	$ 429,792

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.

B. Pension and Postretirement Plans

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

The primary defined contribution plans for Endowed Ithaca and for exempt employees (those not subject to the overtime provisions of the Fair Labor Standards Act) at the Medical College are carried by the Teachers Insurance and Annuity Association, the College Retirement Equities Fund, the Vanguard Group (Medical College only), and Fidelity Investments (Endowed Ithaca only), all of which permit employee contributions. Total pension costs of the Endowed Ithaca and Medical College plans for the fiscal years ended June 30, 2010 and 2009 amounted to $81,328 and $86,959, 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 dependants. 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.

(dollars in thousands)

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	
	2010	2009	2010	2009
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	$ 35,086	$ 40,719	$ 110,544	$ 127,045
Actual return on plan assets	4,748	(6,189)	15,838	(22,090)
Employer contribution	5,320	3,462	8,027	5,589
Benefits paid	(2,877)	(2,516)	(2,172)	-
Settlements	-	(391)	-	-
Fair value of plan assets at end of year	$ 42,277	$ 35,085	$ 132,237	$ 110,544
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	$ 61,536	$ 57,377	$ 335,827	$ 350,135
Service cost (benefits earned during the period)	4,660	3,671	13,469	14,971
Interest cost	4,038	3,311	19,777	20,064
Plan amendments	-	-	-	(823)
Actuarial (gain)/loss	8,743	84	1,593	(36,871)
Settlements	-	(391)	-	-
Gross benefits paid	(2,877)	(2,516)	(14,542)	(11,649)
Less: federal subsidy on benefits paid	-	-	1,328	-
Projected benefit obligation at end of year	$ 76,100	$ 61,536	$ 357,452	$ 335,827
FUNDED STATUS	$ (33,823)	$ (26,451)	$ (225,215)	$ (225,283)
AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	$ (33,823)	$ (26,451)	$ (225,215)	$ (225,283)
AMOUNTS RECORDED IN UNRESTRICTED NET ASSETS NOT YET AMORTIZED AS COMPONENTS OF NET PERIODIC BENEFIT COST				
Net transition obligation	$ -	$ -	$ 10,933	$ 14,577
Prior service cost	-	-	(366)	(441)
Net actuarial (gain)/loss	22,394	17,506	55,571	61,146
Amount recognized as reduction in unrestricted net assets	$ 22,394	$ 17,506	$ 66,138	$ 75,282

The accumulated benefit obligation for the pension plans was $55,988 and $46,134 at June 30, 2010 and 2009, respectively. The accumulated benefit obligation differs from the projected benefit obligation in the table above in that it includes no assumptions about future compensation levels. It represents the actuarial present value of future payments to plan participants using current and past compensation levels. For postretirement plans other than pensions, the accumulated benefit obligation is the same as the projected benefit obligations because the liabilities are not compensation-related.

D. Net Periodic Benefit Cost

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

NET PERIODIC BENEFIT COST

	Pension benefits		Other postretirement	
	2010	2009	2010	2009
Service cost (benefits earned during the period)	$ 4,660	$ 3,671	$ 13,469	$ 14,971
Interest cost	4,038	3,311	19,777	20,135
Expected return on plan assets	(2,467)	(2,971)	(9,028)	(9,854)
Amortization of initial transition obligation	-	-	3,644	3,644
Amortization of prior service cost	-	-	(76)	129
Amortization of net (gain)/loss	1,573	219	359	57
Settlement (gain)/loss	-	-	-	-
Net periodic benefit cost	$ 7,804	$ 4,230	$ 28,145	$ 29,082

(dollars in thousands)

The amounts of transition obligation, prior service costs, and actuarial gains/losses that will be amortized into net periodic benefit cost for the year ending June 30, 2011 are estimated as follows:

ESTIMATED COMPONENTS OF NET PERIODIC BENEFIT COST

	Pension benefits	Other postretirement
Transition obligation	$ -	$ 3,644
Prior service cost	-	(76)
Net actuarial (gain)/loss	1,401	1,482
Total	$ 1,401	$ 5,050

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	
	2010	**2009**	**2010**	**2009**
USED TO CALCULATE BENEFIT OBLIGATIONS AT JUNE 30				
Discount rate	5.90%	6.10%	5.75% / 5.60%	6.25% / 6.20%
Rate of compensation increase	6.10%	6.10%		
USED TO CALCULATE NET PERIODIC COST AT JULY 1				
Discount rate	6.10%	6.00%	6.25% / 6.20%	6.00%
Expected return on plan assets	8.00%	8.00%	8.00%	8.00%
Rate of compensation increase	6.10%	6.10%		
ASSUMED HEALTH CARE COST TREND RATES				
Health care cost trend rate assumed for next year	n/a	n/a	7.50%	8.00%
Ultimate trend rate	n/a	n/a	5.00%	5.00%
Years to reach ultimate trend rate	n/a	n/a	5	6

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 $58,981 and the annual service and interest cost by $6,349. Decreasing the health care cost trend rate by 1 percent in each future year would decrease the benefit obligation by $49,293 and the annual service and interest cost by $5,030.

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, through its Investment Office, conducts reviews of the targeted investment allocations and investment management of the assets to ensure that they are consistent with the investment objectives. Typically, those allocations include a substantial and diversified allocation to equity and equity-oriented asset classes in order to provide real growth per the objectives. The University reviews the trustee's long-term rate of return assumptions for the various asset classes for reasonableness by comparing them to assumptions generated internally for the purposes of investing the University endowment and to assumptions by other outside experts. The Investment Office reviews the trustee's success in managing assets within each targeted asset class by comparisons to standard benchmarks for those asset classes and measures the overall effectiveness of the plan investment results by comparison to benchmarks derived from the individual plan asset class allocations and to universes of plan performance maintained by its endowment custodian.

(dollars in thousands)

In the next fiscal year, management will establish a formal schedule as part of its meetings with the Investment Committee of the Board of Trustees. The purpose will be to formally review, no less than annually, the asset allocation in each plan and the investment performance of each plan, and to offer suggestions to the trustee and investment manager regarding possible changes to the long-term strategic allocations which the Investment Committee believes would better meet the overall objectives of growth coupled with a prudent level of risk.

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 inheres 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 at fiscal year ended June 30, 2010 are somewhat lower than in the prior fiscal year: 8 percent on equity securities, 5 percent on fixed income securities and 8 percent on real estate compared to 9.25 percent, 5.75 percent and 8.25 percent, respectively.

SUMMARY OF PLAN ASSETS

	Target allocation	Pension benefits 2010	Pension benefits 2009	Other postretirement 2010	Other postretirement 2009
PERCENTAGE OF PLAN ASSETS					
Equity securities	39-85%	62.0%	62.0%	68.0%	66.0%
Fixed income securities	15-55%	37.0%	36.0%	32.0%	33.0%
Real estate	0-5%	1.0%	2.0%	0.0%	1.0%
Total		100.0%	100.0%	100.0%	100.0%

The fair value of the pension plan assets and postretirement medical benefit plan assets as of June 30, 2010 and the roll-forward for Level 3 assets are disclosed in the tables below.

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.

PENSION PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	2010 Total
Cash and cash equivalents				
Cash	$ 41	$ -	$ -	$ 41
Money market	129	-	-	129
Short-term tnvestment fund	-	-	-	-
Equity securities				
U.S. small cap	-	1,821	-	1,821
U.S. large cap	-	20,014	-	20,014
Emerging markets	-	-	-	-
International equity	-	4,350	-	4,350
Fixed income securities				
Corporate bonds	-	13,087	31	13,118
Mortgage-backed securities	-	1,388	864	2,252
Other types of investments				
Real estate	-	-	552	552
Total assets	$ 170	$ 40,660	$ 1,447	$ 42,277

(dollars in thousands)

SUMMARY OF LEVEL 3 PENSION PLAN ACTIVITY

	Fair value, July 1, 2009	Realized gains/(losses)	Unrealized gains/(losses)	Net purchases, sales, settlements	Transfers in/(out) of Level 3	Fair value, June 30, 2010
Mortgage-backed securities	$ 779	$ (1)	$ 131	$ (45)	$ -	$ 864
Corporate bonds	38	4	2	(13)	-	31
Real estate	816	(21)	(63)	(180)	-	552
Total Level 3 assets	$ 1,633	$ (18)	$ 70	$ (238)	$ -	$ 1,447

POSTRETIREMENT PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	**2010** Total
Cash and cash equivalents				
Cash	$ -	$ -	$ -	$ -
Money market	8,918	666	-	9,584
Short-term investment fund	-	-	-	-
Equity securities				
U.S. small cap	-	12,573	-	12,573
U.S. large cap	-	35,668	-	35,668
Emerging markets	-	18,344	-	18,344
International equity	-	21,448	-	21,448
U.S. REITS	-	1,807	-	1,807
Fixed income securities				
U.S. high yield bonds	-	4,946	-	4,946
Corporate bonds	-	12,555	-	12,555
Emerging markets debt	-	2,187	-	2,187
Mortgage-backed securities	-	13,125	-	13,125
Total assets	$ 8,918	$ 123,319	$ -	$ 132,237

G. Expected Contributions and Benefit Payments

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

EXPECTED CONTRIBUTIONS AND BENEFIT PAYMENTS

		Other postretirement	
	Pension benefits	Employer paid	Government subsidy
UNIVERSITY CONTRIBUTIONS			
2011	$ 4,495	$ 9,483	n/a
FUTURE BENEFIT PAYMENTS			
2011	$ 3,607	$ 15,742	$ 1,832
2012	3,765	16,997	2,030
2013	3,877	18,283	2,231
2014	4,669	19,496	2,439
2015	4,710	20,976	2,643
2016-2020	30,052	127,890	17,161

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.

(dollars in thousands)

H. Contract College Employees

Employees of the Contract Colleges are covered under the New York State pension plans. Contributions to the state retirement system and other employee benefit costs are paid directly by the state. The amounts of the direct payments applicable to the University as revenue and expenditures are not currently determinable and are not included in the consolidated financial statements. The University reimburses the state for employee benefit costs on certain salaries, principally those associated with externally sponsored programs. The amounts reimbursed to the state during the fiscal years ended June 30, 2010 and 2009 were $20,140 and $19,335, 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 New York Hospital-Cornell Medical Center Fund, Inc., which benefits the Weill Cornell Medical Center of the New York-Presbyterian Hospital, is the major external organization invested in the University's long-term investment portfolio with assets having market values of $138,929 and $131,219 at June 30, 2010 and 2009, respectively. Of these investments, a portion of the future income stream has been directed in perpetuity to benefit the Medical College. The present values of this income stream, calculated to be $85,280 and $74,134 at June 30, 2010 and 2009, respectively, are recorded as reductions in the funds held in trust for others liability.

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

	2010	2009	Interest rates	Final maturity
Dormitory Authority of the State of New York (DASNY)				
Revenue Bond Series				
1990B-fixed rate	$ 50,450	$ 56,000	0.10 to 5.00	2025
2000A-variable rate/weekly	53,005	54,845	2.99*	2029
2000B-variable rate/weekly	70,680	72,800	4.63*	2030
2004-variable rate/weekly	83,900	86,075	3.51*	2033
2006-fixed rate	207,660	219,340	4.00 to 5.00	2035
2008B&C-fixed rate	127,785	130,000	3.00 to 5.00	2037
2009-fixed rate	305,000	305,000	3.00 to 5.00	2039
2010-fixed rate	285,000	-	4.00 to 5.00	2040
Tax-exempt commercial paper	6,155	6,155	0.27 to 0.45	2037
Industrial Development Agency				
2000-fixed rate	1,165	2,275	5.20 to 5.25	2011
2002A-variable rate/weekly	42,145	42,340	4.52*	2030
2002B-variable rate/weekly	15,390	15,390	4.33**	2015
2008A-fixed rate	70,000	70,000	2.00 to 5.00	2037
Bond Series 1987B-fixed rate	5,200	7,110	11.11	2012
Student Loan Marketing Association-fixed rate	4,355	4,700	6.50	2019
Urban Development Corporation	2,375	2,500	-	2029
2009 Taxable-fixed rate	500,000	500,000	4.35 to 5.45	2019
Taxable commercial paper	97,500	127,875	0.20 to 0.70	-
Other	2,817	2,973	6.63 to 7.00	2011-2029
Total bonds and notes payable	$ 1,930,582	$ 1,705,378		

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

*** Swap interest rate expires July 1, 2010*

(dollars in thousands)

The University's bonds and notes payable had carrying amounts of $1,930,582 and $1,705,378 at June 30, 2010 and 2009, respectively, compared to estimated fair values of approximately $2,071,298 and $1,741,026 at June 30, 2010 and 2009, 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 ended June 30, 2010 was $59,791, of which $59,198 was related to the bonds and notes payable displayed in the table above. During the fiscal year ended June 30, 2009, interest expense was $26,041, of which 23,042 was related to the bonds and notes payable. The University capitalized interest on self-constructed assets, such as buildings, in the amount of $7,042 and $15,438 for the fiscal years ended June 30, 2010 and 2009, 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 agreement with DASNY, certain revenues, principally rental income from facilities financed by bond proceeds plus a portion of tuition, are pledged by the University to meet debt service requirements.

During the fiscal year ended June 30, 2010, the University issued $285,000 of fixed-rate debt to finance a portion of the costs of construction of a medical research building in New York City and various capital projects on the Ithaca and Medical College campuses, and refinanced $50,000 of taxable commercial paper. In addition, the University converted its DASNY Revenue Bond Series 1990B and 2008B&C, and Tompkins County Industrial Development Agency Civic Facility Revenue Bond Series 2008A from variable-rate demand bonds to fixed-rate bonds. The University also terminated the swap associated with the Series 2008 bonds (see note 8B).

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

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
2011	$ 28,306	$ 99,983	$ 128,289
2012	34,472	91,390	125,862
2013	33,463	90,310	123,773
2014	283,485	88,931	372,416
2015	43,327	76,637	119,964
Thereafter	1,507,529	1,008,517	2,516,046
Total	$ 1,930,582	$ 1,455,768	$ 3,386,350

In estimating future interest payments, the University uses the interest rate associated with the swap agreement until the termination date. For unhedged tax-exempt debt, the University estimates the future interest payments based on historical averages of tax-exempt debt. For taxable commercial paper debt, estimates are based on the 10-year average London Interbank Offered Rates (LIBOR).

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.

Although the use of swap agreements mitigates interest rate risk, the University, through the use of these agreements, 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 major financial institutions based upon their credit ratings and other factors, and maintains dollar limits 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.

(dollars in thousands)

The University's swap agreements contain a credit-risk contingent feature in which the counterparties can request collateralization on agreements in net liability positions. At June 30, 2010, the University had collateral on deposit with counterparties in the amount of $29,048 compared to $20,341 at June 30, 2009. The University could be required to post additional collateral if the University's credit rating falls below A1/A+.

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, 2010 the University has ten interest rate swap agreements to exchange variable-rate debt for fixed-rate obligations without the exchange of the underlying principal amount. Net payments or receipts under the swap agreements are recorded as adjustments to interest expense and the incremental interest expense is disclosed in the table below. Under two agreements in effect at June 30, 2010, the counterparty pays the University a variable interest rate equal to the Securities Industry and Financial Markets Association (SIFMA) index, and under eight other agreements, 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, 2010, with comparative fair values for June 30, 2009. The number of swaps is 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	2010 Level 2 fair value	2009 Level 2 fair value
Accounts payable and accrued expenses							
	$ 15,390	4.33%		July 1, 2010	SIFMA	$ (52)	$ (612)
	104,845	2.99%		October 1, 2012	LIBOR	(8,824)	(6,943)
	42,340	4.52%		July 1, 2030	SIFMA	(10,083)	(8,379)
	72,200	4.63%		July 1, 2030	LIBOR	(17,677)	(15,075)
	86,075	3.51%		July 1, 2033	LIBOR	(11,953)	(8,373)
	200,000	3.84%		July 1, 2037	SIFMA	-	(8,918)
	100,000	3.92%	July 1, 2011	July 1, 2038	LIBOR	(15,988)	(9,564)
	200,000	3.45%	July 1, 2010	July 1, 2039	LIBOR	(28,555)	(13,212)
	275,000	3.88%	July 1, 2011	July 1, 2040	LIBOR	(54,653)	(32,414)
	200,000	3.48%	July 1, 2012	July 1, 2041	LIBOR	(18,641)	(8,332)
	200,000	3.77%	July 1, 2014	July 1, 2044	LIBOR	(17,857)	(12,844)
Total fair value						$ (184,283)	$ (124,666)

During the year ended June 30, 2010 the University refinanced outstanding variable rate debt with fixed rate debt (1990B, 2008A, 2008B, and 2008C) and terminated the interest rate swap agreement related to this variable rate debt. The termination resulted in a realized loss. The following table provides the amounts of the income, expenses, gains and losses recorded for the years ended June 30.

(dollars in thousands)

EFFECT OF INTEREST RATE SWAPS ON STATEMENT OF ACTIVITIES

	2010		2009	
Location	Income/(expense)	Gain/(loss)	Income/(expense)	Gain/(loss)
Operating expense				
Interest expense	$ (15,872)	$ -	$ (12,693)	$ -
Nonoperating activity - other				
Realized gain/(loss)	$ -	$ (14,330)	$ -	$ -
Unrealized gain/(loss)	-	(59,618)	-	(90,162)
	$ (15,872)	$ (73,948)	$ (12,693)	$ (90,162)

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 Purchase Agreements

The University has standby 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 purchase agreements are not remarketable and the agreements are not otherwise renewed, the University would be required to refund the bonds or refinance in a different interest rate mode. If all solutions failed and the University had to refund the bonds, the Annual Debt Service Requirements table would be $128,289 for fiscal year 2011, $212,562 for fiscal year 2012, $294,898 for fiscal year 2013, $372,416 for fiscal year 2014, $119,964 for fiscal year 2015 and $2,258,221 thereafter. Detailed information about the standby purchase agreements is shown in the following table:

SUMMARY OF STANDBY PURCHASE AGREEMENTS

Series	Provider	Expiration
2000A	JP Morgan Chase	November 2012
2000B	JP Morgan Chase	November 2012
2002A	JP Morgan Chase	November 2012
2002B	JP Morgan Chase	November 2012
2004	HSBC	April 2012

D. Lines of Credit

The University records its working capital lines of credit as other liabilities in the consolidated statement of financial position. At June 30, 2010, the interest rates for its two lines of credit were 1.80 percent and 1.00 percent. The two $100 million lines of credit have annual expiration dates of December 31 and April 1. As of June 30, 2010 and 2009, $0 and $104,000 respectively, were borrowed 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 $24,441 and $22,330 for the fiscal years ended June 30, 2010 and 2009, 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
2011	$ 26,111
2012	18,120
2013	14,513
2014	7,834
2015	6,383
Thereafter	66,724
Total minimum operating lease payments	$ 139,685

(dollars in thousands)

10. FUNCTIONAL EXPENSES AND STUDENT AID

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

FUNCTIONAL EXPENSES

	2010	2009
Instruction	$ 594,366	$ 628,635
Research	558,142	524,926
Public service	110,459	118,945
Academic support	252,431	267,973
Student services	118,733	123,477
Medical services	625,039	549,342
Institutional support	347,826	408,757
Enterprises and subsidiaries	197,273	202,446
Total expenses	$ 2,804,269	$ 2,824,501

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 $159,265 and $166,942 for the fiscal years ended June 30, 2010 and 2009, 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 $35,907 and $26,964 for the fiscal years ended June 30, 2010 and 2009, 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	2010 Total	2009 Total
Endowment					
True endowment	$ 999,890	$ -	$ 1,796,060	$ 2,795,950	$ 2,560,985
Funds functioning as endowment (FFE)	1,152,284	311,716	-	1,464,000	1,275,304
Total true endowment and FFE	$ 2,152,174	$ 311,716	$ 1,796,060	$ 4,259,950	$ 3,836,289
Funds held by others, perpetual	-	-	118,637	118,637	107,874
Total University endowment	$ 2,152,174	$ 311,716	$ 1,914,697	$ 4,378,587	$ 3,944,163
Other net assets					
Operations	(305,050)	176,366	-	(128,684)	(322,338)
Student loans	10,171	-	37,235	47,406	43,994
Facilities and equipment	1,651,239	40,181	-	1,691,420	1,848,369
Split interest agreements	-	53,365	33,026	86,391	75,173
Funds held by others, other than perpetual	-	37,377	26,536	63,913	57,774
Contributions receivable, net	-	352,498	205,427	557,925	425,375
Total net assets	$ 3,508,534	$ 971,503	$ 2,216,921	$ 6,696,958	$ 6,072,510

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.

(dollars in thousands)

B. Endowment

Of the endowment assets held at the University, 95 percent and 94 percent were invested in the LTIP at June 30, 2010 and 2009, respectively. At June 30, 2010, 2,279 of 5,946 true endowment funds invested in the LTIP had a total historic dollar value of $895,735 and a fair value of $805,376, resulting in these endowments being underwater by a total of $90,359. The University holds significant unrestricted appreciation on endowments to offset these temporary decreases in value. The University has maintained these true endowment funds at their historical book value.

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

SUMMARY OF ENDOWMENT ACTIVITY

	Unrestricted	Temporarily restricted	Permanently restricted	2010 Total	2009 Total
True endowment and FFE, beginning of year	$ 1,851,502	$ 303,867	$ 1,680,920	$ 3,836,289	$ 5,248,009
Investment return					
Net investment income	4,992	14,031	2,654	21,677	15,410
Net realized and unrealized gain/(loss)	296,898	69,064	6,268	372,230	(1,385,303)
Total investment return	$ 301,890	$ 83,095	$ 8,922	$ 393,907	$ (1,369,893)
New gifts	2,425	18,561	86,318	107,304	249,810
Net transfers to/(from) FFE	110,412	(2,762)	-	107,650	(58,484)
Distribution of endowment return to other funds	(111,934)	(80,747)	(2,844)	(195,525)	(226,857)
Other changes	5,718	-	2,856	8,574	(6,403)
Reclassifications	(7,839)	(10,298)	19,888	1,751	107
Total true endowment and FFE, end of year	$ 2,152,174	$ 311,716	$ 1,796,060	$ 4,259,950	$ 3,836,289

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

On September 17, 2010, the Governor of New York signed into law the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which applies to donor restricted endowment funds (i.e., true endowments). This law will impact the University for fiscal year ended June 30, 2011, primarily in the area of classification of net assets. The appreciation on true endowments, now classified as unrestricted net assets, will be reclassified as temporarily restricted net assets. Management is in the process of evaluating the impact of UPMIFA.

Based on the University's evaluation of subsequent events through October 29, 2010, the date on which the consolidated financial statements were issued, this is the only subsequent event.

UNIVERSITY ADMINISTRATION

David J. Skorton, *President*

W. Kent Fuchs, *Provost*

Antonio M. Gotto, Jr., *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*

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

Michael B. Dickinson, *University Auditor*

William E. Fry, *Dean of the University Faculty*

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

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*

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*

Steven J. Schuster, *Interim Executive Director, Information Technologies*

Ronald Seeber, *Senior Vice Provost*

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

Vacant, *Associate Provost for Admissions and Enrollment*

Vacant, *Chief Investment Officer*

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*

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, L. Joseph Thomas, *Anne and Elmer Lindseth Dean*

Weill Cornell Graduate School of Medical Sciences, David P. Hajjar, *Senior Executive Vice Dean, Executive Vice Provost, and Dean*

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

Weill Cornell Medical College
Antonio M. Gotto, Jr., *Stephen and Suzanne Weiss Dean and Provost for Medical Affairs*

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

BOARD OF TRUSTEES AND TRUSTEES AT LARGE JULY 1, 2010

BOARD OF TRUSTEES AND TRUSTEES AT LARGE JULY 1, 2010