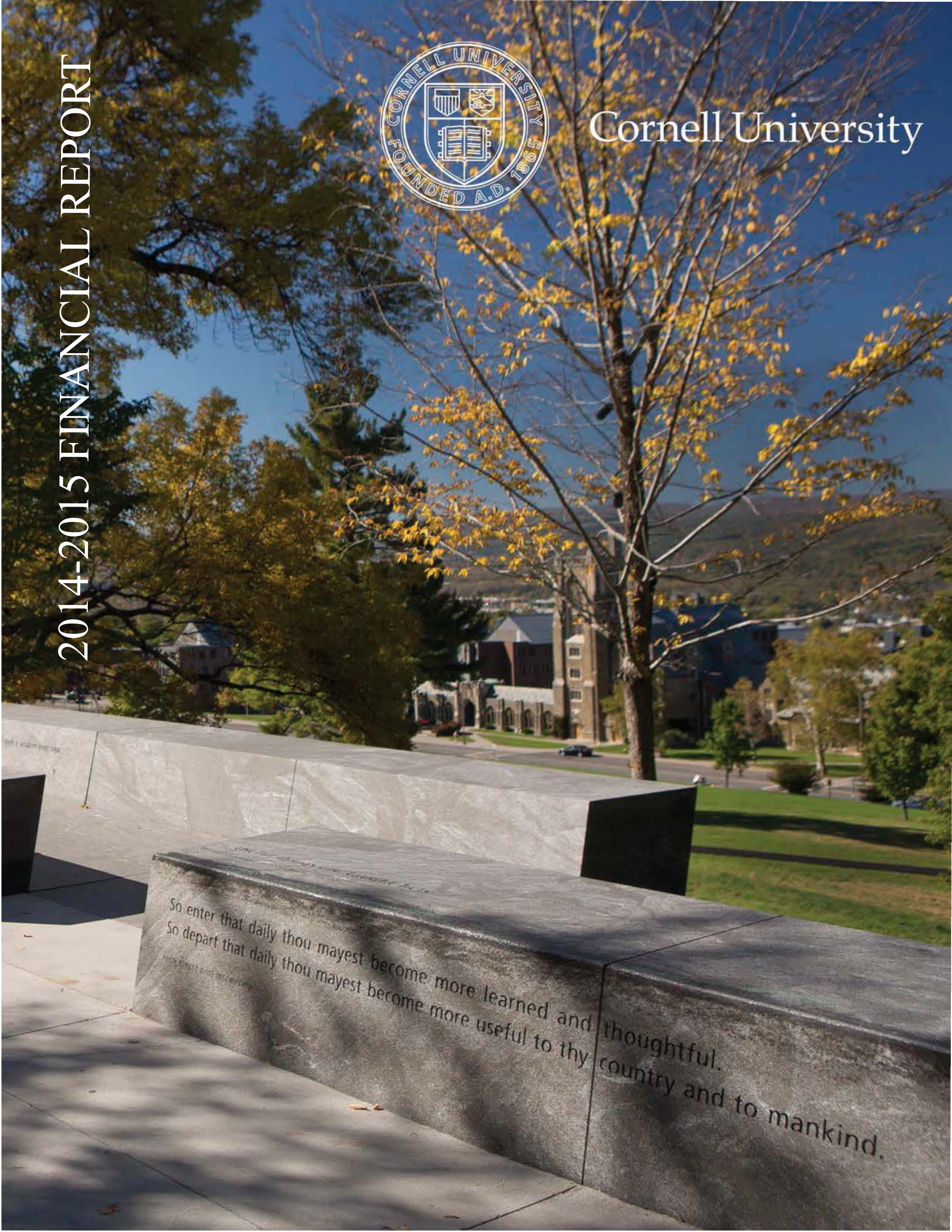
2014-2015 FINANCIAL REPORT

Cornell University



Cornell University 2014-2015 Financial Report

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The audited Financial Report is also available online at: http://www.dfa.cornell.edu/about-us/reports

CORNELL UNIVERSITY HIGHLIGHTS

	2014-15	2013-14	2012-13
Fall enrollment (excluding in absentia)			
Undergraduate	14,453	14,393	14,261
Graduate	5,757	5,650	5,648
Professional	2,663	2,594	2,518
Total fall enrollment	22,873	22,637	22,427
Degrees granted			
Baccalaureate degrees	3,674	3,570	3,577
Masters degrees	2,502	2,407	2,359
Ph.D. degrees	555	575	563
Other doctoral degrees (J.D., M.D., D.V.M.)	374	384	374
Total degrees granted	7,105	6,936	6,873
Tuition rates			
Endowed Ithaca	$ 47,060	$ 45,130	$ 43,185
Contract Colleges			
Resident	$ 30,910	$ 28,990	$ 27,045
Nonresident	$ 47,050	$ 45,130	$ 43,185
Medical Campus	$ 49,500	$ 48,500	$ 47,150
Business	$ 58,192	$ 55,948	$ 53,796
Law	$ 59,360	$ 57,270	$ 55,220
Veterinary Medicine	$ 31,800	$ 30,725	$ 29,400
Volumes in library (in thousands)	8,046	8,025	7,942
Academic workforce			
Full-time employees			
Faculty	3,705	3,628	3,314
Nonfaculty	888	881	864
Part-time employees			
Faculty	281	288	271
Nonfaculty	145	152	209
Total academic workforce	5,019	4,949	4,658
Nonacademic workforce			
Full-time employees	10,475	10,166	9,866
Part-time employees	579	588	574
Total nonacademic workforce	11,054	10,754	10,440
University Endowment			
Market value of total university endowment (in millions)	$ 6,037.5	$ 5,889.9	$ 5,272.2
Unit value of Long Term Investment Pool	$ 57.31	$ 58.45	$ 53.30
Gifts received, excluding pledges (in millions)	$ 540.3	$ 484.2	$ 426.0
New York State appropriations through SUNY (in millions)	$ 131.4	$ 131.2	$ 133.1
Medical Physician Organization fees (in millions)	$ 927.6	$ 827.4	$ 752.0
Sponsored research volume (in millions)			
Direct expenditures	$ 497.4	$ 470.5	$ 448.0
Indirect-cost recovery	$ 138.6	$ 130.5	$ 124.4
Selected land, buildings, and equipment items & related debt (in millions)			
Additions to land, buildings, and equipment	$ 699.7	$ 676.0	$ 692.0
Cost of land, buildings, and equipment	$ 6,662.0	$ 6,361.1	$ 5,990.7
Outstanding bonds, mortgages, and notes payable	$ 1,542.8	$ 1,570.4 *	$ 1,855.4

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

MESSAGE FROM THE VICE PRESIDENT FOR FINANCE AND CHIEF FINANCIAL OFFICER

It has been a momentous year for Cornell: The University celebrated its sesquicentennial, David Skorton completed his final year as University President, Elizabeth Garrett was announced as the University's thirteenth—and first female—President, effective July 1, 2015, and the capital campaign exceeded $6 billion—a success that is a testament to our generous alumni and Cornell's exceptional position among leading institutions of higher learning.

There continues to be extraordinary demand for a Cornell education. Almost 42,000 prospective students applied for approximately 3,182 undergraduate places in the Class of 2019. Cornell continues to be very selective, with a 15 percent acceptance rate for fall 2015 freshman applicants, compared to 18 percent just five years ago. The matriculation yield rate has consistently averaged about 50 percent. Cornell's geographical profile remains diverse and global, with more than 10 percent of its undergraduate students coming from outside the United States, 32 percent from New York as part of the University's commitment to its land-grant mission, and the remainder from states other than New York.

University operating revenues have grown 24 percent over the past five years, from $2.9 billion to $3.6 billion. The largest growth area has been the Medical Physician Organization at Weill Cornell Medicine, which now makes up 26 percent of the University's total operating revenue (compared with under 19 percent in fiscal year 2010).

Cornell remains a leader in research, which is critical because research programs attract outstanding faculty members, enhancing the educational experience for both undergraduate and graduate students. The University generated $595 million in grant and contract revenues in fiscal year 2015, which comprises over 16 percent of the University's total operating revenues.

Cornell continued its history of strong fundraising in fiscal year 2015, reaching record levels of support from more than 57,000 donors. As of June 30, 2015, contributions to the "Cornell Now" campaign reached over $6 billion, making Cornell just the third institution of higher education to reach that level of philanthropic support in a multi-year, comprehensive campaign.

Operating costs at Cornell are less dependent on endowment payout than other highly endowed institutions, mostly due to the University's revenue diversity. Less than 9 percent of the University's operating costs was funded from its endowment in fiscal year 2015. University operating expenses increased over $250 million, or 7.4 percent, from $3.4 billion to $3.7 billion this past year. This is mainly the result of the 12 percent increase in the Medical Physician Organization over the same period. The University experienced an operating loss of $25 million this year; over $20 million of this loss is due to interest expense associated with unattached interest rate swaps, which have no associated debt. The University has a multi-year plan to gradually terminate these unattached swaps.

As of June 30, 2015, Cornell had $1.5 billion of bonds and notes outstanding, including $137 million of outstanding commercial paper and $250 million in taxable bonds issued in 2009, which will be retired in 2019. The debt portfolio currently comprises 22 percent variable-rate and 78 percent fixed-rate debt. The University has a notional amount of $902 million in interest rate swaps, whose fair value is determined by an external swap consultant. Change in valuation between June 30, 2014, and June 30, 2015, increased the mark-to-market liability by $16 million due to a decrease in interest rates from June 30, 2014, to June 30, 2015.

As we enter a new chapter under the leadership of President Elizabeth Garrett, we must continue to reinforce our extraordinary competencies and focus on our mission-critical priorities. I am confident that Cornell's position as a preeminent research university with a global impact, world-class faculty, resourceful and competent staff, and superior student body will continue as long as we maintain financial flexibility within our system while continually seeking ways to augment our administrative support of this extraordinary institution. This year certainly has helped bring us closer to these goals, and the future looks bright.

Joanne M. DeStefano

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

OVERVIEW

The University ended the fiscal year with almost $9.5 billion in net assets, up from $9.2 billion the previous year. Total unrestricted net assets are $3.0 billion. Total assets increased by $242.0 million while total liabilities increased marginally by $4.0 million. The change in net assets from operating activities was relatively flat, with a $25.0 million net operating loss for the year and a change in net assets from non-operating activities, or net non-operating income, of $263.0 million. Contributions were responsible for a large part of the change in net assets from non-operating activities. Non-operating contributions were $316.6 million for the year. Of this amount, 36.7 percent was related to contribution revenue from non-operating pledges. Operating revenue from the Medical Physician Organization increased by $100.1 million from the prior year.

"Total unrestricted net assets are $3.0 billion."

NEW STANDARDS, EMERGING ISSUES, AND INITIATIVES

In May 2014, the Financial Accounting Standards Board (FASB) and International Accounting Standards Board issued their converged standard on revenue recognition. The standard is intended to provide a comprehensive, industry-neutral revenue recognition model to increase financial statement comparability across companies and industries, and significantly reduce the complexity inherent in today's revenue recognition guidance. The FASB recently agreed to a one-year delay of the implementation of the revenue standard. The new standard will be effective for fiscal year 2019. Prior to implementation, the University will perform a comprehensive review of existing agreements and practices to determine the impact of the new guidance.

In April, 2015, the FASB issued an exposure draft of a proposed Accounting Standards Update (ASU), Presentation of Financial Statements of Not-for-Profit Entities, which would significantly change the existing not-for-profit financial reporting model. The cornerstone of the proposal is a new conceptual approach to defining "operating activity." Items would be classified as operating or non-operating in the performance statement based on whether they arise from operating, investing, or financing activities. The comment period concluded in August, 2015. No effective date has been established. Cornell will continue to assess the impact of the guidance to its consolidated statements.

In April, 2015, the FASB issued ASU 2015-04 to address feedback that having different balance sheet presentation requirements for debt issuance cost and debt discount or premium creates unnecessary complexity. To simplify the presentation, debt issuance costs will be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs is not affected. The update is effective for fiscal years beginning after December 15, 2016.

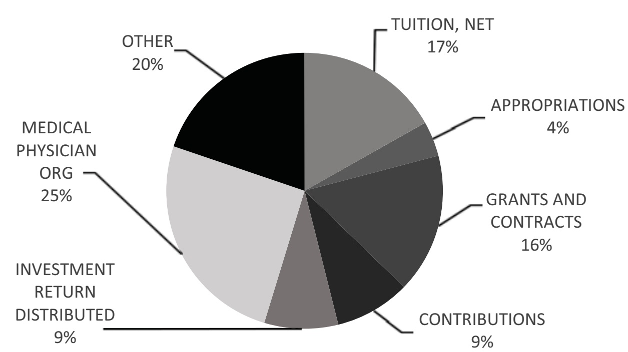
In May 2015, the FASB issued ASU 2015-07, which eliminates the requirement to categorize investments valued using the net asset value as a practical expedient within the fair-value hierarchy. Investments valued using the practical expedient were previously categorized within the fair-value hierarchy on the basis of whether the investment was redeemable with the investee at net asset value on the measurement date, never redeemable with the investee at net asset value, or redeemable with the investee at net asset value at a future date. Entities should continue to disclose information on investments for which fair value is measured at net asset value (or its equivalent) using the practical expedient to help users understand the nature and risks of the investments. This amendment is effective for fiscal years beginning after December 15, 2016. However, the University has elected to early adopt the standard, effective for fiscal year 2015.

FINANCIAL YEAR IN REVIEW

Operating Revenues

For fiscal year 2015, operating expenses exceeded operating revenue by .7 percent, resulting in a $25.0 million net operating loss. Operating contributions were down 15.8 percent from the prior year, after a high prior year of pledged contributions related in large part to the Cornell Tech campus (Cornell Tech) and Weill Cornell Medicine (WCM).

OPERATING REVENUES



Operating revenues at the Medical Physician Organization increased 12.1 percent, reaching $927.6 million. Much of this growth is driven by the continued expansion in the number of and growth of clinical sites, as well as strategic initiatives in the clinical affiliation with the New York Presbyterian - Lower Manhattan Hospital. All other operating revenue, excluding the Medical Physician Organization, had a net decrease of $4.9 million, while operating expenses increased by $251.9 million, or 7.4 percent.

In fiscal year 2015, gross tuition revenue increased by 4.9 percent as a result of Board-authorized tuition increases and increased overall enrollment of 236. The scholarship allowance represents the amount of institutional grant aid for the cost of attendance; this allowance increased by $3.4 million this fiscal year. The University also provides financial aid to students to defray the cost of living expenses; this aid is reported in supplies and general expense and disclosed in Note 10. Overall enrollment in fiscal year 2015 reached 22,873.

Combined direct and indirect revenues from grants and contracts remained relatively flat.

> "Operating revenues at the Medical Physician Organization increased 12.1 percent, reaching $927.6 million."

Contribution revenue for operations was $321.0 million, or a 15.8 percent decrease from last year. Non-operating contributions for buildings, trusts, and permanent endowment were $316.6 million, or a 28.5 percent decrease. The success of the University's Cornell Now capital campaign during the prior year, including extraordinary support for Cornell Tech and WCM, accounts for much of the decrease in operating and non-operating contribution revenue during the current year. We are grateful to our donors for their continued support.

Distributed investment return decreased in this fiscal year. Investment payout on the long-term investment pool (LTIP) shares is the major component of this revenue. 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 five years. Investment return included in operating revenues consists of amounts appropriated by the Board of Trustees from pooled endowment, and income and realized gains and losses on investments from working capital and non-pooled endowments and similar funds.

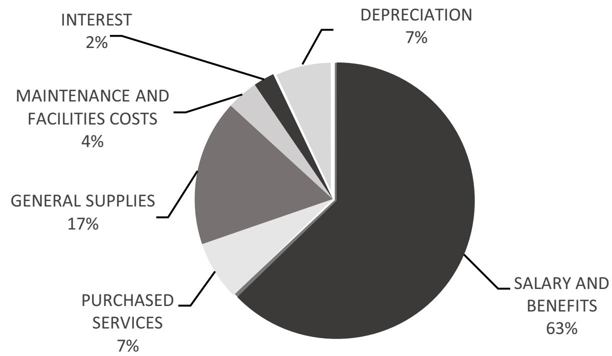
Revenues from auxiliary enterprises decreased by $6.0 million, or 3.7 percent, and educational activities and other sales and services increased by $39.8 million, or 7.6 percent. Of the increase in educational activities and other sales and services, $22.5 million is related to premiums from a new student health plan, disclosed in Note 12.

Net assets released from restriction represents the transfer of funds from temporarily restricted net assets to unrestricted net assets as a result of the satisfaction of donor-imposed contribution stipulations with respect to timing or purpose. In fiscal year 2015, this amount was $223.4 million.

Operating Expenses

Expenses for compensation and benefits are generally the major component of operating expenses for a research university, and Cornell is no exception. Consistent with the prior

OPERATING EXPENSES



year, salary and benefit expense is 62.8 percent of overall operating expenses. This expense increased by $145.9 million, or 6.8 percent. Beyond the overall salary improvement plan, averaging 3.0 percent in Ithaca, compensation at WCM was a major component of this increase due to increased headcount related to strategic initiatives and expansion of the Medical Physician Organization.

Supplies and general expense increased in fiscal year 2015 by $70.0 million, or 12.6 percent, due in large part to the increase in the contracted services for the Medical Physician Organization. Depreciation expense increased by $28.1 million, or 12.1 percent, related to an overall increase in buildings and equipment placed in service.

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)

Other operating expenses increased by $7.9 million. The University is committed to managing overall costs without jeopardizing its ability to carry out its missions and strategic initiatives and continues to focus efforts on streamlining, efficiencies, and reducing administrative burden.

Non-Operating Revenues and Expenses

Non-operating activities represent those in support of the University but not directly related to its core activities. These would include funding from New York State for buildings; funding from donors restricted to capital projects, trusts, or endowments; investment returns, net of distributed; and non-operating income and expense affected by fair-value adjustments at fiscal year-end.

New York State has provided significant appropriations, over $231.7 million in the past five years, to allow the University to build and improve the facilities for the contract colleges during that time. The current year revenues increased slightly by $187.5 thousand, or .7 percent, from the prior year.

Other non-operating income increased by $28.4 million, or 134.4 percent. Much of the increase is associated with the sale of a portion of the Belfer Research Building in New York City to the City University of New York.

The remaining income and expense items in the non-operating section are all significantly affected by market factors. The $67.0 million loss reflected as investment return in the non-operating section is net of the amount distributed of $314.3 million reflected in the operating section of the statement of activities. The total operating and non-operating return for fiscal year 2015 is $247.4 million, which includes $150.1 million of unrealized losses. The investment return for the long-term investment pool was 3.4 percent for the year, as compared with 15.8 percent in the prior year. Over the last three years, the annualized return of the long-term investment pool has been 10.1 percent.

The $47.4 million loss, reflected as the change in pension and postretirement costs in the non-operating section, is affected by numerous factors. This figure includes gains, losses, and other changes in the actuarially determined benefit obligations arising in the current period but not yet reflected within net periodic benefit cost. During the year, the University adopted new mortality tables which increased the liability, but much of the increase was offset by an increase in the discount rate.

As you can see from a review of the non-operating section, the overall non-operating income of $263.0 million for fiscal year 2015 is based primarily on the contributions for capital acquisitions, trusts, and endowments.

Statement of Financial Position

The University's overall net assets increased by $238.0 million, or 2.6 percent. The statement of financial position, or balance sheet, remains strong, with a total of $9.5 billion in net assets, including $3.0 billion in unrestricted net assets.

> "The University continues to enhance its physical plant with new buildings, improvements to older buildings, and infrastructure projects."

Assets

Cash is subject to variation from year to year because of the University's holdings as of June 30 in cash equivalents, i.e., securities with an initial maturity term of ninety days or less. At the end of fiscal year 2015, cash was $3.1 million lower than the prior year, which represents a decrease of 2.0 percent.

2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
$ 3,623.2	$ 4,180.4	$ 5,197.5	$ 5,378.1	$ 3,794.3	$ 4,223.2	$ 4,921.8	$ 4,786.9	$ 5,188.6	$ 5,896.3
202.0	128.7	236.8	190.5	573.9	210.6	155.3	287.4	349.7	378.2
(33.7)	(125.1)	(130.1)	(340.9)	(578.7)	(286.9)	(233.0)	(354.1)	(422.2)	(440.8)
388.9	1013.5	73.9	(1433.4)	433.7	774.9	(57.2)	468.4	780.2	140.0
$ 4,180.4	$ 5,197.5	$ 5,378.1	$ 3,794.3	$ 4,223.2	$ 4,921.8	$ 4,786.9	$ 5,188.6	$ 5,896.3	$ 5,973.7
$ 55.42	$ 66.62	$ 65.37	$ 45.12	$ 47.38	$ 53.58	$ 50.67	$ 53.30	$ 58.45	$ 57.31

Receivables from all sources, more fully disclosed in Note 2 of the consolidated financial statements, decreased by $17.7 million, or 1.1 percent. Of the decrease, $50.0 million was related to the sale of one floor of the Belfer Research Building on the WCM campus to the City University of New York (CUNY). This transaction originated in the prior fiscal year, and resulted in a note receivable and deferred revenue. This significant decrease was offset, however, by an increase in receivables associated with the growth of the Medical Physician Organization.

Prepaid expenses and other assets increased by $45.4 million, or 46.9 percent, as a result of the classification of demolition costs on the New York City Tech campus at Roosevelt Island as additional rent under the ground lease.

Investments as of June 30, 2015 were $7.0 billion, a 2.0 percent increase over the prior year. The increase in the fair value of University assets is based on realized and unrealized net gains from the fair-value adjustments at the end of this fiscal year and an increase in the number of shares held. Fair-value adjustments, as the financial press reminds us, are often related to the asset allocations in the portfolio, with some sectors outperforming others.

The University continues to enhance its physical plant with new buildings, improvements to older buildings, and infrastructure projects. The 2.0 percent increase in land, buildings, and equipment in fiscal year 2015 consists of projects placed in service as well as construction in progress (CIP). CIP at fiscal year-end includes several major projects, such as Cornell Tech, Klarman Hall, and the Kimball Hall renovation.

Liabilities

In total, accounts payable and accrued expenses increased by $30.9 million for the year. Included within that change is $16.4 million related to an increase in the interest rate swap liabilities as a result of decreased interest rates.

Deferred revenue and other liabilities decreased by $47.6 million, or 16.7 percent, due to the reduction in deferred revenue associated with the CUNY transaction, further described above.

Of the deferred benefits of $527.6 million, $328.7 million relates to pension, post retirement, and other post-employment benefits. These liabilities are further disclosed in Note 6.

Funds held in trust for others represent resources that are invested by the University as a custodian for other closely related parties. Independent trustees are responsible for the funds and for the designation of income distribution. Of the decrease of $17.3 million, $11.0 million is related to a decrease in market value.

The bonds and notes payable decline of $27.6 million represents scheduled amortization of principal payments during the year.

SUMMARY

The end of this fiscal year is marked by the completion of our sesquicentennial year, conclusion of the Cornell Now campaign, and departure of President Skorton. The University continues to expand its endowment, increase operating revenues, and manage expenses. Sponsored research through grants and contracts remains strong and the Medical Physician Organization now constitutes a significant revenue stream, which augments the University's diversification of revenue sources. In the coming year, the University will focus on improving efficiencies and reducing administrative burden.

Aimee L. Turner
Associate Vice President and University Controller

MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

Aimee L. Turner
Associate Vice President
and University Controller

Report of Independent Auditors

To the Board of Trustees
Cornell University

We have audited the accompanying consolidated financial statements of Cornell University ("University"), which comprise the consolidated statement of financial position as of June 30, 2015 and the related consolidated statements of activities and of cash flows for the year then ended.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cornell University at June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
We have previously audited Cornell University's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers LLP

October 22, 2015

PricewaterhouseCoopers LLP, 1100 Bausch & Lomb Place, Rochester, NY 14604-2705
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2015 (in thousands)

(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2014)

		2015	2014
Assets			
1	Cash and cash equivalents	$ 149,753	$ 152,873
2	Accounts receivable, net (note 2-A)	414,607	436,760
3	Contributions receivable, net (note 2-B)	1,093,843	1,093,569
4	Prepaid expenses and other assets	142,420	96,979
5	Student loans receivable, net (note 2-C)	76,987	72,803
6	Investments (note 3)	6,986,920	6,848,293
7	Land, buildings, and equipment, net (note 4)	3,788,376	3,713,816
8	Funds held in trust by others (note 5)	118,381	114,212
9	Total assets	$ 12,771,287	$ 12,529,305
Liabilities			
10	Accounts payable and accrued expenses	$ 593,797	$ 562,882
11	Deferred revenue and other liabilities	237,289	284,866
12	Obligations under split interest agreements (note 5)	139,857	126,224
13	Deferred benefits (note 6)	527,574	476,451
14	Funds held for others (note 7)	195,533	212,832
15	Bonds and notes payable (note 8)	1,542,834	1,570,395
16	Government advances for student loans	52,992	52,275
17	Total liabilities	3,289,876	3,285,925
Net assets (note 11)			
18	Unrestricted	2,970,754	3,014,917
19	Temporarily restricted	3,577,319	3,494,173
20	Permanently restricted	2,933,338	2,734,290
21	Total net assets	9,481,411	9,243,380
22	Total liabilities and net assets	$ 12,771,287	$ 12,529,305

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

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR-ENDED JUNE 30, 2015 (in thousands)
(WITH SUMMARIZED INFORMATION FOR THE YEAR-ENDED JUNE 30, 2014)

		Unrestricted	Temporarily Restricted
	Operating revenues		
1	Tuition and fees	$ 963,722	$ -
2	Scholarship allowance	(352,668)	-
3	Net tuition and fees	611,054	-
4	State and federal appropriations	148,712	-
5	Grants, contracts and similar agreements		
6	Direct	461,329	-
7	Indirect cost recoveries	133,439	-
8	Contributions	93,590	227,366
9	Investment return, distributed	196,048	118,294
10	Medical Physician Organization	927,579	-
11	Auxiliary enterprises	157,523	-
12	Educational activities and other sales and services	561,697	-
13	Net assets released from restrictions	223,419	(223,419)
14	Total operating revenues	3,514,390	122,241
	Operating expenses (note 10)		
15	Compensation and benefits	2,297,837	-
16	Purchased services	255,159	-
17	Supplies and general	625,337	-
18	Maintenance and facilities costs	134,069	-
19	Interest expense (note 8)	89,447	-
20	Depreciation	259,776	-
21	Total operating expenses	3,661,625	-
22	Change in net assets from operating activities	(147,235)	122,241
	Nonoperating revenues and (expenses)		
23	State appropriations for capital acquisitions	28,279	-
24	Grants, contracts and similar agreements for capital acquisitions	11,391	-
25	Contributions for capital acquisitions, trusts and endowments	9,783	140,673
26	Investment return, net of amount distributed	(29,628)	(56,894)
27	Change in value of split interest agreements	3,166	(10,884)
28	Pension and postretirement changes other than net periodic costs	(47,423)	-
29	Change in value of interest rate swaps	(16,419)	-
30	Other	49,731	-
31	Net asset released for capital acquisitions and reclassifications	94,192	(111,990)
32	Change in net assets from nonoperating activities	103,072	(39,095)
33	Change in net assets	(44,163)	83,146
34	Net assets, beginning of the year	3,014,917	3,494,173
35	Net assets, end of the year	$ 2,970,754	$ 3,577,319

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

Permanently Restricted	2015 Total	2014 Total	
$ -	$ 963,722	$ 918,408	1
-	(352,668)	(349,255)	2
-	611,054	569,153	3
-	148,712	149,065	4
			5
-	461,329	471,328	6
-	133,439	130,254	7
-	320,956	381,136	8
-	314,342	327,528	9
-	927,579	827,433	10
-	157,523	163,548	11
-	561,697	521,921	12
-	-	-	13
-	3,636,631	3,541,366	14
-	2,297,837	2,151,980	15
-	255,159	235,723	16
-	625,337	555,314	17
-	134,069	143,825	18
-	89,447	91,190	19
-	259,776	231,670	20
-	3,661,625	3,409,702	21
-	(24,994)	131,664	22
-	28,279	28,092	23
-	11,391	-	24
166,154	316,610	442,653	25
19,539	(66,983)	553,899	26
(4,332)	(12,050)	16,747	27
-	(47,423)	(32,428)	28
-	(16,419)	(12,852)	29
(111)	49,620	21,172	30
17,798	-	-	31
199,048	263,025	1,017,283	32
199,048	238,031	1,148,947	33
2,734,290	9,243,380	8,094,433	34
$ 2,933,338	$ 9,481,411	$ 9,243,380	35

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR-ENDED JUNE 30, 2015 (in thousands)

(WITH COMPARATIVE INFORMATION FOR THE YEAR-ENDED JUNE 30, 2014)

		2015	2014
	Cash flows from operating activities		
1	Change in net assets	$ 238,031	$ 1,148,947
	Adjustments to reconcile change in net assets		
	to net cash provided/(used) by operating activities		
2	Proceeds from contributions for capital acquisitions, trusts and endowments	(343,906)	(287,409)
3	Depreciation	259,776	231,670
4	Net realized and unrealized (gain)/loss on investments	(151,411)	(794,792)
5	Pension and postretirement changes other than net periodic costs	47,423	32,428
6	Change in value of interest rate swaps	16,419	12,852
7	Loss on disposals of land, building, and equipment	2,285	1,619
8	Other adjustments	(2,348)	(26,435)
	Change in assets and liabilities		
9	Accounts receivable, net	22,153	(98,709)
10	Contributions receivable, net	(274)	(259,107)
11	Prepaid expenses and other assets	(45,475)	8,005
12	Accounts payable and accrued expenses	16,447	(37,860)
13	Deferred revenue and other liabilities	(47,577)	61,500
14	Obligations under split interest agreements	9,464	(1,041)
15	Deferred benefits	3,700	(1,627)
16	Net cash provided/(used) by operating activities	24,707	(9,959)
	Cash flows from investing activities		
17	Proceeds from the sale and maturities of investments	6,643,108	8,202,982
18	Purchase of investments	(6,630,290)	(8,001,748)
19	Acquisition of land, buildings, and equipment (net)	(335,823)	(389,909)
20	Student loans granted	(16,109)	(13,371)
21	Student loans repaid	11,524	10,179
22	Change in funds held for others	(17,299)	97,318
23	Net cash used by investing activities	(344,889)	(94,549)
	Cash flows from financing activities		
	Proceeds from contributions for capital acquisitions, trusts and endowments		
24	Investment in endowments	251,006	164,035
25	Investment in physical plant	87,702	118,861
26	Investment subject to living trust agreements	5,198	4,513
27	Principal payments of bonds and notes payable	(42,951)	(289,540)
28	Proceeds from issuance of bonds and notes payable	15,390	-
29	Government advances for student loans	717	3,074
30	Net cash provided by financing activities	317,062	943
31	Net change in cash and cash equivalents	(3,120)	(103,565)
32	Cash and cash equivalents, beginning of year	152,873	256,438
33	Cash and cash equivalents, end of year	$ 149,753	$ 152,873
	Supplemental disclosure of cash flow information		
34	Cash paid for interest	$ 91,639	$ 92,780
35	Increase/(decrease) in construction payables, non-cash activity	$ (1,951)	$ (13,486)
36	Gifts-in-kind	$ 2,749	$ 26,217

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

1. SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Organization

Founded in 1865, Cornell University (the University) is dedicated to a mission of learning, discovery, and engagement. Cornell is a private university, the federal land-grant institution of New York State, and a member of the Ivy League. Cornell administers four contract colleges which are also units of the State University of New York. It has been described as the first truly American university because of its founders' revolutionary egalitarian and practical vision of higher education, and is dedicated to its land-grant mission of outreach and public engagement. Cornell's community includes over 22,800 students, more than 3,700 faculty, and nearly 269,000 alumni who live and work across the globe.

The University comprises colleges and schools in Ithaca, New York (seven undergraduate units and four graduate and professional units), New York City (two medical graduate and professional units as part of Weill Cornell Medicine), and Doha, Qatar (the Weill Cornell Medical College in Qatar). Also in New York City, the Cornell Tech campus offers graduate programs in applied sciences, including two programs offered jointly with the Technion - Israel Institute of Technology under the auspices of the Joan and Irwin Jacobs Technion-Cornell Institute (the Jacobs Institute).

The Jacobs Institute plays a key role through interdisciplinary, dual-degree programs in the applied information-based sciences, and offers a global perspective on technology transfer, commercialization, and entrepreneurship. Effective July 1, 2014, the University determined, due to the close integration between the Jacobs Institute and Cornell Tech programs and the operational support provided by the University as a whole, that the University effectively has operational control and, as such, consolidation of the Jacobs Institute into the University's financial statements is appropriate. The consolidation resulted in contribution revenue of $5,420, which increased unrestricted, temporarily restricted, and permanently restricted net assets by $1,147, $3,357, and $916, respectively. The impact on the consolidated statement of activities of the institute's revenues and expenses during the fiscal year ended June 30, 2015 was immaterial.

The University is subject to the common administrative authority and control of the Cornell University Board of Trustees. The University is prohibited from using funds attributable to the contract colleges (i.e., those colleges operated by the University on behalf of New York State) for other units of the University. Except as specifically required by law, the contract and endowed colleges at Ithaca and Weill Cornell Medicine (WCM) are, to the extent practicable, governed by common management principles and policies determined at the private discretion of the University. In addition to the activities of the endowed university, Contract Colleges, and WCM, 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 are prepared in accordance with U.S. generally accepted accounting principles (GAAP). Net assets, revenues, gains, and losses are categorized based on the existence or absence of donor-imposed restrictions.

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

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

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

C. Cash and Cash Equivalents

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

D. Contributions

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the appropriate categories of net assets in the periods received. A pledge is recorded at the 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 non-operating 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 ("the 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 non-operating expenses.

E. Investments

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

Investment return included in operating revenues consists of amounts appropriated by the Board of Trustees from the pooled endowment, as well as income and realized gains and losses on investments from working capital and non-pooled endowments and similar funds. Unrealized gains and losses on investments, any difference between total return and amounts appropriated from the pooled endowment, and income and realized gains reinvested per donor restrictions are reported as non-operating activities.

F. Fair-Value Hierarchy

The University values certain financial and non-financial assets and liabilities, on a recurring basis, in accordance with a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is defined as the price associated with an orderly transaction between market participants at the measurement date. This fair-value hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments, which is based on market data obtained from sources independent of the University. The hierarchy of inputs used to measure fair value, and the primary valuation methodologies used by the University for assets and liabilities measured at fair value, are disclosed below.

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

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

The fair value of Level 3 securities is based upon valuation techniques that use significant unobservable inputs.

Inputs used in applying the various valuation techniques refer to the assumptions that are used to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors. A financial instrument's level within the fair-value hierarchy is based on the lowest level of any input that is significant to the fair-value measurement. The University considers observable data to be market data that is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the fair-value hierarchy is, therefore, based upon the pricing transparency of the instrument, and does not correspond to the University's perceived risk of that instrument.

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 non-operating 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 non-operating 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 of art, rare books, and 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. 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. Contributions of split interest agreements, net of related liabilities, increase 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 non-operating section of the consolidated statement of activities.

J. 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 non-operating activities in the consolidated statement of activities.

K. Endowments

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

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

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

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

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

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

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 and 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 WCM.

N. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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. GAAP. 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

For the fiscal year ended June 30, 2015, the University elected to "early adopt" the disclosure changes required by Accounting Standards Update (ASU) 2015-07 - Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. Investments that are measured using net asset value will no longer be categorized in the fair-value hierarchy. The changes are reflected in Note 3.

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09 - Revenue from Contracts with Customers (Topic 606) at the conclusion of a joint effort with the International Accounting Standards Board to create common revenue recognition guidance for U.S. GAAP and international accounting standards. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services, by allocating transaction price to identified performance obligations, and recognizing that revenue as performance obligations are satisfied. Qualitative and quantitative disclosures will be required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The University is evaluating the impact this will have on the consolidated financial statements, and is closely monitoring changes deliberated by the FASB related to implementation and effective date.

In April 2015, the FASB issued ASU 2015-03 - Imputation of Interest (Subtopic 835-30): *Simplifying the Presentation of Debt Issuance Costs*, which requires all costs incurred to issue debt to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. The University is evaluating the impact this will have on the consolidated financial statements for the fiscal year ending June 30, 2017, the first year in which the standard is effective.

Q. Reclassifications

The University reclassified certain prior-year liabilities in the consolidated statement of financial position, and revenue lines in the consolidated statement of activities, to conform to the current year presentation. These changes impacted deferred revenue and other liabilities, bonds and notes payable, tuition and fees, and educational activities and other sales and services lines. There was no effect on total operating results as reported in the prior year.

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 position each fiscal year to determine whether it is more likely than not to be sustained if examined by the applicable taxing authority. This review had no material impact on the University's consolidated financial statements.

(dollars in thousands)

2. RECEIVABLES

A. Accounts Receivable

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

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

SUMMARY OF ACCOUNTS RECEIVABLE

	2015	2014
Grants and contracts	$ 118,178	$ 115,948
New York Presbyterian Hospital and other affiliates	36,155	37,827
Patients (net of contractual allowances)	124,559	112,897
Reinsurance receivable	95,424	78,222
Student accounts	11,636	6,735
Other	54,782	121,967
Gross accounts receivable	$ 440,734	$ 473,596
Less: allowance for doubtful accounts	(26,127)	(36,836)
Net accounts receivable	$ 414,607	$ 436,760

The patient accounts receivable for medical services was comprised of the following at June 30, 2015 and 2014, respectively: commercial third parties 59.5 percent and 59.5 percent; federal/state government 19.1 percent and 19.8 percent; and patients 21.5 percent and 20.7 percent. Note 12 provides additional information related to the reinsurance receivable.

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

B. Contributions Receivable

Unconditional promises to give, or pledges, are recorded in the consolidated financial statements at present value using discount rates ranging from 1.5 percent to 7.0 percent. The methodology for estimating uncollectible amounts is based on an analysis of the historical collectability of contributions receivable. Contributions are expected to be realized as follows:

SUMMARY OF CONTRIBUTIONS RECEIVABLE

	2015	2014
Less than one year	$ 356,473	$ 346,079
Between one and five years	703,052	710,680
More than five years	164,546	167,691
Gross contributions receivable	$ 1,224,071	$ 1,224,450
Less: unamortized discount	(84,658)	(85,316)
Less: allowance for uncollectible amounts	(45,570)	(45,565)
Net contributions receivable	$ 1,093,843	$ 1,093,569

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

EXPECTED PURPOSE OF CONTRIBUTIONS RECEIVABLE

	2015	2014
Program support	$ 563,993	$ 533,701
Capital purposes	351,558	378,907
Long-term support	178,292	180,961
Net contributions receivable	$ 1,093,843	$ 1,093,569

At June 30, 2015, conditional promises not reflected in the consolidated financial statements, which consist primarily of bequest intentions and conditional promises with significant requirements, were $487,960.

(dollars in thousands)

C. Student Loans Receivable

In keeping with Ezra Cornell's vision, the University has a "need-blind" policy of admission. Many students receive financial aid that consists of scholarship/fellowship grants, work-study opportunities and, when appropriate, student loans.

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

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

The University Bursar is required to authorize any write-off of a student loan receivable; such write-offs are based primarily on the aging report and an evaluation of any recent activity in the account. Overall default rates and an evaluation of general economic conditions are reviewed at least annually. The University, because of its close and continuing relationship with its students and graduates, seeks to work closely with the students to help ensure repayment. At June 30, 2015, the average default rate approximates 12.2 percent, with a rate of approximately 3.2 percent on the federal revolving loan portfolio. Student loans are considered to be in default status when over 150 days past due. The average rate includes both the federal loans and the institutional loans. Institutional loans are generally provided to students with unusual financial needs.

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

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

SUMMARY OF STUDENT LOANS RECEIVABLE

	2015			2014
	Receivable	Allowance	Net receivable	Net receivable
Federal revolving loans	$ 50,098	$ (2,311)	$ 47,787	$ 43,341
Institutional loans	31,536	(2,336)	29,200	29,462
Total student loans receivable	$ 81,634	$ (4,647)	$ 76,987	$ 72,803

CHANGE IN STUDENT LOAN ALLOWANCE

	2015			2014
	Federal revolving	Institutional	Total allowance	Total allowance
Allowance at beginning of year	$ (2,041)	$ (2,205)	$ (4,246)	$ (4,464)
Current year provisions	(270)	(341)	(611)	(231)
Current year write-offs	-	210	210	449
Allowance at end of year	$ (2,311)	$ (2,336)	$ (4,647)	$ (4,246)

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 maintains a number of investment pools or categories for specific purposes as follows:

INVESTMENT POOLS/CATEGORIES AT FAIR VALUE

	2015	2014
Long-term investments (LTI)		
Long-term investment pool (LTIP)	$ 5,973,740	$ 5,896,264
Other LTI	315,583	313,105
Total LTI	$ 6,289,323	$ 6,209,369
Intermediate-term	346,714	352,146
Separately invested and other assets	350,883	286,778
Total investments	$ 6,986,920	$ 6,848,293

Total earnings on the University's investment portfolio for the fiscal years ended June 30 is presented in the following table:

SUMMARY OF INVESTMENT RETURN

	2015	2014
Interest and dividends, net of investment fees	$ 95,948	$ 86,635
Net realized gain/(loss)	301,502	318,674
Net unrealized gain/(loss)	(150,091)	476,118
Total investment return	$ 247,359	$ 881,427

B. Fair Value

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

INVESTMENTS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	Net asset value	2015 Total	2014 Total
Cash and cash equivalents	$ 596,391	$ 5,726	$ -	$ -	$ 602,117	$ 474,993
Derivatives	(969)	(2,273)	-	-	(3,242)	(382)
Equity						
Domestic equity	485,584	63,582	34,450	114,536	698,152	681,562
Foreign equity	671,613	22,711	22,736	230,525	947,585	912,244
Hedged equity	-	-	3,055	721,476	724,531	545,068
Private equity	-	-	20,895	1,188,863	1,209,758	1,178,884
Fixed income						
Asset backed fixed income	-	20,997	1,076	-	22,073	30,852
Corporate bonds	-	404,806	4,111	-	408,917	429,009
Equity partnership	-	92	-	422,919	423,011	308,006
International	36,891	117,526	-	-	154,417	165,431
Municipals	-	30,285	-	-	30,285	37,603
Mutual funds (non-equity)	2,192	47,729	-	-	49,921	49,699
Preferred/convertible	372	21,182	5,094	-	26,648	26,784
Other fixed income	-	6,464	111	-	6,575	5,872
US government	102,852	22,162	-	-	125,014	308,404
Marketable alternatives	-	22	-	653,982	654,004	694,879
Real assets	-	-	22,458	878,092	900,550	1,001,652
Receivable for investments sold	21,674	-	-	-	21,674	20,730
Payable for investments purchased	(38,573)	-	-	-	(38,573)	(43,206)
Other	-	-	23,503	-	23,503	20,209
Total investments	$ 1,878,027	$ 761,011	$ 137,489	$ 4,210,393	$ 6,986,920	$ 6,848,293
Securities not included in investment portfolio						
Cash and cash equivalents	$ 56,168	$ -	$ -	$ -	$ 56,168	$ 89,408

Level 1 investments consist of cash and cash equivalents, equity, and fixed-income securities with observable market prices. Fair value is readily determinable based on quoted prices in active markets. Unsettled trade receivable and payable valuations are reflective of cash settlements subsequent to the fiscal year-end and are also categorized as Level 1. The University does not adjust the quoted price for such instruments, even in situations where the University holds a large position and a sale of all its holdings could reasonably impact the quoted price.

Investments that are classified as Level 2 include domestic and foreign equities, as well as fixed income securities that trade in markets that are not considered to be active. Fair value is based on observable inputs for similar instruments in the market, and obtained by various sources including market participants, dealers, and brokers; the University's custodian secures pricing for these assets. The fair value of derivative investments is based on market prices from the financial institution that is the counterparty to the derivative.

Level 3 investments have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value are based upon the best information in the circumstance and may require significant management judgment. Investments included in Level 3 consist primarily of the University's ownership in real estate, oil and mineral rights, limited partnerships, and equity positions in private companies.

C. Investments Using Net Asset Value

The net asset value (NAV) column above represents the University's ownership interest in certain alternative investments. As a practical expedient, the University uses its ownership interest in the NAV to determine the fair value of all alternative investments that 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 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 general partner will take 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.

(dollars in thousands)

The following tables provide additional information about alternative investments measured at NAV:

SUMMARY OF ALTERNATIVE INVESTMENTS MEASURED USING NET ASSET VALUE

Asset class	Strategy	NAV in funds	Remaining life	Unfunded commitments	Timing to draw commitments
Private equity	Buyout	$ 451,109		$ 205,484	
	Growth	290,517		114,575	
	Venture capital	447,237		96,724	
	Total private equity	$ 1,188,863	1 to 10 years	$ 416,783	1 to 10 years
Real assets	Real estate	571,197		261,251	
	Natural resource	306,895		305,048	
	Total real assets	$ 878,092	1 to 10 years	$ 566,299	1 to 10 years
Fixed income	Distressed	171,615		99,886	
	Leveraged loans	59,931		35,395	
	Mezzanine	82,643		41,806	
	Multi-strategy	108,730		28,148	
	Total fixed income	$ 422,919	1 to 10 years	$ 205,235	1 to 10 years
Foreign equity	Emerging markets	97,258			
	Global equity	133,267			
	Total foreign equity	$ 230,525			
Hedged equity	Global equity long/short	278,296			
	U.S. equity long/short	443,180			
	Total hedged equity	$ 721,476			
Marketable alternatives	Event driven	93,088			
	Multi-strategy	205,893			
	Relative value	30,721			
	Special opportunity	324,280			
	Total marketable alternatives	$ 653,982			
Domestic equity	Indexed	114,536			
	Total domestic equity	$ 114,536			
Total for alternative investments using NAV		$ 4,210,393		$ 1,188,317	

(dollars in thousands)

REDEMPTION INFORMATION FOR ALTERNATIVE INVESTMENTS MEASURED USING NET ASSET VALUE

Asset class	Redemption terms	Redemption restrictions*
Private equity	n/a **	n/a
Real assets	n/a **	n/a
Fixed income	Semi-annual redemption with 90 days notice***	4.8% of NAV has remaining lock up provisions of 6 months
Foreign equity	Ranges between monthly redemption with 10 days notice, to semi-annual redemption with 60 days notice	No lock up provisions
Hedged equity	Ranges between quarterly redemption with 30 days notice, to triennial redemption with 30 days notice	7.4% of NAV has remaining lock up provisions ranging from 6 months to 24 months
Marketable alternatives	Ranges between quarterly redemption with 14 days notice, to triennial redemption with 90 days notice	No lock up provisions
Domestic equity	Daily redemption with 2 days notice	No lock up provisions

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

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

***95.2% of NAV is in private equity structure, with no ability to be redeemed. Redemption provisions for the remaining 4.8% are shown above.

D. Level 3 Investments

The table below presents a summary of Level 3 investment activity. All net realized and unrealized gains/(losses) in the table 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, 2015. There were no significant transfers into or out of Level 3 during the fiscal year ended June 30, 2015.

SUMMARY OF LEVEL 3 INVESTMENT ACTIVITY

	Fair value at June 30, 2014	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value at June 30, 2015
Equity							
Domestic equity	$ 2,607	$ 662	$ 6,445	$ 29,853	$ (5,117)	$ -	$ 34,450
Foreign equity	1,941	(1,179)	(364)	49,444	(27,106)	-	22,736
Hedged equity	25	164	(322)	11,925	(8,737)	-	3,055
Private equity	18,741	-	2,209	31	(86)	-	20,895
Fixed income							
Asset backed fixed income	671	-	473	-	(68)	-	1,076
Corporate bonds		-	160	3,951	-	-	4,111
Preferred/convertible	5,083	4	(14)	25	(4)	-	5,094
Other fixed income	25	-	-	86	-		111
Real assets	20,765	-	(967)	2,660	-	-	22,458
Other	20,213	342	(70)	3,018	-	-	23,503
Total Level 3 investments	$ 70,071	$ (7)	$ 7,550	$ 100,993	$ (41,118)	$ -	$ 137,489

Level 3 equities not priced by qualified third parties (e.g., brokers, pricing services, etc.) are valued using discounted cash flow, taking into account various factors including nonperformance risk, counterparty risk, and marketability. Investment value is also derived using a market approach through comparison to recent and relevant market multiples of comparable companies. Start-up assets, held by the University's student-run venture fund or other similar programs, are maintained at or near initial investment amounts due to the nature of the activity.

(dollars in thousands)

Level 3 asset-backed fixed income investments are valued using discounted cash flows. Preferred/convertible fixed income investments are valued using discounted cash flows or a market approach using a dividend multiplier. Investments in start-up companies, as described above, are valued at or near initial investment amounts.

Level 3 real assets represent directly owned real estate, and oil or mineral rights. To the extent feasible, third party appraisals are used to value real estate directly owned by the University. If current appraisals are not available, fair value is based on the capitalization rate valuation model or discounted cash flow, corroborated by local market data, if available. Oil and mineral rights are valued based on industry standard revenue multiplier methodologies or discounted cash flow.

The following table provides additional information related to the valuation of the investments classified by the University as Level 3.

QUANTITATIVE INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENT

	Level 3 fair value	Valuation technique(s)	Unobservable input	Range (weighted average)
Equity				
Domestic equity	$ 3,310	Start-up valuation		
	31,140	Third-party pricing		
Foreign equity	22,736	Third-party pricing		
Hedged equity	3,055	Third-party pricing		
Private equity	17,484	Discounted cash flow/market comparable	Discount rate	4.1% - 12.1% (5.1%)
			Discount for lack of marketability	15% - 20% (19.5%)
			Earnings multiple	8.5x
			Revenue multiple	2.0x
	63	Start-up valuation		
	3,348	Third-party pricing		
Fixed income				
Asset backed fixed income	1,076	Discounted cash flow	Discount rate	3.2% - 3.8% (3.6%)
Corporate bonds	4,111	Third-party pricing		
Preferred/convertible	4,816	Market comparable	Dividend multiple	16.6x - 20.3x (19.5x)
	278	Start-up valuation		
Other fixed income	111	Start-up valuation		
Real assets	10,626	Cap rate valuation model	Capitalization rate	5.0% - 8.0% (6.1%)
	4,881	Discounted cash flow	Discount rate	15%
			Years to maturity	12
	2,230	Sales comparison approach	Recent transactions	
	1,900	Start-up valuation		
	2,821	Third-party pricing		
Other	7,534	Discounted cash flow	Discount rate	2.4% - 5.3% (2.8%)
			Years to maturity	7.0 - 14 (8.1)
	297	Start-up valuation		
	15,672	Third-party pricing		
Total Level 3 investments	$ 137,489			

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

(dollars in thousands)

E. Derivative Holdings

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

As part of its overall diversification strategy, the University allocates a percentage of its assets to investment managers specializing in securities whose prices are denominated in foreign currencies. The investment guidelines provide discretion to these managers to adjust the foreign currency exposure of their investment portfolios 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.

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 consist 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 long-term portfolio to interest rate volatility.

The University entered into option contracts on interest rate swaps as a way to mitigate the impact of a significant rise in interest rates in the future. Under terms of certain option contracts on interest rate swaps, the University is obligated to make future premium payments. At June 30, 2015 and 2014, the University had unfunded premium payment commitments of $7,595 and $12,404 respectively. The University's premium payment schedule is as follows: $2,185 for the year ending June 30, 2016; $1,314 for the year ended June 30, 2017; and $1,024 annually for the years ending June 30, 2018, 2019 and 2020; and $1,024 thereafter.

The following tables provide 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

		2015			2014		
Location	Derivative type	Notional amount	# of Contracts	Level 2 fair value	Notional amount	# of Contracts	Level 2 fair value
Investments							
	Foreign currency	$ -	66	$ (583)	$ -	67	$ (632)
	Commodity	-	-	-	264,279	76	409
	Synthetic	(20,862)	40	(2,123)	47,683	28	(227)
	Interest rate	444,703	4	(536)	444,703	4	68
Total fair value		$ 423,841	110	$ (3,242)	$ 756,665	175	$ (382)

EFFECT OF DERIVATIVE HOLDINGS ON STATEMENT OF ACTIVITIES

		2015	2014
Location	Derivative Type	Unrealized gain/(loss)	Unrealized gain/(loss)
Investment return, net of amount distributed			
	Foreign currency	$ 17	$ (547)
	Commodity	-	408
	Synthetic	(629)	(331)
	Interest rate	(24,655)	(19,242)
Total unrealized gain/(loss)		$ (25,267)	$ (19,712)

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

(dollars in thousands)

4. LAND, BUILDINGS, AND EQUIPMENT

A. General Information

Land, buildings, and equipment are detailed as follows:

LAND, BUILDINGS, AND EQUIPMENT

	Book value at June 30, 2015	Book value at June 30, 2014
Land, buildings, and equipment	$ 5,137,028	$ 4,833,428
Furniture, equipment, books, and collections	1,213,226	1,173,595
Construction in progress	311,793	354,044
Total before accumulated depreciation	$ 6,662,047	$ 6,361,067
Accumulated depreciation	(2,873,671)	(2,647,251)
Net land, buildings, and equipment	$ 3,788,376	$ 3,713,816

Certain properties, for which the University has possession and beneficial use for an indefinite period and which other entities may also record as assets, are included in the consolidated statement of financial position, as follows: (1) land, buildings, and equipment of the Contract Colleges aggregating $701,264 and $690,063 at June 30, 2015 and 2014, 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 $1,853 and $470 at June 30, 2015 and 2014, respectively.

The future commitments on capital projects in progress on the Ithaca campus, excluding projects funded by New York State, are approximately $181,463 at June 30, 2015.

B. Cornell Tech Campus

In December 2011, the University, in partnership with Technion-Israel Institute of Technology, won the A*pplied Sciences NYC* competition to build and operate a new applied sciences and engineering campus in New York City. The city committed through the New York City Economic Development Corporation (NYCEDC) a location and seed funding for the initial construction of the new campus. Under the terms of the agreement with the NYCEDC and the ninety-nine year ground lease for Roosevelt Island, the University made the commitment to create the new applied sciences campus in three phases, with milestones in 2017, 2027 and 2037. In addition, the University has enrollment, faculty, and other operational commitments as part of the agreement.

In 2014, the University broke ground on Roosevelt Island, taking the first steps towards the completion of the Phase I development commitments, which include the first academic building, a residential building, a corporate colocation space, and an executive education facility. The future commitments for these capital projects in progress on the Cornell Tech campus are approximately $248,873 at June 30, 2015. The total cost of demolition of the existing structures on the site are considered to be a prepaid cost of the ground lease, and will be amortized over the term of the lease. At June 30, 2015, the unamortized amount of the demolition costs is $47,134.

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

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

The University's interest in funds held in trust by others is considered Level 3 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.

(dollars in thousands)

The following tables 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 AND LEVEL 3 QUANTITATIVE INFORMATION

	Valuation methodologies	Unobservable inputs	Range (weighted average)	2015 Total	2014 Total
Funds held in trust by others					
Remainder	Present value calculation	Discount rate	3.60%	$ 64,323	$ 62,453
		Years to maturity	0-58 (10)		
Lead and perpetual	Discounted cash flow	Discount rate	4.70%	54,058	51,759
Total funds held in trust by others				$ 118,381	$ 114,212
Obligations under split interest agreements	Discounted cash flow	Discount rate	3.80%	$ 139,857	$ 126,224
		Years to maturity	0-48 (16)		

SUMMARY OF LEVEL 3 SPLIT INTEREST AGREEMENT ACTIVITY

	Fair value at June 30, 2014	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value at June 30, 2015
Funds held in trust by others							
Remainder	$ 62,453	$ 1,707	$ (474)	$ 1,316	$ (679)	$ -	$ 64,323
Lead and perpetual	51,759	2,054	139	106	-	-	54,058
Total funds held in trust by others	$114,212	$ 3,761	$ (335)	$ 1,422	$ (679)	$ -	$118,381
Obligations under split interest agreements	$126,224	$ -	$ 13,633	$ -	$ -	$ -	$139,857

6. DEFERRED BENEFITS

A. General Information

Accrued employee benefit obligations as of June 30 include:

SUMMARY OF DEFERRED BENEFITS

	2015	2014
Postemployment benefits	$ 24,800	$ 29,147
Pension and other postretirement benefits	303,878	256,549
Other deferred benefits	198,896	190,755
Total deferred benefits	$ 527,574	$ 476,451

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 retirement plan coverage is provided by two basic types of plans: 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 WCM are carried by the Teachers Insurance and Annuity Association, the College Retirement Equities Fund, the Vanguard Group (WCM only), and Fidelity Investments (Endowed Ithaca only), all of which permit employee contributions. Total costs of the Endowed Ithaca and WCM plans for the fiscal years ended June 30, 2015 and 2014 amounted to $95,091 and $92,807, respectively.

(dollars in thousands)

WCM maintains the University's only defined benefit plan. The participants include non-exempt employees at WCM who meet the eligibility requirements for participation. The plan was frozen in 1976 for exempt employees at WCM and the accrued benefits were merged with the active non-exempt retirement plan in 1989.

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

The University also provides health and life insurance benefits for eligible retired employees and their dependents, and accrues the cost of these benefits during the service lives of employees.

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	
	2015	**2014**	**2015**	**2014**
Change in plan assets				
Fair value of plan assets at beginning of year	$ 81,857	$ 69,953	$ 248,368	$ 197,270
Actual return on plan assets	3,869	12,286	7,456	37,313
Employer contribution	9,500	5,500	25,027	30,718
Benefits paid	(2,821)	(5,882)	(17,643)	(16,933)
Fair value of plan assets at end of year	$ 92,405	$ 81,857	$ 263,208	$ 248,368
Change in benefit obligation				
Benefit obligation at beginning of year	$ 112,162	$ 90,704	$ 474,612	$ 405,791
Service cost (benefits earned during the period)	6,389	5,232	21,060	17,019
Interest cost	5,404	5,001	21,879	21,151
Actuarial (gain)/loss	140	17,107	35,406	44,923
Gross benefits paid	(2,821)	(5,882)	(16,160)	(15,634)
Less: federal subsidy on benefits paid	-	-	1,420	1,362
Projected benefit obligation at end of year	$ 121,274	$ 112,162	$ 538,217	$ 474,612
Funded status	$ (28,869)	$ (30,305)	$ (275,009)	$ (226,244)
Amounts recognized in the consolidated statement of financial position	$ (28,869)	$ (30,305)	$ (275,009)	$ (226,244)
Amounts recorded in unrestricted net assets not yet amortized as components of net periodic benefit cost				
Prior service cost	$ (600)	$ (692)	$ -	$ (62)
Net actuarial (gain)/loss	18,815	17,233	82,086	36,399
Amount recognized as reduction in unrestricted net assets	$ 18,215	$ 16,541	$ 82,086	$ 36,337

The accumulated benefit obligation for the pension plans was $103,858 and $95,465 at June 30, 2015 and 2014, 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:

(dollars in thousands)

NET PERIODIC BENEFIT COST

	Pension benefits		Other postretirement	
	2015	2014	2015	2014
Service cost (benefits earned during the period)	$ 6,389	$ 5,232	$ 21,060	$ 17,019
Interest cost	5,404	5,001	21,879	21,151
Expected return on plan assets	(5,982)	(4,909)	(18,375)	(15,071)
Amortization of prior service cost	(92)	(92)	(62)	(76)
Amortization of net (gain)/loss	671	150	639	-
Net periodic benefit cost	$ 6,390	$ 5,382	$ 25,141	$ 23,023

The amounts of prior service costs and actuarial gains/losses that will be amortized into net periodic benefit cost for the year ending June 30, 2016 are estimated as follows:

ESTIMATED COMPONENTS OF NET PERIODIC BENEFIT COST

	Pension benefits	Other postretirement
Prior service cost	$ (92)	$ -
Net actuarial (gain)/loss	600	2,918
Total	$ 508	$ 2,918

E. Actuarial Assumptions

Assumptions used in determining the pension and postretirement plan's benefit obligations and net periodic costs are:

SUMMARY OF ACTUARIAL ASSUMPTIONS

	Pension benefits		Other postretirement	
	2015	2014	2015	2014
Used to calculate benefit obligations at June 30				
Discount rate	4.80%	4.55%	4.67% / 4.61%	4.47% / 4.39%
Rate of compensation increase	3.00%	3.00%		
Used to calculate net periodic cost at July 1				
Discount rate	4.55%	5.20%	4.47% / 4.39%	5.04% / 4.89%
Expected return on plan assets	7.00%	7.00%	7.30%	7.30%
Rate of compensation increase	3.00%	3.00%		
Assumed health care cost trend rates				
Health care cost trend rate assumed for next year	n/a	n/a	6.50%	6.50%
Ultimate trend rate	n/a	n/a	4.50%	4.50%
Years to reach ultimate trend rate	n/a	n/a	5	4

The health care cost trend rate assumption has a significant effect on the amounts reported for other postretirement (health care) plans. Increasing the health care cost trend rate by one percent in each future year would increase the benefit obligation by $111,510 and the annual service and interest cost by $9,757. Decreasing the health care cost trend rate by one percent in each future year would decrease the benefit obligation by $79,678 and the annual service and interest cost by $7,306.

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 WCM'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 WCM's postretirement medical benefit plan with full discretion as to investment allocations in specific named funds managed by JP Morgan.

The University's Retirement Plan Oversight Committee (RPOC) provides guidance and oversight for the University's retirement plans, including oversight of asset allocation and the performance of both the defined benefit pension plan and the postretirement medical benefit plans. The RPOC, in conjunction with its outside consultant, regularly reviews the investment strategies, along with evolving institutional objectives, and will make recommendations regarding possible changes to asset allocation and investment managers accordingly.

(dollars in thousands)

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

The expected rate of return assumptions are based on the expertise provided by investment managers at the trustee bank. The factors that impact the expected rates of return for various asset types includes assumptions about inflation, historically based real returns, anticipated value added by investment managers, and expected average asset allocations. The expected return on plan assets by category for the fiscal year ended June 30, 2015 are similar to the prior fiscal year: 6.9 percent on equity securities, 4.4 percent on fixed income securities, and 6.0 percent on real estate, compared to 7.7 percent, 4.6 percent and 6.0 percent, respectively.

The fair values of the pension plan assets and postretirement medical benefit plan assets are categorized according to the fair-value hierarchy. 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 fair-value level is based upon each fund as the unit of measure. The fair value of the plans' assets as of June 30 and the rollforward for Level 3 assets are disclosed in the tables below.

SUMMARY OF PLAN ASSETS

	Target allocation	Pension benefits 2015	Pension benefits 2014	Other postretirement 2015	Other postretirement 2014
Percentage of plan assets					
Equity securities	39-85%	63.0%	64.0%	73.0%	73.0%
Fixed income securities	15-55%	31.0%	30.0%	27.0%	27.0%
Real estate	0-5%	6.0%	6.0%	0.0%	0.0%
Total		100.0%	100.0%	100.0%	100.0%

PENSION PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	2015 Total	2014 Total
Cash and cash equivalents					
Money market	$ 281	$ -	$ -	$ 281	$ 196
Equity securities					
U.S. small cap	-	7,062	-	7,062	6,651
U.S. large cap	-	32,727	-	32,727	27,758
U.S. REITS	-	2,323	-	2,323	2,030
Emerging markets	-	3,681	-	3,681	4,895
International equity	-	12,373	-	12,373	11,020
Fixed income securities					
U.S. high yield bonds	-	3,721	-	3,721	3,667
Corporate bonds	-	18,327	-	18,327	13,909
Mortgage-backed securities	-	1,736	2,451	4,187	4,845
International fixed income	-	1,753	-	1,753	1,620
Other types of investments					
Real estate	-	-	5,970	5,970	5,266
Total assets	$ 281	$ 83,703	$ 8,421	$ 92,405	$ 81,857

SUMMARY OF LEVEL 3 PENSION PLAN ACTIVITY

	Fair value, June 30, 2014	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value, June 30, 2015
Mortgage-backed securities	$ 2,928	$ 254	$ (127)	$ 1,096	$ (1,700)	$ -	$ 2,451
Real estate	5,266	-	429	275	-	-	5,970
Total Level 3 assets	$ 8,194	$ 254	$ 302	$ 1,371	$ (1,700)	$ -	$ 8,421

(dollars in thousands)

POSTRETIREMENT PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	**2015** Total	**2014** Total
Cash and cash equivalents					
Money market	$ 594	$ 6,694	$ -	$ 7,288	$ 2,362
Equity securities					
U.S. small cap	-	29,887	-	29,887	27,824
U.S. large cap	-	84,846	-	84,846	78,661
Emerging markets	-	24,419	-	24,419	27,631
International equity	-	46,672	-	46,672	40,514
U.S. REITS	-	6,282	-	6,282	6,280
Fixed income securities					
U.S. high yield bonds	-	9,226	-	9,226	9,522
Corporate bonds	-	49,360	-	49,360	50,443
Emerging markets debt	-	5,228	-	5,228	5,131
Total assets	$ 594	$ 262,614	$ -	$ 263,208	$ 248,368

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			
2016	$ 5,500	$ 25,753	n/a
Future benefit payments			
2016	4,008	20,072	2,054
2017	4,691	21,474	2,264
2018	5,040	23,232	2,494
2019	5,148	25,267	2,722
2020	5,361	27,137	2,952
2021-2025	35,361	162,950	18,927

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

H. Contract College Employees

Employees of the Contract Colleges are covered under the New York State pension plans. Contributions to the state retirement system and other employee benefit costs are paid directly by the state. The amounts of the direct payments applicable to the University as revenue and expenditures are not currently determinable and are not included in the consolidated financial statements. The University reimburses the state for employee benefit costs on certain salaries, principally those associated with externally sponsored programs. The amounts reimbursed to the state during the fiscal years ended June 30, 2015 and 2014 were $18,942 and $21,318, respectively, and were included in operating expenses.

7. FUNDS HELD FOR OTHERS

The University, in limited instances, invests funds as a custodian for other closely related parties. Independent trustees are responsible for the funds and for the designation of income distribution. The value of the funds included on the investment line in the consolidated statement of financial position was $297,637 and $308,339 for the fiscal years ended June 30, 2015 and 2014, respectively. The University recognizes an offsetting liability for funds held for others, with one adjustment described below.

(dollars in thousands)

The New York Hospital-Cornell Medical Center Fund, Inc. (Center Fund), which benefits Weill Cornell Medicine and the New York-Presbyterian Hospital, is the major external organization invested in the University's long-term investment portfolio with assets and an offsetting liability of $176,873 and $179,557 for the fiscal years ended June 30, 2015 and 2014, respectively. Because WCM holds a significant beneficial interest in the assets of the Center Fund, the liability is reduced by $102,104 and $95,507 for the fiscal years ended June 30, 2015 and 2014, respectively, representing the present value of the future income stream that will benefit WCM.

The Boyce Thompson Institute for Plant Research (BTI) is an independent, non-profit organization whose mission is to advance and communicate scientific knowledge in plant biology to improve agriculture, protect the environment, and enhance human health. In 2013, the University entered into an agreement with BTI to invest a portion of its endowment. The fair value of BTI investments was $85,651 and $87,488 for the fiscal years ended June 30, 2015 and 2014, respectively, with an offsetting liability on the University's consolidated statement of financial position.

8. BONDS AND NOTES PAYABLE

A. General Information

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

SUMMARY OF BONDS AND NOTES PAYABLE

	2015	2014	Interest rates	Final maturity
Dormitory Authority of the State of New York (DASNY)				
Revenue Bond Series				
1990B-fixed rate	$ 37,250	$ 40,095	3.00 to 5.00%	2025
2000A-variable rate/weekly	42,630	44,870	0.01 to 0.13	2029
2000B-variable rate/weekly	58,500	61,160	0.01 to 0.13	2030
2004A&B-variable rate/weekly	71,500	74,175	0.01 to 0.12	2033
2006A-fixed rate	157,795	162,370	4.25 to 5.00	2035
2008B&C-fixed rate	115,115	117,860	5.00	2037
2009A-fixed rate	281,460	287,710	3.00 to 5.00	2039
2010A-fixed rate	285,000	285,000	4.00 to 5.00	2040
Tax-exempt commercial paper	52,890	52,890	0.05 to 0.10	2037
Tompkins County Industrial Development Agency (TCIDA)				
2002A-variable rate/weekly	35,765	37,410	0.01 to 0.11	2030
2002B-variable rate/weekly	-	15,390	0.02 to 0.11	2015
2008A-fixed rate	62,570	64,165	3.00 to 5.00	2037
Urban Development Corporation	1,750	1,875	-	2029
2009 Taxable-fixed rate	250,000	250,000	5.45	2019
2007A Taxable commercial paper	83,890	68,500	0.13 to 0.17	-
Other	6,719	6,925	4.90 to 6.63	2039
Total bonds and notes payable	$ 1,542,834	$ 1,570,395		

The University's bonds and notes payable equaled $1,542,834 and $1,570,395 at June 30, 2015 and 2014, respectively, compared to estimated fair values of approximately $1,673,356 and $1,724,446 at June 30, 2015 and 2014, respectively. The University determines the fair value of its existing fixed-rate debt obligations based on trade data, broker/dealer quotes and other observable market data. Variable-rate debt obligations approximate fair value because the obligations are currently callable at a price equal to the amounts outstanding. The University's debt is classified as Level 2 in the fair-value hierarchy.

(dollars in thousands)

The following table provides the amounts of interest paid for the fiscal years ended June 30.

SUMMARY OF INTEREST EXPENSE

	2015	2014
Interest expense to bondholders and other debt	$ 59,865	$ 71,716
Interest expense paid on swap agreements	32,357	26,744
Capitalized interest on capital assets	(2,775)	(7,270)
Total interest expense	$ 89,447	$ 91,190

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

Under the DASNY Revenue Bond Series 1990B agreement, the bonds are a general obligation of the University and are secured by a pledge of revenue. The University has not granted a pledge of revenue on other debt.

The University maintains tax-exempt and taxable commercial paper programs. Tax-exempt commercial paper is used to finance qualified capital projects and equipment purchases for the Ithaca and WCM campuses. Taxable commercial paper is also used for these purposes, and can be used to finance short-term working capital needs. The maximum authorized amount of each commercial paper program is $200,000.

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

ANNUAL DEBT SERVICE REQUIREMENTS

Year	Principal	Interest	Total
2016	$ 28,742	$ 95,034	$ 123,776
2017	30,080	89,769	119,849
2018	31,499	85,101	116,600
2019	282,929	81,937	364,866
2020	34,359	64,891	99,250
Thereafter	1,135,225	773,812	1,909,037
Total	$ 1,542,834	$ 1,190,544	$ 2,733,378

The University estimates future interest payments on variable-rate debt based on the five-year Securities Industry and Financial Markets Association (SIFMA) swap rate for tax-exempt debt and the five-year London Interbank Offered Rates (LIBOR) swap rate for taxable debt.

B. Interest Rate Swaps

The University approved the use of interest rate swaps to mitigate interest rate risk in the debt portfolio. Interest rate swaps are derivative instruments; however, their use by the University is not considered to be hedging activity, based on definitions in generally accepted accounting principles.

Through the use of interest rate swap agreements, the University is exposed to the risk that counterparties will fail to meet their contractual obligations. To mitigate counterparty risk, the University maintains a $400 million dollar-limit swap exposure for each counterparty. Master agreements with counterparties include netting arrangements that permit the University to net amounts due to the counterparty with amounts due from the counterparty. Utilizing netting arrangements reduces the maximum loss in the event of counterparty default.

The University's swap agreements contain a credit-rating-contingent feature in which the counterparties can request collateral on agreements in net liability positions. The University could be required to post collateral if the University's credit rating is downgraded to A1 by Moody's Investors Service or A+ by Standard & Poor's Rating Services, and the agreement is in a liability position of $20 million or greater. At June 30, 2015 and 2014, the University did not have collateral on deposit with any counterparty.

(dollars in thousands)

The University's interest rate swaps are valued by an independent third party that uses the mid-market levels, as of the close of business, to value each agreement. 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 swaps are classified as Level 2 in the fair-value hierarchy.

At June 30, 2015, the University had six interest rate swap agreements to exchange variable-rate cash flows for fixed-rate cash flows without the exchange of the underlying principal amount. Net payments or receipts of these swap agreements are recorded as adjustments to interest expense in the consolidated statement of activities, and the incremental interest expense is disclosed in the second table in the previous section. In all agreements in effect at June 30, 2015, the counterparty pays a variable interest rate equal to a percentage of the one-month LIBOR.

The following table provides detailed information on the interest rate swaps at June 30, 2015, with comparative fair values for June 30, 2014. The swaps are reported based on notional amount.

FAIR VALUE OF INTEREST RATE SWAPS IN STATEMENT OF FINANCIAL POSITION

Location	Notional amount	Interest rate	Commencement	Termination date	Basis	2015 Level 2 fair value	2014 Level 2 fair value
Accounts payable and accrued expenses							
	$ 94,870	2.99 %		October 1, 2015	LIBOR	$ (887)	$ (3,533)
	37,410	4.52		July 1, 2030	LIBOR	(8,263)	(8,706)
	94,233	3.92		July 1, 2038	LIBOR	(21,807)	(20,811)
	275,000	3.88		July 1, 2040	LIBOR	(86,992)	(77,092)
	200,000	3.48		July 1, 2041	LIBOR	(39,730)	(36,062)
	200,000	3.77		July 1, 2044	LIBOR	(49,059)	(44,115)
Total fair value						$ (206,738)	$ (190,319)

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

C. Standby Bond Purchase Agreements

The University has standby bond purchase agreements with various financial institutions to purchase any of the University's variable-rate demand bonds in the event that these bonds cannot be remarketed. In the event that the bonds covered by these standby bond purchase agreements cannot be remarketed and the agreements are not otherwise renewed, the University would be required to redeem the bonds or refinance the bonds in a different interest rate mode. In the event that the bonds cannot be remarketed and the University did not redeem, the Annual Debt Service Requirements table would be increased by $174,350 and $34,045 for the fiscal years ending June 30, 2016 and 2017, respectively. 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	Jul-16
2000B	JP Morgan Chase	Jul-16
2002A	Northern Trust	Jun-17
2004A&B	HSBC Bank	Apr-16

D. Lines of Credit

The University records the working capital lines of credit activity and outstanding balances as other liabilities in the consolidated statement of financial position. The two $100 million lines of credit have annual expiration dates of December 31 and April 1. As of June 30, 2015 and 2014, the University had not borrowed against the lines of credit.

(dollars in thousands)

9. OPERATING LEASES

Although the University generally purchases, rather than leases, machinery and equipment, the University does enter into operating lease agreements for the use of real property. Total lease expenses were $29,172 and $26,009 for the fiscal years ended June 30, 2015 and 2014, respectively. The future annual minimum lease payments in the following table are payments under operating leases expiring at various dates through June 30, 2068.

ANNUAL MINIMUM OPERATING LEASE PAYMENTS

Year	Payments
2016	$ 30,053
2017	29,705
2018	28,912
2019	29,953
2020	29,856
Thereafter	310,994
Total minimum operating lease payments	$ 459,473

10. FUNCTIONAL EXPENSES AND STUDENT AID

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

FUNCTIONAL EXPENSES

	2015	**2014**
Instruction	$ 809,829	$ 775,394
Research	568,510	529,554
Public service	125,829	125,028
Academic support	268,795	252,967
Student services	158,047	142,483
Medical services	938,350	841,664
Institutional support	527,059	488,152
Enterprises and subsidiaries	265,206	254,460
Total expenses	$ 3,661,625	$ 3,409,702

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 $224,652 and $217,550 for the fiscal years ended June 30, 2015 and 2014, 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 $46,575 and $44,472 for the fiscal years ended June 30, 2015 and 2014, respectively.

(dollars in thousands)

11. NET ASSETS

A. General Information

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

SUMMARY OF NET ASSETS

	Unrestricted	Temporarily restricted	Permanently restricted	2015 Total	2014 Total
Endowment					
True endowment	$ (15,174)	$ 1,647,611	$ 2,489,215	$ 4,121,652	$ 4,010,713
Funds functioning as endowment (FFE)	1,382,894	378,971	-	1,761,865	1,734,156
Total true endowment and FFE	$ 1,367,720	$ 2,026,582	$ 2,489,215	$ 5,883,517	$ 5,744,869
Funds held by others, perpetual	-	-	154,029	154,029	145,079
Total University endowment	$ 1,367,720	$ 2,026,582	$ 2,643,244	$ 6,037,546	$ 5,889,948
Other net assets					
Operations	(272,188)	361,643	-	89,455	(26,723)
Student loans	5,984	113	44,626	50,723	49,974
Facilities and equipment	2,479,138	162,851	-	2,641,989	2,597,370
Split interest agreements	-	65,270	45,590	110,860	113,929
Funds held by others, other than perpetual	-	45,310	21,585	66,895	64,639
Contributions receivable, net	-	915,550	178,293	1,093,843	1,093,569
Long-term accruals	(609,900)	-	-	(609,900)	(539,326)
Total net assets	$ 2,970,754	$ 3,577,319	$ 2,933,338	$ 9,481,411	$ 9,243,380

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. Long-term accruals represent longer term liabilities including the unfunded amount of pension and postretirement benefits, vacation accruals, conditional asset retirement obligations for asbestos remediation, and fair value adjustment on interest rate swaps.

B. Endowment

The University endowment net assets at June 30 were held in support of the following purposes:

SUMMARY OF ENDOWMENT PURPOSE

	2015	2014
Academic programs and research	$ 1,645,643	$ 1,608,989
Financial aid	1,540,842	1,515,017
Professorships	1,190,638	1,174,536
General purpose and other	1,232,599	1,222,476
Facilities support	127,811	130,212
CU Foundation	145,984	93,639
Total true endowment and FFE, end of year	$ 5,883,517	$ 5,744,869

Of the endowment assets held at the University, 96 percent and 97 percent were invested in the LTIP at June 30, 2015 and 2014, respectively. 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 five 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. Participation in the LTIP using unrestricted funds requires a minimum investment of one hundred thousand dollars and a commitment of at least five years.

At June 30, 2015, 388 of 6,722 true endowment funds invested in the LTIP had a total historic dollar value of $167,168 and a fair value of $151,994, resulting in these endowments being underwater by a total of $15,174. The University holds significant appreciation on endowments to offset these temporary decreases in value. The University has maintained these true endowment funds at their historical book value.

(dollars in thousands)

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	2015 Total	2014 Total
True endowment and FFE, beginning of year	$ 1,407,415	$ 2,034,504	$ 2,302,950	$ 5,744,869	$ 5,140,215
Investment return					
Net investment income	14,526	37,689	(363)	51,852	44,698
Net realized and unrealized gain/(loss)	31,948	108,785	1,128	141,861	747,031
Total investment return	$ 46,474	$ 146,474	$ 765	$ 193,713	$ 791,729
New gifts	3,848	76,210	161,059	241,117	162,578
Amounts appropriated for expenditure/reinvestment	(75,168)	(202,554)	4,559	(273,163)	(277,500)
Other changes and reclassifications	(14,849)	(28,052)	19,882	(23,019)	(72,153)
Total true endowment and FFE, end of year	$ 1,367,720	$ 2,026,582	$ 2,489,215	$ 5,883,517	$ 5,744,869

12. SELF-INSURANCE

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

A. Medical Malpractice

The University, along with other institutions of higher education that have medical practices, obtains medical malpractice insurance through MCIC Vermont (MCIC). MCIC is a reciprocal risk retention group that provides medical malpractice insurance coverage and risk management services to its subscribers. All of WCM's faculty physicians are enrolled in MCIC. The medical malpractice incurred but not reported liability is calculated annually on an actuarial basis.

WCM has recorded medical malpractice liabilities of $139,004 and $120,318 at June 30, 2015 and 2014, respectively, as other liabilities in the consolidated statement of financial position. In addition, WCM maintains a reinsurance program with MCIC with anticipated recoveries of $95,424 and $78,222, respectively, recorded as accounts receivable (Note 2A).

B. Student Health Plan

During the fiscal year ended June 30, 2015, the University established a self-funded student health plan under Section 1124 of the New York State Insurance Law (NYSIL). The Student Health Plan (SHP) provides extensive health insurance coverage at a reasonable cost to students at the University's Ithaca-based campuses. SHP was developed especially for students (and their dependents) to provide access to convenient and comprehensive care that complements the quality health services offered on campus. The plan year began on August 17, 2014. The table below presents a summary of SHP operations occurring during the University's fiscal year ended June 30, 2015.

SUMMARY OF STUDENT HEALTH PLAN OPERATIONS

	July 1 - August 16 (prior plan year)	August 17 - June 30 (current plan year)	2015 Fiscal year total
Total Premium Revenue	n/a	$ 22,466	$ 22,466
Expenses			
Medical and prescription drug expense	n/a	13,387	13,387
Health center capitation	n/a	2,937	2,937
Administrative fees	n/a	2,305	2,305
Total expenses	n/a	$ 18,629	$ 18,629
Net income from health plan operations	n/a	$ 3,837	$ 3,837

(dollars in thousands)

The University has established reserves with the amounts necessary to satisfy obligations of the plan. Based on an analysis and recommendation of a qualified actuary, and with the approval of New York State, the reserve for medical claims incurred but not reported (IBNR) is maintained at an amount not less than 14.5 percent of expected medical claims and 5 percent of expected pharmacy drug claims. In addition, a separate contingency reserve has been established for the purpose of satisfying unexpected obligations in the event of termination of the plan. The contingency reserve is maintained at an amount not less than 5 percent of the total current plan year premiums and is invested in the University's endowment. NYS requires that the assets of the contigency reserve consist of certain investments of the types specified in Section 1404 of NYSIL. The specified types of investments include U.S. government securities, of which the University holds $125,014 in its investment portfolio as of June 30, 2015 (Note 3B). The changes in the unearned premiums and SHP reserves during the fiscal year ended June 30, 2015 are presented below.

SUMMARY OF STUDENT HEALTH PLAN UNEARNED PREMIUMS AND RESERVES

	Unearned premiums	IBNR reserve	Contingency reserve
Balance as of July 1	$ -	$ 2,309	$ 1,243
Balance as of June 30	3,412	2,409	1,374
Net change	$ 3,412	$ 100	$ 131

13. 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.

14. SUBSEQUENT EVENTS

The University has performed an evaluation of subsequent events through October 22, 2015, the date on which the consolidated financial statements were issued and determined no material impact on the University's consolidated financial statements.

UNIVERSITY ADMINISTRATION

David J. Skorton, *President*

Harry C. Katz, *Interim Provost*

Dr. Laurie H. Glimcher, *Provost for Medical Affairs and Stephen and Suzanne Weiss Dean of Weill Cornell Medicine*

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

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Joseph A. Burns, *Dean of Faculty*

Stephen M. Cohen, *Executive Vice Provost for Weill Cornell Medicine*

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

Thomas E. Dodds, *Vice President for Information Technologies and Chief Information Officer*

A.J. Edwards, *Chief Investment Officer*

Daniel P. Huttenlocher, *Dean and Vice Provost for Cornell Tech*

Barbara A. Knuth, *Senior Vice Provost*

Fredrik Logevall, *Vice Provost for International Affairs*

Joel M. Malina, *Vice President for University Relations*

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

Glen C. Mueller, *University Auditor*

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

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

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

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

Paul Streeter, *Vice President for Budget and Planning*

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

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

College of Arts and Sciences
Gretchen Ritter, *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*

Cornell Tech
Daniel P. Huttenlocher, *Dean*

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

Faculty of Computing and Information Science, Jon M. Kleinberg, *Interim Dean*

Graduate School
Barbara A. Knuth, *Dean*

Law School
Eduardo M. Peñalver, *Allan R. Tessler Dean*

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

School of Hotel Administration
Michael D. Johnson, *Bradley H. Stone, Dean*

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

Weill Cornell Graduate School of Medical Sciences, Dr. Gary Koretzky, *Dean and Senior Associate Dean of Research at Weill Cornell Medicine*

Weill Cornell Medicine
Dr. Michael G. Stewart, *Vice Dean and the E. Darracott Vaughan, Jr. M.D. Senior Associate Dean for Clinical Affairs*

Weill Cornell Medical College in Qatar
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