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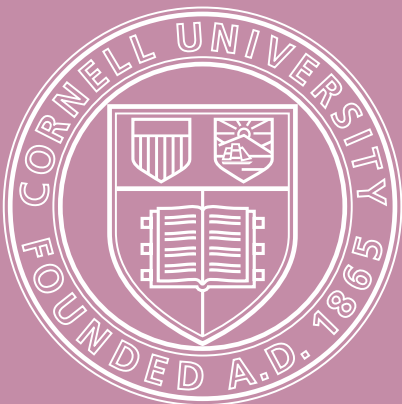
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Financial Plan

Year-End Variance Report

November 2006



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INTRODUCTION

To the Cornell University Board of Trustees:

This document presents a variance analysis of the university's 2005-06 financial plan, which was approved by the Board of Trustees in May 2005. Cornell ended the fiscal year on June 30, 2006, having exceeded its operating revenue projections and enjoyed a positive net from operations. There are several observations to be made about the fiscal year that just closed.

- Several years ago, Cornell adopted a freshman enrollment target of 3,050, which results in an optimal number of about 13,000 on-campus undergraduates and allows us to accommodate all freshmen in North Campus housing. We enrolled 3,076 first-time freshmen in the fall of 2005, 26 over target. On-campus undergraduate enrollment averaged 12,897 for the academic year, reasonably close to our 13,000 goal. Ithaca campus graduate and professional enrollments were up slightly (0.8 percent) from 2004-05 levels. (Excluded from these totals were the 195 hurricane-displaced students that Cornell hosted in the fall semester.)
- Support for sponsored research increased 4.3 percent in 2005-06. We are undertaking a number of significant initiatives to support research and scholarship across the university that should foster continued external support of this key component of our mission.
- The Physician Organization's overall revenues of \$385.4 million were greater than planned. These revenues remain a vital source of support for the Weill Cornell Medical College, representing 45 percent of the College's total operating income.
- The university raised \$406.3 million in cash gifts in 2005-06, a 12.4 percent increase from the prior-year amount. Cornell was number five among Ivy League and peer institutions in total giving and number three in gifts from alumni. We remain indebted to our alumni and other benefactors for their continued support.
- Cornell's investments provided \$233.9 million in funding for the operating plan in 2005-06, representing 9.3 percent of total revenues. Most of this support came from the Long Term Investment Pool, which contains 97 percent of the endowment. The fair value of our overall investment portfolio increased by 14.6 percent during the fiscal year, driven primarily by the strong performance of long-term investments.

- Academic programs (schools, colleges, centers, programs, and libraries) represented 71.1 percent of all expenditures, accounting for \$1.73 billion in cost. Academic program expenditures grew 4.3 percent from their 2004-05 levels, driven largely by salary and benefits costs.
- Nonacademic programs (student services, administrative and support, physical plant) represented 22.5 percent of all expenditures, accounting for \$547 million in cost. This category experienced an 8.6 percent increase from 2004-05. Fifty-one percent of this growth was centered in the Medical College—caused in part by the initiative to create the Weill Cornell Medical College in Qatar. Also, we increased spending on administrative systems, public relations and fund-raising, and external investment management.
- Centrally recorded financial aid, which accounted for the remaining 6.4 percent, or \$155.8 million, in cost, grew 10.1 percent from 2004-05.
- Cornell recorded a \$22.1 million net from operations (representing 0.9 percent of revenues), which was added to operating fund balances.

The variance report for our capital plan begins on page 12. There was significant progress on the West Campus Residential Initiative, including the completion of Carl Becker House and continued work on the Hans Bethe House and the Noyes Community and Recreation Center. The renovation of Bailey Hall has been completed, construction continued on the East Campus Research Facility, the Life Sciences Technology Building, and the Medical College's Ambulatory Care Building, and the renovation and expansion of Lynah Rink was begun and is now nearly complete.

In addition to detailed budget variance reports for the university's two primary financial divisions, we have included reports on five key financial issues—investments, research, government appropriations, financial aid, and gifts—that have a significant impact on Cornell's budgets. We appreciate your thoughts and comments on this report and stand ready to answer your questions about Cornell's finances.



C. Biddy Martin
Provost

OPERATING PLAN REPORT – HIGHLIGHTS

2005-06 OPERATING PLAN

The university's 2005-06 composite operating plan was predicated on revenues of \$2.457 billion and expenditures of \$2.404 billion.

Revenues

Revenues totaled \$2.504 billion, an increase of 1.9 percent from the plan and 4.9 percent greater than recorded in 2004-05. There were several significant revenue changes that resulted in positive variances.

- **Distributions from investments** exceeded the plan by \$18.7 million due to a greater use of gains from short- and intermediate-term funds to support financial-aid and academic initiative costs.
- **Unrestricted gift** revenues were \$9.8 million more than anticipated, reflecting a one-time bequest.
- The **direct costs of sponsored programs** were \$9.9 million more than planned due to research growth at the Ithaca campus and in New York City.
- Revenues associated with the **Physician Organization (PO)** exceeded the plan by \$11.9 million due to Strategic Plan clinical initiatives.
- Income from **other sources**, which includes sales and services in academic units such as the Hospital for Animals and funding from the Qatar Foundation, were \$15.6 million more than planned.

Partially offsetting these positive variances were declines in three areas:

- **Tuition and fees** were \$1.4 million less than budgeted due to slight decreases in graduate enrollments.
- **Restricted gift** revenues were \$20.8 million less than planned and 8.1 percent lower than recorded in 2004-05 due to timing differences in the receipt of a planned gift and delays in Strategic Plan II gifts at the Weill Cornell Medical College.
- **Enterprise sales and services** were \$1.9 million lower than originally expected.

Transfers In from Other Funds

A total of \$32.8 million was transferred from **funds functioning as endowment** to operating budgets. Most of these funds supported capital construction projects and debt service. A total of \$680 thousand was transferred from **plant funds**, most of which was used to pay for renovations, repairs, and operations.

Expenditures

Expenditures totaled \$2.433 billion, an increase of 1.2 percent from the plan and 5.6 percent greater than in 2004-05. Within this overall change in the plan there were major positive and negative variances.

- **College** expenditures were \$22.5 million more than planned. Significant positive variances occurred in the Medical College (\$21.6 million), the College of Veterinary Medicine (\$5.2 million), and the College of Agriculture and Life Sciences (\$4.1 million). Sponsored programs activity and New York-Presbyterian Hospital reimbursements in the Medical College and new faculty hires and start-up costs in the contract colleges were primary drivers in this growth. Offsetting these increases partially were declines from plan in several colleges—due most notably to lower research activity and fewer than anticipated faculty hires.
- **Research center** expenditures were \$11.3 million more than budgeted as a result of growth in sponsored programs funding in several areas.
- **Administrative and support** costs were \$10.8 million less than planned, but 12 percent greater than recorded in 2004-05. Additional Ithaca campus administrative expenditures (reflecting institutional decisions to support growth in investment management, media relations, and administrative systems) were more than offset by a decrease in planned administrative and support costs for the Medical College in Qatar.
- Current fund **physical plant** expenditures were \$7.1 million less than budgeted as some facility improvements that were planned in the operating budget were instead recorded in plant funds, and were reflected as transfers. (See below.)

Transfers Out to Other Funds

A total of \$15.7 million was transferred from current funds to **funds functioning as endowment**. Also, \$67 million was transferred to **plant funds** for renovation and maintenance projects.

Net from Operations

The year ended with a **net from operations** of \$22.1 million (\$2.7 million more than planned), which was added to **current fund balances** in both divisions.

OPERATING PLAN REPORT – HIGHLIGHTS

| University Operating Plan – Summary | | | | | | |
|--|------------------|------------------|------------------|------------------|--------------------|----------------|
| (dollars in thousands) | | | | | | |
| | 03-04 | 04-05 | 05-06 | 05-06 | Change from | |
| Resources | Actual | Actual | Plan | Actual | 05-06 | 04-05 |
| | | | | | Plan | Actual |
| 1. Tuition & Fees | \$531,259 | \$558,098 | \$592,051 | \$590,658 | (\$1,393) | 5.8% |
| 2. Investment Distributions | 200,469 | 196,904 | 215,275 | 233,942 | 18,667 | 18.8% |
| 3. Unrestricted Gifts | 54,828 | 48,287 | 38,844 | 48,661 | 9,817 | 0.8% |
| 4. Restricted Gifts | 132,291 | 126,928 | 137,400 | 116,618 | (20,782) | (8.1%) |
| 5. Sponsored Programs (direct) | 357,927 | 399,277 | 398,718 | 408,649 | 9,931 | 2.3% |
| 6. Sponsored Programs (F&A) | 110,163 | 114,624 | 121,624 | 120,441 | (1,183) | 5.1% |
| 7. Institutional Allowances | 19,154 | 20,653 | 21,169 | 21,818 | 649 | 5.6% |
| 8. State Appropriations | 140,350 | 138,892 | 144,002 | 146,083 | 2,081 | 5.2% |
| 9. Federal Appropriations | 17,048 | 16,300 | 16,565 | 16,754 | 189 | 2.8% |
| 10. Physician Organization (PO) | 339,490 | 382,155 | 373,542 | 385,440 | 11,898 | 0.9% |
| 11. NYPH (purchased services) | 63,106 | 76,478 | 75,943 | 79,175 | 3,232 | 3.5% |
| 12. Enterprise Sales & Services | 121,280 | 126,231 | 126,597 | 124,691 | (1,906) | (1.2%) |
| 13. Other Sources | <u>136,947</u> | <u>182,856</u> | <u>195,489</u> | <u>211,098</u> | <u>15,609</u> | <u>15.4%</u> |
| 14. Subtotal In-Year Revenues | 2,224,312 | 2,387,683 | 2,457,219 | 2,504,028 | 46,809 | 4.9% |
| 15. Transfers From Endowment | 34,674 | 28,091 | 34,531 | 32,762 | (1,769) | |
| 16. Transfers From Plant | <u>4,620</u> | <u>4,791</u> | <u>7,530</u> | <u>680</u> | <u>(6,850)</u> | |
| 17. Subtotal Transfers In | 39,294 | 32,882 | 42,061 | 33,442 | (8,619) | |
| 18. Total Resources | 2,263,606 | 2,420,565 | 2,499,280 | 2,537,470 | 38,190 | 4.8% |
| Uses of Resources | | | | | | |
| 19. Agriculture & Life Sciences | 208,245 | 218,716 | 227,008 | 231,126 | 4,118 | 5.7% |
| 20. Architecture, Art, & Planning | 14,802 | 16,716 | 18,400 | 19,457 | 1,057 | 16.4% |
| 21. Arts & Sciences | 150,969 | 160,524 | 164,181 | 165,565 | 1,384 | 3.1% |
| 22. Engineering | 112,927 | 113,166 | 123,952 | 117,924 | (6,028) | 4.2% |
| 23. Hotel Administration | 41,415 | 45,901 | 47,086 | 47,678 | 592 | 3.9% |
| 24. Human Ecology | 41,202 | 45,651 | 46,513 | 48,563 | 2,050 | 6.4% |
| 25. Industrial & Labor Relations | 37,887 | 39,299 | 44,104 | 41,693 | (2,411) | 6.1% |
| 26. Johnson School | 37,168 | 38,272 | 41,698 | 42,252 | 554 | 10.4% |
| 27. Law School | 21,744 | 22,085 | 23,473 | 23,083 | (390) | 4.5% |
| 28. Medical College (academic/clinical) | 595,616 | 656,218 | 648,506 | 670,128 | 21,622 | 2.1% |
| 29. Veterinary Medicine | 83,737 | 90,119 | 93,009 | 98,189 | 5,180 | 9.0% |
| 30. Research Centers | 90,206 | 88,939 | 82,985 | 94,328 | 11,343 | 6.1% |
| 31. Other Academic Programs | 110,065 | 122,573 | 126,385 | 130,169 | 3,784 | 6.2% |
| 32. Centrally Recorded Financial Aid | 134,775 | 141,486 | 151,959 | 155,808 | 3,849 | 10.1% |
| 33. Student Services | 100,829 | 106,787 | 111,053 | 111,360 | 307 | 4.3% |
| 34. Administrative & Support | 194,707 | 233,363 | 271,933 | 261,113 | (10,820) | 11.9% |
| 35. Physical Plant | 148,310 | 154,844 | 174,370 | 167,318 | (7,052) | 8.1% |
| 36. All Other | <u>8,117</u> | <u>8,266</u> | <u>7,626</u> | <u>6,874</u> | <u>(752)</u> | <u>(16.8%)</u> |
| 37. Subtotal Expenditures | 2,132,721 | 2,302,925 | 2,404,241 | 2,432,628 | 28,387 | 5.6% |
| 38. Transfers To Endowment | 59,137 | 26,986 | 8,434 | 15,697 | 7,263 | |
| 39. Transfers To Plant | <u>55,675</u> | <u>77,284</u> | <u>67,201</u> | <u>67,012</u> | <u>(189)</u> | |
| 40. Subtotal Transfers Out | 114,812 | 104,270 | 75,635 | 82,709 | 7,074 | |
| 41. Total Uses of Resources | 2,247,533 | 2,407,195 | 2,479,876 | 2,515,337 | 35,461 | 4.5% |
| 42. Net From Operations | 16,073 | 13,370 | 19,404 | 22,133 | 2,729 | |

University Operating Plan – Divisional Detail

(dollars in thousands)

| Resources | Ithaca Campus | Medical College | 05-06 Actual | 05-06 Plan | Change from Plan to Actual | |
|---|------------------|--------------------|------------------|------------------|-------------------------------|-------------|
| | | | | | Dollars | Percent |
| 1. Tuition & Fees | \$573,390 | \$17,268 | \$590,658 | \$592,051 | (\$1,393) | (0.2%) |
| 2. Investment Distributions | 201,152 | 32,790 | 233,942 | 215,275 | 18,667 | 8.7% |
| 3. Unrestricted Gifts | 46,541 | 2,120 | 48,661 | 38,844 | 9,817 | 25.3% |
| 4. Restricted Gifts | 60,425 | 56,193 | 116,618 | 137,400 | (20,782) | (15.1%) |
| 5. Sponsored Programs (direct) | 291,264 | 117,385 | 408,649 | 398,718 | 9,931 | 2.5% |
| 6. Sponsored Programs (F&A) | 75,235 | 45,206 | 120,441 | 121,624 | (1,183) | (1.0%) |
| 7. Institutional Allowances | 20 | 21,798 | 21,818 | 21,169 | 649 | 3.1% |
| 8. State Appropriations | 145,920 | 163 | 146,083 | 144,002 | 2,081 | 1.4% |
| 9. Federal Appropriations | 16,754 | | 16,754 | 16,565 | 189 | 1.1% |
| 10. Physician Organization (PO) | | 385,440 | 385,440 | 373,542 | 11,898 | 3.2% |
| 11. NYPH (purchased services) | | 79,175 | 79,175 | 75,943 | 3,232 | 4.3% |
| 12. Enterprise Sales & Services | 109,975 | 14,716 | 124,691 | 126,597 | (1,906) | (1.5%) |
| 13. Other Sources | <u>119,871</u> | <u>91,227</u> | <u>211,098</u> | <u>195,489</u> | <u>15,609</u> | <u>8.0%</u> |
| 14. Subtotal In-Year Revenues | 1,640,547 | 863,481 | 2,504,028 | 2,457,219 | 46,809 | 1.9% |
| 15. Transfers From Endowment | 32,762 | | 32,762 | 34,531 | (1,769) | |
| 16. Transfers From Plant | <u>680</u> | | <u>680</u> | <u>7,530</u> | <u>(6,850)</u> | |
| 17. Subtotal Transfers In | 33,442 | | 33,442 | 42,061 | (8,619) | |
| 18. Total Resources | 1,673,989 | 863,481 | 2,537,470 | 2,499,280 | 38,190 | 1.5% |
| Uses of Resources | | | | | | |
| 19. Agriculture & Life Sciences | 231,126 | | 231,126 | 227,008 | 4,118 | 1.8% |
| 20. Architecture, Art, & Planning | 19,457 | | 19,457 | 18,400 | 1,057 | 5.7% |
| 21. Arts & Sciences | 165,565 | | 165,565 | 164,181 | 1,384 | 0.8% |
| 22. Engineering | 117,924 | | 117,924 | 123,952 | (6,028) | (4.9%) |
| 23. Hotel Administration | 47,678 | | 47,678 | 47,086 | 592 | 1.3% |
| 24. Human Ecology | 48,563 | | 48,563 | 46,513 | 2,050 | 4.4% |
| 25. Industrial & Labor Relations | 41,693 | | 41,693 | 44,104 | (2,411) | (5.5%) |
| 26. Johnson School | 42,252 | | 42,252 | 41,698 | 554 | 1.3% |
| 27. Law School | 23,083 | | 23,083 | 23,473 | (390) | (1.7%) |
| 28. Medical College (academic/clinical) | | 670,128 | 670,128 | 648,506 | 21,622 | 3.3% |
| 29. Veterinary Medicine | 98,189 | | 98,189 | 93,009 | 5,180 | 5.6% |
| 30. Research Centers | 94,328 | | 94,328 | 82,985 | 11,343 | 13.7% |
| 31. Other Academic Programs | 130,169 | | 130,169 | 126,385 | 3,784 | 3.0% |
| 32. Centrally Recorded Financial Aid | 143,545 | 12,263 | 155,808 | 151,959 | 3,849 | 2.5% |
| 33. Student Services | 111,360 | | 111,360 | 111,053 | 307 | 0.3% |
| 34. Administrative & Support | 148,331 | 112,782 | 261,113 | 271,933 | (10,820) | (4.0%) |
| 35. Physical Plant | 118,803 | 48,515 | 167,318 | 174,370 | (7,052) | (4.0%) |
| 36. All Other | 6,874 | | 6,874 | 7,626 | (752) | (9.9%) |
| 37. Cost Redistribution | <u>(1,625)</u> | <u>1,625</u> | | | | |
| 38. Subtotal Expenditures | 1,587,315 | 845,313 | 2,432,628 | 2,404,241 | 28,387 | 1.2% |
| 39. Transfers To Endowment | 15,697 | | 15,697 | 8,434 | 7,263 | |
| 40. Transfers To Plant | <u>66,301</u> | <u>711</u> | <u>67,012</u> | <u>67,201</u> | <u>(189)</u> | |
| 41. Subtotal Transfers Out | 81,998 | 711 | 82,709 | 75,635 | 7,074 | |
| 42. Total Uses of Resources | 1,669,313 | 846,024 | 2,515,337 | 2,479,876 | 35,461 | 1.4% |
| 43. Net From Operations | 4,676 | 17,457 | 22,133 | 19,404 | 2,729 | |

OPERATING PLAN REPORT – DETAILS

ITHACA CAMPUS

Revenues and Transfers In

Revenues for 2005-06 totaled \$1.641 billion, an increase of \$39.8 million, or 2.5 percent, from the plan and 4.7 percent higher than in 2004-05.

- **Tuition and fee** revenues were 0.2 percent less than planned due to a decrease in graduate enrollments that was offset only partially by increases in undergraduate and professional enrollments.
- **Investment distributions** exceeded the plan by \$17.8 million, or 9.7 percent, due to greater than expected payout distributions for short- and intermediate-term funds combined with higher than anticipated levels of invested funds balances.
- **Unrestricted gifts** totaled \$46.5 million, an increase of \$11 million over the plan, reflecting the final installment of a one-time unrestricted bequest and an increase in gift receipts in the College of Arts and Sciences. **Restricted gifts** were \$60.4 million, \$8.4 million less than budgeted, due to a West Campus Residential Initiative gift that was planned in 2005-06 but received in 2004-05. Overall, gifts received for current uses totaled \$65.1 million, \$2.6 million greater than planned.
- **Direct costs of sponsored programs** and the **indirect recovery of facilities and administrative (F&A) costs** related to those programs totaled \$366.5 million in 2005-06, \$4.9 million greater than planned. Growth in direct support for sponsored programs was offset partially by declines in indirect cost recoveries, which were less than planned due to significant growth in nonrecoverable expenditures for subcontracts and other activities in the research centers.
- **State appropriations** of \$145.9 million were \$2.1 million greater than planned due to a mid-year addition to cover utility and maintenance costs.

Transfers from funds functioning as endowment totaled \$32.8 million, reflecting the movement of funds to cover the costs of recent construction, debt service, and financial aid. **Transfers from plant reserves** were \$6.9 million less than planned, as some construction project costs were paid for within plant funds or deferred to 2006-07.

Expenditures and Transfers Out

Expenditures in 2005-06 totaled \$1.587 billion, an increase of \$21.8 million, or 1.4 percent, from the plan and 6.2 percent higher than in 2004-05.

- **College** expenditures were \$6.1 million more than planned due to faculty hires and start-up costs in the Colleges of Agriculture and Life Sciences and Veterinary Medicine, offset partially by a decrease in research activity in the College of Engineering and fewer than planned faculty hires in the School of Industrial and Labor Relations.
- **Research center** expenditures totaled \$94.3 million, 13.7 percent more than planned, as growth occurred most notably in the NanoScale Facility, the National Astronomy and Ionosphere Center, and the High Energy Synchrotron.
- **Centrally recorded financial aid** costs exceeded the plan by \$3.1 million, or 2.2 percent, due to a greater than planned number of undergraduate grant-aid recipients.
- **Administrative and support** expenditures were \$10.3 million more than budgeted due to institutional decisions to increase investment management costs by \$4.3 million; communications and media relations budgets by \$1.9 million; and support for administrative systems, human resource programs and services, and other inflationary costs by \$3.1 million. Additionally, student organizations were inadvertently underbudgeted by \$1 million in the original plan, with a corresponding offset in other sources of revenue.
- **Physical plant** expenditures were 9.4 percent less than budgeted due to lower than anticipated utility costs and facility improvements that were planned in current funds but were recorded in plant funds.

Transfers to funds functioning as endowment totaled \$15.7 million as gifts, including a one-time bequest, were invested for academic initiatives. **Transfers to plant funds**, which were recorded at \$66.3 million, funded various capital projects in campus services and maintenance, student housing, networking and computer systems, and in several colleges.

Net from Operations

The combination of these changes yielded a **net from operations** of \$4.7 million, with additions to designated fund balances being offset partially by reductions in college general purpose and restricted funds.

| Ithaca Campus | | | | | | Change from | |
|--------------------------------------|--|------------------|------------------|------------------|------------------|--------------------|---------------|
| (dollars in thousands) | | 03-04 | 04-05 | 05-06 | 05-06 | 05-06 | 04-05 |
| | | Actual | Actual | Plan | Actual | Plan | Actual |
| Resources | | | | | | | |
| 1. Tuition & Fees | | \$514,947 | \$541,466 | \$574,776 | \$573,390 | (\$1,386) | 5.9% |
| 2. Investment Distributions | | 172,109 | 167,643 | 183,344 | 201,152 | 17,808 | 20.0% |
| 3. Unrestricted Gifts | | 52,763 | 46,620 | 35,524 | 46,541 | 11,017 | (0.2%) |
| 4. Restricted Gifts | | 76,701 | 71,394 | 68,865 | 60,425 | (8,440) | (15.4%) |
| 5. Sponsored Programs (direct) | | 253,491 | 291,376 | 285,632 | 291,264 | 5,632 | (0.0%) |
| 6. Sponsored Programs (F&A) | | 69,271 | 72,256 | 75,983 | 75,235 | (748) | 4.1% |
| 7. Institutional Allowances | | 73 | 33 | 31 | 20 | (11) | (39.4%) |
| 8. State Appropriations | | 140,127 | 138,713 | 143,823 | 145,920 | 2,097 | 5.2% |
| 9. Federal Appropriations | | 17,048 | 16,300 | 16,565 | 16,754 | 189 | 2.8% |
| 10. Enterprise Sales & Services | | 109,432 | 111,291 | 110,318 | 109,975 | (343) | (1.2%) |
| 11. Other Sources | | <u>92,906</u> | <u>109,268</u> | <u>105,923</u> | <u>119,871</u> | <u>13,948</u> | <u>9.7%</u> |
| 12. Subtotal In-Year Revenues | | 1,498,868 | 1,566,360 | 1,600,784 | 1,640,547 | 39,763 | 4.7% |
| 13. Transfers From Endowment | | 34,674 | 28,091 | 34,531 | 32,762 | (1,769) | |
| 14. Transfers From Plant | | <u>4,620</u> | <u>4,791</u> | <u>7,530</u> | <u>680</u> | <u>(6,850)</u> | |
| 15. Subtotal Transfers In | | 39,294 | 32,882 | 42,061 | 33,442 | (8,619) | |
| 16. Total Resources | | 1,538,162 | 1,599,242 | 1,642,845 | 1,673,989 | 31,144 | 4.7% |
| Uses of Resources | | | | | | | |
| 17. Agriculture & Life Sciences | | 208,245 | 218,716 | 227,008 | 231,126 | 4,118 | 5.7% |
| 18. Architecture, Art, & Planning | | 14,802 | 16,716 | 18,400 | 19,457 | 1,057 | 16.4% |
| 19. Arts & Sciences | | 150,969 | 160,524 | 164,181 | 165,565 | 1,384 | 3.1% |
| 20. Engineering | | 112,927 | 113,166 | 123,952 | 117,924 | (6,028) | 4.2% |
| 21. Hotel Administration | | 41,415 | 45,901 | 47,086 | 47,678 | 592 | 3.9% |
| 22. Human Ecology | | 41,202 | 45,651 | 46,513 | 48,563 | 2,050 | 6.4% |
| 23. Industrial & Labor Relations | | 37,887 | 39,299 | 44,104 | 41,693 | (2,411) | 6.1% |
| 24. Johnson School | | 37,168 | 38,272 | 41,698 | 42,252 | 554 | 10.4% |
| 25. Law School | | 21,744 | 22,085 | 23,473 | 23,083 | (390) | 4.5% |
| 26. Veterinary Medicine | | 83,737 | 90,119 | 93,009 | 98,189 | 5,180 | 9.0% |
| 27. Research Centers | | 90,206 | 88,939 | 82,985 | 94,328 | 11,343 | 6.1% |
| 28. Other Academic Programs | | 110,065 | 122,573 | 126,385 | 130,169 | 3,784 | 6.2% |
| 29. Centrally Recorded Financial Aid | | 123,055 | 130,140 | 140,419 | 143,545 | 3,126 | 10.3% |
| 30. Student Services | | 100,829 | 106,787 | 111,053 | 111,360 | 307 | 4.3% |
| 31. Administrative & Support | | 113,761 | 134,660 | 138,011 | 148,331 | 10,320 | 10.2% |
| 32. Physical Plant | | 113,266 | 114,490 | 131,198 | 118,803 | (12,395) | 3.8% |
| 33. Ithaca Campus All Other | | 8,117 | 8,266 | 7,626 | 6,874 | (752) | (16.8%) |
| 34. Cost Redistribution | | <u>(1,545)</u> | <u>(1,576)</u> | <u>(1,625)</u> | <u>(1,625)</u> | | <u>3.1%</u> |
| 35. Subtotal Expenditures | | 1,407,850 | 1,494,728 | 1,565,476 | 1,587,315 | 21,839 | 6.2% |
| 36. Transfers To Endowment | | 59,137 | 26,986 | 8,434 | 15,697 | 7,263 | |
| 37. Transfers To Plant | | <u>55,405</u> | <u>75,126</u> | <u>64,701</u> | <u>66,301</u> | <u>1,600</u> | |
| 38. Subtotal Transfers Out | | 114,542 | 102,112 | 73,135 | 81,998 | 8,863 | |
| 39. Total Uses of Resources | | 1,522,392 | 1,596,840 | 1,638,611 | 1,669,313 | 30,702 | 4.5% |
| 40. Net From Operations | | 15,770 | 2,402 | 4,234 | 4,676 | 442 | |

MEDICAL COLLEGE

Revenues and Transfers In

Revenues for 2005-06 for the Joan and Sanford I. Weill Medical College and Graduate School of Medical Sciences totaled \$863.5 million, an increase of \$7 million, or 0.8 percent, from the plan and 5.1 percent over the amount recorded in 2004-05.

- **Gifts** received for **unrestricted** or internally designated purposes were recorded at \$2.2 million, \$1.2 million less than planned. **Restricted gifts**, including monies received for purposes specified by the donors, were recorded at \$56.2 million, \$12.3 million less than anticipated. These changes reflect a delay in Strategic Plan II gifts that support operating activities pending completion of the Ambulatory Care building in 2006-07.
- **Sponsored programs direct cost** revenues totaled \$117.4 million, a \$9.5 million, or 8.8 percent, increase from 2004-05. This growth resulted from increases from the prior year of \$6.4 million in government funding and \$3.1 million in private grant support. Additional grants and contracts associated with new Strategic Plan faculty accounted for \$10 million of the total government support. **Facilities and administrative (indirect cost) recoveries** reached \$45.2 million in 2005-06, a slight increase of \$435 thousand from the plan and a 6.7 percent growth from the prior year.
- The **Physician Organization (PO)** reported revenues of \$385.4 million; representing an \$11.9 million, or 3.2 percent, increase from the plan and a 0.9 percent increment over the amount received in 2004-05. This growth was fueled by the maturation of clinical specialties under recently recruited chairs for the Departments of Urology, Surgery, and Otorhinolaryngology.
- Revenues for services purchased by the **New York-Presbyterian Hospital (NYPH)** from the Medical College netted \$79.2 million, \$3.2 million greater than planned and 3.5 percent more than recorded in 2004-05. These revenues represent payments for the supervision and training of NYPH residents and other hospital-related professional services.
- By agreement, revenues received from the **Qatar Foundation** in support of the operation of the Weill Cornell Medical College in Qatar must equal the level of in-year expenditure, with unexpended

funds being returned to the Foundation at the end of the fiscal year. During 2005-06, Cornell received \$60.4 million from the Foundation. While the College in Qatar continues to grow in both enrolled students and employed faculty and staff, the level of expenditures was lower than anticipated, resulting in an unexpended balance of \$18.9 million. (See line 20.)

Expenditures and Transfers Out

Expenditures in 2005-06 were \$845.3 million, an increase of \$6.5 million, or 0.8 percent, from the plan and 4.6 percent more than recorded in 2004-05.

- Expenditures for **academic and clinical departments**, including the PO, increased 2.3 percent over the prior year, to \$651.3 million. This growth resulted from expansion in two areas: (a) greater sponsored program expenses due to higher government and non-government grant support and (b) expenditures related to administrative, training, and supervisory functions provided to NYPH.
- **Administrative and support** costs for the Weill Medical College decreased \$2.3 million, or 3.1 percent, from the plan, to \$71.3 million. These costs included operating expenses for student services and academic and administrative support units. Administrative and support costs for the **Medical College in Qatar** decreased \$18.9 million from the plan, to \$41.5 million. These costs were 30.5 percent more than recorded in 2004-05.
- **Physical plant** expenditures totaled \$48.5 million, a 20.2 percent increase from the prior year, reflecting increased debt service payments, operating and maintenance costs, and utility payments.

Transfers to **plant funds** of \$711 thousand reflected funding of capital projects and equipment for the PO.

Net from Operations

The combination of these factors yielded a **net from operations** of \$17.5 million. Of that total, \$5.1 million was added directly to operating reserves. The remainder was held in current fund balances at year-end closing, where a portion of the designated fund surplus effectively offset an operating deficit incurred in enterprise and service funds by Housing and Ancillary Operations.

| Medical College (dollars in thousands) | | 03-04 | 04-05 | 05-06 | 05-06 | Change from | |
|--|----------------|----------------|----------------|----------------|----------------|--------------------|---------------|
| | Actual | Actual | Plan | Actual | Plan | 05-06 | 04-05 |
| | | | | | | Plan | Actual |
| Resources | | | | | | | |
| 1. Tuition & Fees | \$16,312 | \$16,632 | \$17,275 | \$17,268 | (\$7) | | 3.8% |
| 2. Investment Distributions | 28,360 | 29,261 | 31,931 | 32,790 | 859 | | 12.1% |
| 3. Unrestricted Gifts | 2,065 | 1,667 | 3,320 | 2,120 | (1,200) | | 27.2% |
| 4. Restricted Gifts | 55,590 | 55,534 | 68,535 | 56,193 | (12,342) | | 1.2% |
| 5. Sponsored Programs (direct) | 104,436 | 107,901 | 113,086 | 117,385 | 4,299 | | 8.8% |
| 6. Sponsored Programs (F&A) | 40,892 | 42,368 | 45,641 | 45,206 | (435) | | 6.7% |
| 7. Institutional Allowances | 19,081 | 20,620 | 21,138 | 21,798 | 660 | | 5.7% |
| 8. State Appropriations | 223 | 179 | 179 | 163 | (16) | | (8.9%) |
| 9. Physician Organization (PO) | 339,490 | 382,155 | 373,542 | 385,440 | 11,898 | | 0.9% |
| 10. NYPH (purchased services) | 63,106 | 76,478 | 75,943 | 79,175 | 3,232 | | 3.5% |
| 11. Enterprise Sales & Services | 11,848 | 14,940 | 16,279 | 14,716 | (1,563) | | (1.5%) |
| 12. Qatar | 30,053 | 51,593 | 60,373 | 60,373 | | | 17.0% |
| 13. Other Sources | <u>13,988</u> | <u>21,995</u> | <u>29,193</u> | <u>30,854</u> | <u>1,661</u> | | 40.3% |
| 14. Subtotal In-Year Revenues | 725,444 | 821,323 | 856,435 | 863,481 | 7,046 | | 5.1% |
| 15. Transfers From Endowment | | | | | | | |
| 16. Transfers From Plant | | | | | | | |
| 17. Subtotal Transfers In | | | | | | | |
| 18. Total Resources | 725,444 | 821,323 | 856,435 | 863,481 | 7,046 | | 5.1% |
| Uses of Resources | | | | | | | |
| 19. Medical College (academic/clinical) | 586,098 | 636,433 | 648,506 | 651,252 | 2,746 | | 2.3% |
| 20. Return to Qatar Foundation | 9,518 | 19,785 | | 18,876 | 18,876 | | (4.6%) |
| 21. Centrally Recorded Financial Aid | 11,720 | 11,346 | 11,540 | 12,263 | 723 | | 8.1% |
| 22. Administrative & Support | 60,411 | 66,895 | 73,549 | 71,285 | (2,264) | | 6.6% |
| 23. Administrative & Support (Qatar) | 20,535 | 31,808 | 60,373 | 41,497 | (18,876) | | 30.5% |
| 24. Physical Plant | 35,044 | 40,354 | 43,172 | 48,515 | 5,343 | | 20.2% |
| 25. Cost Redistribution | <u>1,545</u> | <u>1,576</u> | <u>1,625</u> | <u>1,625</u> | | | 3.1% |
| 26. Subtotal Expenditures | 724,871 | 808,197 | 838,765 | 845,313 | 6,548 | | 4.6% |
| 27. Transfers To Endowment | | | | | | | |
| 28. Transfers To Plant | <u>270</u> | <u>2,158</u> | <u>2,500</u> | <u>711</u> | <u>(1,789)</u> | | |
| 29. Subtotal Transfers Out | 270 | 2,158 | 2,500 | 711 | (1,789) | | |
| 30. Total Uses of Resources | 725,141 | 810,355 | 841,265 | 846,024 | 4,759 | | 4.4% |
| 31. Net From Operations | 303 | 10,968 | 15,170 | 17,457 | 2,287 | | |

Note: The revenue plan for 2005-06 has been restated to include a \$5 million affiliation fee that is paid to Weill Cornell Medical College by The Methodist Hospital in Houston, Texas.

CAPITAL PLAN REPORT

2005-06 CAPITAL PLAN

The schedule of capital expenditure activity examines the actual expenditures as compared to the planned activity during the 2005-06 fiscal year for individual projects included in the capital plan. It is not an analysis of all capital project expenditures, and excludes smaller projects, consolidated groupings of projects (e.g., maintenance, transportation, utilities, and other infrastructure activities), projects that were substantially completed prior to the fiscal year, and the few new projects not anticipated in the planning process.

The prevalence of actual expenditures below expected levels is due to the fact that plans do not typically account for the delays in project schedules that happen during the planning-to-construction process, nor do they necessarily factor in the lag between project work and subsequent billing and payment. Expenditures on the projects included in this schedule were 72 percent of the planned amount for the Ithaca campus and 47 percent at the Weill Cornell Medical College campus. Nearly two-thirds of the variance from plan was due

to the timing of costs for projects that were otherwise essentially on schedule and one-third to changes in project schedule (delay or acceleration) or scope. Just over half of the total variance was attributable to the Medical College's Ambulatory Care Building.

Significant milestones on the Ithaca campus during 2005-06 include: (a) the completion of the Carl Becker House at West Campus, the Library Storage Annex expansion, the Friends Hall addition to Schoellkopf Hall, and the Africana Studies and Research Center addition; (b) the construction of the Hans Bethe House, Noyes Community and Recreation Center, and East Campus Research Facility; and (c) the start of construction on the Lynah Rink renovation and expansion, the Life Sciences Technology Building, and the Hoy parking garage expansion.

Medical College capital activity included: (a) the acquisition of 92 housing units at Southtown Riverwalk; (b) the Ambulatory Care Building construction; and (c) the start of construction on the Hematology and Medical Oncology Center, E Building expansion, and A-7/C-7 Research Animal Resource Center projects.

2005-06 Capital Activity

(dollars in thousands)

| | Estimated Budget from Plan | Current Estimated Budget | Project Expenditures in 05-06 | | |
|---|----------------------------------|--------------------------------|-------------------------------|---------------|---------------------|
| | | | Plan | Actual | Change From Plan |
| 1. West Campus Residential Initiative | 226,600 | 224,400 | 33,700 | 39,580 | 5,880 A |
| 2. Milstein Hall | 35,000 | 40,000 | 950 | 708 | (242) T |
| 3. Total Undergraduate Education | 261,600 | 264,400 | 34,650 | 40,288 | 5,638 |
| 4. Life Sciences Technology Facility | 150,000 | 162,714 | 22,500 | 13,527 | (8,973) T |
| 5. Physical Sciences Facility | 125,000 | 140,200 | 4,800 | 3,579 | (1,221) D |
| 6. East Campus Research Facility | 55,000 | 55,000 | 12,750 | 14,725 | 1,975 T |
| 7. LambdaRail-Ithaca/NYC Fiber Link | 10,428 | 9,400 | 1,350 | 735 | (615) C |
| 8. Uris Hall Animal Facility | 9,000 | 7,200 | 500 | 162 | (338) D |
| 9. Plant Science Renovations | 4,000 | 4,000 | 1,500 | 570 | (930) D |
| 10. Baker Institute Microbiology Wing | 4,000 | 2,750 | 3,500 | 1,977 | (1,523) D |
| 11. Animal Facility Improvements | 4,000 | 4,000 | 1,000 | | (1,000) D |
| 12. Veterinary Molecular Medicine Lab | 3,000 | 3,108 | 2,000 | 207 | (1,793) D |
| 13. Total Research | 364,428 | 388,372 | 49,900 | 35,482 | (14,418) |
| 14. Mann Library Renovation | 30,760 | 33,000 | 8,000 | 7,015 | (985) T |
| 15. Plantations Fac. Upgrades/Expansion | 18,279 | 8,640 | 1,000 | 127 | (873) D |
| 16. Library Storage Annex Expansion | 10,570 | 10,570 | 6,050 | 5,183 | (867) T |
| 17. Johnson Museum Expansion | 9,000 | 9,000 | 464 | 26 | (438) D |
| 18. Schoellkopf Hall Upgrade | 8,000 | 8,250 | 3,750 | 2,649 | (1,101) T |
| 19. Lynah Rink Enhancements | 6,500 | 7,315 | 1,350 | 2,119 | 769 A |
| 20. Bailey Plaza | 2,500 | 4,500 | | 568 | 568 A |
| 21. Total Program | 85,609 | 81,275 | 20,614 | 17,687 | (2,927) |

| 2005-06 Capital Activity (cont.) (dollars in thousands) | Estimated Budget from Plan | Current Estimated Budget | Project Expenditures in 05-06 | | |
|--|----------------------------------|--------------------------------|-------------------------------|----------------|---------------------|
| | | | Plan | Actual | Change From Plan |
| 22. Campus Network Wiring Upgrade | 68,000 | 84,740 | 5,243 | 2,023 | (3,220) D |
| 23. Administrative Systems | 50,000 | 50,000 | 7,582 | 11,657 | 4,075 A |
| 24. Olin Library Renovations Phase I | 39,600 | 39,600 | 2,200 | | (2,200) D |
| 25. CHP Steam/Electric Expansion | 35,000 | 53,390 | 2,000 | 568 | (1,432) D |
| 26. North MVR Replacement | 34,000 | 45,400 | 5,000 | 201 | (4,799) D |
| 27. Stocking Hall Renovation | 25,000 | 35,000 | 1,000 | | (1,000) D |
| 28. Bailey Hall Renovation | 17,300 | 17,300 | 8,200 | 9,243 | 1,043 T |
| 29. MVR Exterior/Systems Upgrades | 16,000 | 18,000 | 2,000 | 358 | (1,642) D |
| 30. Ives Faculty Building | 12,000 | 13,000 | 2,000 | 276 | (1,724) D |
| 31. Milstein Parking Garage | 11,525 | 11,525 | 195 | | (195) D |
| 32. Vet Waste Management System | 6,263 | 6,263 | 3,000 | 354 | (2,646) D |
| 33. Fernow Hall Rehab and Roof Repairs | 6,000 | 6,000 | 1,300 | | (1,300) D |
| 34. Ward Lab Decommissioning | 5,467 | 5,467 | 4,000 | 352 | (3,648) D |
| 35. Hoy Parking Garage Expansion | 5,135 | 4,467 | 5,135 | 269 | (4,866) T |
| 36. Gannett HVAC Rehabilitation Phase II | 4,500 | 4,500 | 2,000 | 978 | (1,022) T |
| 37. Schoellkopf Crescent Repairs | 3,500 | 3,500 | 700 | 585 | (115) T |
| 38. Bruckner Lab Systems Upgrades/Repairs | 3,300 | 3,300 | 1,500 | | (1,500) D |
| 39. Geneva Hedrick Hall Roof, Systems | 3,293 | 3,293 | 293 | | (293) D |
| 40. Barton Hall Roof/Exterior Repairs | 3,000 | 3,000 | 1,000 | | (1,000) D |
| 41. Myron Taylor Tower Masonry | 3,000 | 3,527 | 1,500 | 138 | (1,362) T |
| 42. Wilson Lab Exterior Masonry | 3,000 | 1,870 | 3,000 | 142 | (2,858) T |
| 43. Boiler Emissions Control Technology | 3,000 | 2,460 | 1,000 | 39 | (961) C |
| 44. Bradfield Rehab/Systems Upgrades | 2,000 | 2,000 | 500 | | (500) D |
| 45. Swine Farm Facility Replacement | 2,000 | 2,000 | 900 | | (900) D |
| 46. Total Renewal/Infrastructure | 361,883 | 419,602 | 61,248 | 27,183 | (34,065) |
| 47. Ambulatory Care Building | 230,000 | 232,122 | 150,000 | 64,137 | (85,863) T |
| 48. Lasdon House Renovation | 28,000 | 31,895 | 13,000 | 9,018 | (3,982) D |
| 49. Southtown Riverwalk | 23,000 | 23,000 | 20,000 | 21,256 | 1,256 T |
| 50. Hematology & Med. Oncol. Ctr. | 21,000 | 21,000 | 5,000 | 1,205 | (3,795) D |
| 51. RARC A-7 & C-7 Renovation | 17,100 | 21,826 | 8,000 | 1,136 | (6,864) D |
| 52. E Building Expansion | 12,400 | 16,446 | 11,700 | 742 | (10,958) D |
| 53. RARC S-3 | 8,500 | 8,487 | 2,000 | 222 | (1,778) D |
| 54. Cardiology Renovation A-3 | 7,200 | 7,200 | 6,200 | 4,294 | (1,906) D |
| 55. Expansion OAC Server Facility | 5,200 | 5,260 | 1,000 | 1,778 | 778 T |
| 56. Surgery A-8 LC-7 | 4,700 | 8,000 | 1,000 | 630 | (370) D |
| 57. Emergency Power Upgrade A-E | 3,000 | 3,000 | 3,000 | | (3,000) C |
| 58. Stem Cell A-8 | 2,400 | 2,495 | 1,500 | 220 | (1,280) T |
| 59. Cell Biology | 2,000 | 2,100 | 2,000 | 1,819 | (181) T |
| 60. Pathology B-3/F-3 | 2,000 | 1,890 | 2,000 | 99 | (1,901) T |
| 61. Medical College | 366,500 | 384,721 | 226,400 | 106,556 | (119,844) |
| 62. University Total | 1,440,020 | 1,538,370 | 392,812 | 227,196 | (165,616) |

Notes: A Accelerated schedule.

C Change in project scope or approach.

D Delayed schedule (either intentionally or due to unforeseen circumstances).

T Timing of payment to contractor or vendor different than that anticipated. Positive variance = delay of payment from a prior fiscal year into 2005-06; negative variance = delay of payment beyond 2005-06.

INVESTMENTS

Investments at Fair Value

The fair value of Cornell's investments (based on quoted market prices, exchange rates, and current estimates for nonmarketable securities) totaled \$5.26 billion as of June 30, 2006. (See table below.)

- The total fair value of investments increased \$671 million, or 14.6 percent, during 2005-06.
- The Long Term Investment Pool (LTIP) constituted 79.5 percent, or \$4.18 billion, of total invested funds. Intermediate-term funds and separately invested securities represented 10.3 percent and 6.9 percent respectively, while other categories accounted for the remainder.
- The university maintains a pool of working capital and a line of credit that are used to meet the daily cash flow of disbursements. The intermediate-term category represents primarily the assets of general operating (or current) fund balances. Previously, both working capital and intermediate-term funds were invested with a shorter time horizon than the LTIP, based on the premise that their principals might be expended within three years. Because intermediate-term funds were being held for longer periods, this investment approach limited the total return that was realized on these assets. In 2002-03, the Board of Trustees modified the investment strategy for intermediate-term funds, investing such assets for the longer term. Coupled with this change in investment strategy, the university discontinued its practice of distributing investment returns for these assets at the individual account level, and instead allocates these resources at the division/college level.

Long-Term Investments

Cornell's Investment Office manages the university's portfolio of long-term investments, which includes the LTIP as well as portions of separately invested and general operating fund balances. This office oversees more than 200 investment accounts and partnerships with external investment fund managers.

- The university's long-term investment results for 2005-06 were consistent with general market conditions, outperforming some component market benchmarks:

| | |
|---|--------|
| Domestic Equity (unhedged/opportunistic) | 10.6% |
| <i>Russell 3000</i> | 9.6% |
| <i>S&P 500</i> | 8.6% |
| Non-U.S. Equity (developed markets) | 19.8% |
| <i>MSCI EAFE Index</i> | 27.1% |
| Non-U.S. Equity (emerging markets) | 34.7% |
| <i>MSCI Emerging Markets Free</i> | 35.9% |
| Hedged Equity | 14.8% |
| <i>50% (MSCI World + 3 mo LIBOR) + 3%</i> | 14.3% |
| Private Equity | 21.9% |
| <i>Cambridge VC & LBO 50/50 Q Lag</i> | 22.8% |
| Real Estate | 22.8% |
| <i>NCREIF Q Lag</i> | 20.2% |
| REITs | 15.5% |
| <i>Wilshire REIT Index</i> | 22.1% |
| Resource Related | 19.7% |
| <i>Dow Jones-AIG Commodity Index</i> | 18.1% |
| Core Fixed Income | 0.3% |
| <i>Lehman Aggregate</i> | (0.8%) |
| Absolute Return | 12.3% |
| <i>T-Bills + 5%</i> | 9.3% |
| Enhanced Fixed Income | 14.3% |
| <i>T-Bills + 5%</i> | 9.3% |

Investments at Fair Value

(dollars in thousands at year end)

| | 6/30/05 Total | Percent of Total | 6/30/06 Total | Percent of Total | Change from 6/30/05 |
|-----------------------------------|------------------|---------------------|------------------|---------------------|---------------------------|
| 1. Working Capital | \$13,564 | 0.3% | \$22,735 | 0.4% | \$9,171 |
| 2. Intermediate-Term Investments | 510,113 | 11.1% | 540,290 | 10.3% | 30,177 |
| 3. Long Term Investment Pool | 3,623,192 | 78.9% | 4,180,389 | 79.5% | 557,197 |
| 4. Separately Invested Securities | 352,580 | 7.7% | 360,682 | 6.9% | 8,102 |
| 5. Life Income Pools | 17,361 | 0.4% | 17,712 | 0.3% | 351 |
| 6. DASNY Holdings * | 68,936 | 1.5% | 113,809 | 2.2% | 44,873 |
| 7. Other Purposes of Investment | 4,202 | 0.1% | 24,832 | 0.5% | 20,630 |
| 8. Total | 4,589,948 | 100.0% | 5,260,449 | 100.0% | 670,501 |

Note: * DASNY (Dormitory Authority of the State of New York) holdings represent bond proceeds held at custodial banks and certain debt service reserves.

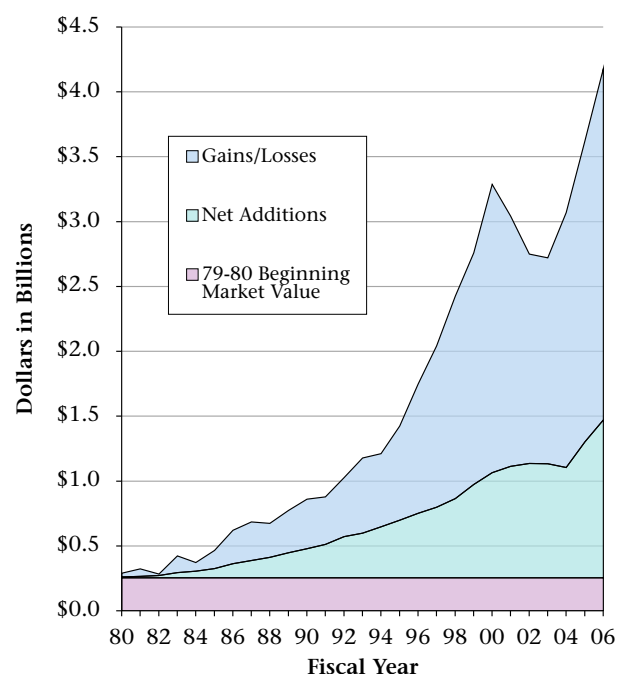
- Overall, long-term investments experienced a 16.44 percent annualized gross return in 2005-06 (16.1 percent when adjusted for investment management fees), which was greater than the 11.4 percent return of the Russell/Mellon Endowment and Foundations Median for the same period.
- A key factor in Cornell's strategy for long-term investments is the maintenance of a diversified portfolio (shown below as of June 30, 2006).

| | |
|--|---------------|
| Domestic Equity (unhedged/opportunistic) | 19.7% |
| Non-U.S. Equity (developed/emerging) | 19.1% |
| Hedged Equity | 15.9% |
| Private Equity | 8.9% |
| Cash & Other | 0.4% |
| Real Estate/REITs | 10.1% |
| Resource Related | 6.3% |
| Fixed Income/Absolute Return | 19.6% |
| Total | 100.0% |

The trustees have established short- and long-term targets for the long-term investment portfolio's asset classes, delineating upper and lower ranges for each. The portfolio is rebalanced periodically to maintain asset classes within these limits.

Within the aggregate of long-term investments, the value of an LTIP share increased \$5.31, or 10.6 percent, during 2005-06. (See table below.) This growth reflected the total return noted above less payout to shareholders and investment and service charges. The number of LTIP shares grew 4.3 percent from 2004-05 due to the net addition of \$168.3 million in new principal—from gifts and intermediate-term funds (see below). The market value of the LTIP has increased \$3.92 billion over the past 27 years, to \$4.18 billion. (See graph above, at right.) Realized and unrealized

Cumulative Change in LTIP Market Value



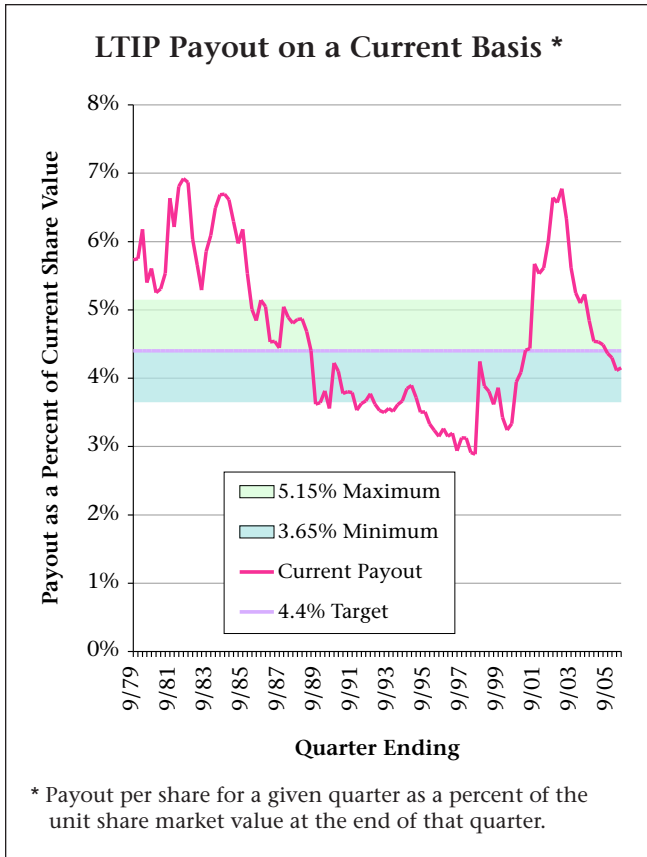
gains (net of losses) on the initial market value and all net additions have accounted for 69 percent of the cumulative growth; additions net of withdrawals have accounted for the remaining 31 percent. The combination of investment performance and the inflow of new principal have allowed the LTIP to payout a total of \$1.8 billion to shareholders over this period.

Returns on investment for intermediate-term funds were recognized in general operations (the locus of their underlying assets) and then transferred to a reserve in the LTIP at year-end closing.

Long Term Investment Pool

| | 6/30/01 | 6/30/02 | 6/30/03 | 6/30/04 | 6/30/05 | 6/30/06 |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | <u>Actual</u> | <u>Actual</u> | <u>Actual</u> | <u>Actual</u> | <u>Actual</u> | <u>Actual</u> |
| 1. Market Value (per share) | \$51.85 | \$44.95 | \$42.65 | \$46.51 | \$50.11 | \$55.42 |
| 2. Annualized Gross Total Return † | (6.4%) | (7.5%) | 2.1% | 16.3% | 13.9% | 16.4% |
| 3. Payout per Share | \$2.30 | \$2.70 | \$2.70 | \$2.43 | \$2.25 | \$2.30 |
| 4. Shareholder Payout (in millions) | \$131.80 | \$160.55 | \$167.55 | \$157.09 | \$153.46 | \$168.95 |
| 5. Payout as a % of 6/30 Market Value | 4.4% | 6.0% | 6.3% | 5.2% | 4.5% | 4.1% |
| 6. Number of Shares (in millions) | 58.7 | 61.2 | 63.8 | 66.0 | 72.3 | 75.4 |

Note: † Total returns net of investment management fees for 2000-01, 2001-02, 2002-03, 2003-04, 2004-05, and 2005-06 were (6.7%), (7.7%), 1.9%, 16.12%, 13.6%, and 16.1% respectively.



Investment Strategy and Payout Policy

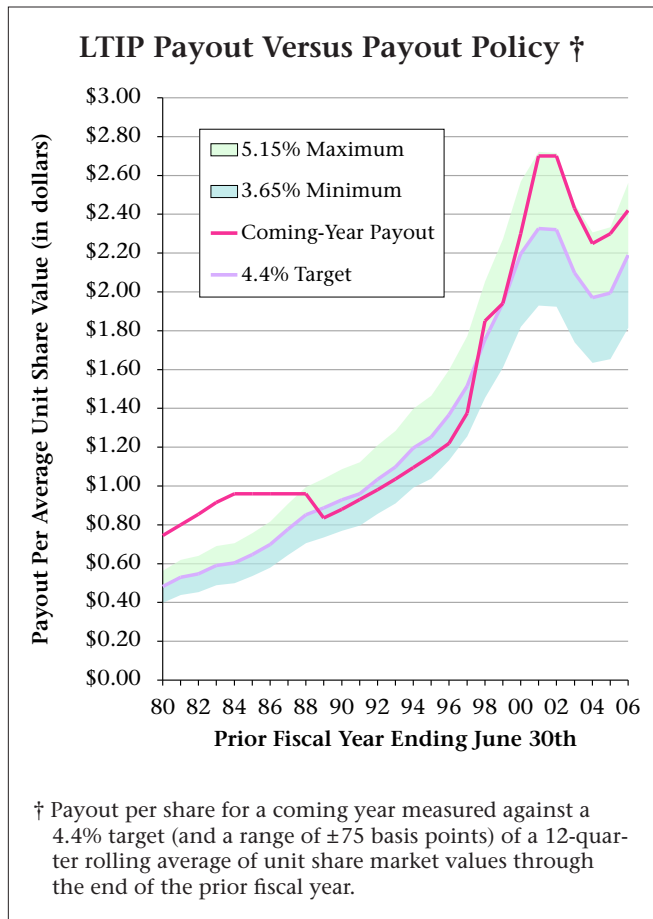
The LTIP was created in 1979, when the trustees combined the assets of the Endowment Fund (containing true endowments) and the Capital Fund (holding funds that functioned as endowments). Previously, each fund had its own approach to investment and payout. The initial investment strategy for the newly created LTIP was aimed at ensuring sufficient income for annual payout. Through the early 1980's, LTIP payout was relatively high, averaging 6 percent of current market values. (See graph above.) In 1988-89, the trustees revised their approach for the LTIP, focusing on maximizing total return and establishing a steady growth in payout (as long as it remained within a pre-determined range). The current version of the trustees' payout policy (which took effect beginning in 1998-99) has the following provisions:

- Payout for a given fiscal year is set in advance by the trustees. The proposed payout is measured against a twelve-quarter rolling average of LTIP unit share values. The final quarter of the rolling average is the fourth quarter of the prior fiscal year. Because the trustees normally declare the payout for a

coming fiscal year in January of the prior fiscal year, the final two quarters of the rolling average are estimated.

- A target of 4.4 percent of this rolling average, \pm 75 basis points, defines the range of acceptable payout levels for a given fiscal year.
- The proposed payout for the coming fiscal year is normally 5.0 percent greater than the prior fiscal year as long as that increase allows the payout to remain within its target-range boundaries.
- The trustees occasionally make step adjustments in the payout (both incremental and decremental), based on market conditions, to maintain the payout within its target boundaries. Such fine-tuning was called for in the 1990's, when the payout edged below 3 percent of current market value, and more recently, when the payout climbed above 6 percent. (See graphs at left and below.)

The LTIP's history of payout policy and payout rates is shown in the graph below. (This illustration applies the current payout policy and guidelines—includ-



ing the use of a twelve-quarter rolling average of unit share values—to all prior years, even those in which payout was set under different policies.) The combination of negative returns in 2000-01 and 2001-02 coupled with several stepped increases in payout at the end of the 1990's forced the payout level to rise to the maximum of the payout policy's acceptable range and track that ceiling. The trustees made adjustments based on these conditions and continue to evaluate the payout level to ensure that it is sized correctly.

The LTIP and the Endowment

Cornell's endowment is composed of funds controlled and invested by the university and a set of resources that are managed externally. (See table below.) Ninety-seven percent of all of the endowment that Cornell actively manages is invested in the LTIP. (The other 3 percent is separately invested or temporarily held in an intermediate-term investment vehicle.) In turn, the LTIP is almost totally composed of endowment—96 percent as of June 30, 2006. (The other 4 percent is made up of funds held in trust for others and deferred benefits for faculty and staff.) The table at right shows the distribution of payout from the LTIP by campus and function, more or less reflecting the endowment support that has been made during the years shown.

- Over the past eleven years, payout from the LTIP has more than tripled. While one-third of this increase was due to growth in the payout rate, two-thirds was attributable to the additions of new principal, mostly from gifts.

LTIP Payout Distribution

(dollars in millions)

| | <u>94-95</u> | <u>05-06</u> | <u>Change</u> |
|------------------------|--------------|---------------|---------------|
| Endowed Positions | \$9.83 | \$29.40 | \$19.57 |
| Instruction | 5.89 | 18.68 | 12.79 |
| Research | 0.55 | 1.47 | 0.92 |
| Public Service | 0.43 | 1.32 | 0.89 |
| Academic Support | 0.37 | 1.67 | 1.30 |
| Library | 1.05 | 3.71 | 2.66 |
| Student Services | 0.56 | 3.07 | 2.51 |
| Administrative/Support | 0.14 | 1.31 | 1.17 |
| Physical Plant | 1.02 | 3.63 | 2.61 |
| Financial Aid/Loan | 11.01 | 38.18 | 27.17 |
| Other Activities | 1.60 | 7.77 | 6.17 |
| University-Wide | <u>5.44</u> | <u>19.68</u> | <u>14.24</u> |
| Subtotal Ithaca Campus | 37.89 | 129.89 | 92.00 |
| Medical College | 7.83 | 32.28 | 24.45 |
| Non-University Funds * | 2.92 | 6.78 | 3.86 |
| Total | 48.64 | 168.95 | 120.31 |

Note: * Funds managed but not owned by Cornell.

- Taken together, position and financial-aid endowments account for 52 percent of the LTIP payout distributed to Ithaca Campus programs.
- Medical College endowments invested in the LTIP have almost quadrupled since 1994-95, a growth due in large part to a series of successful fund-raising initiatives to support the College's Strategic Plan.

Endowment – Net Assets

(dollars in thousands at year end)

| | <u>04-05</u> | <u>05-06</u> | <u>Change</u> | <u>Percent Change</u> |
|---|------------------|------------------|----------------|-----------------------|
| 1. True Endowment & Unspent Earnings | 2,425,814 | 2,794,297 | 368,483 | 15.2% |
| 2. Funds Functioning as Endowment | <u>1,215,855</u> | <u>1,357,907</u> | <u>142,052</u> | 11.7% |
| 3. Subtotal Under Cornell Investment Management | 3,641,669 | 4,152,204 | 510,535 | 14.0% |
| 4. True Endowment – Contributions Receivable † | 82,518 | 63,962 | (18,556) | (22.5%) |
| 5. Funds Held in Trust by Others * | <u>135,423</u> | <u>168,995</u> | <u>33,572</u> | 24.8% |
| 6. Subtotal Funds External to Cornell | 217,941 | 232,957 | 15,016 | 6.9% |
| 7. Total University Endowment | 3,859,610 | 4,385,161 | 525,551 | 13.6% |

Notes: † Unconditional written or oral promises to donate funds in the future that will be treated as endowment.

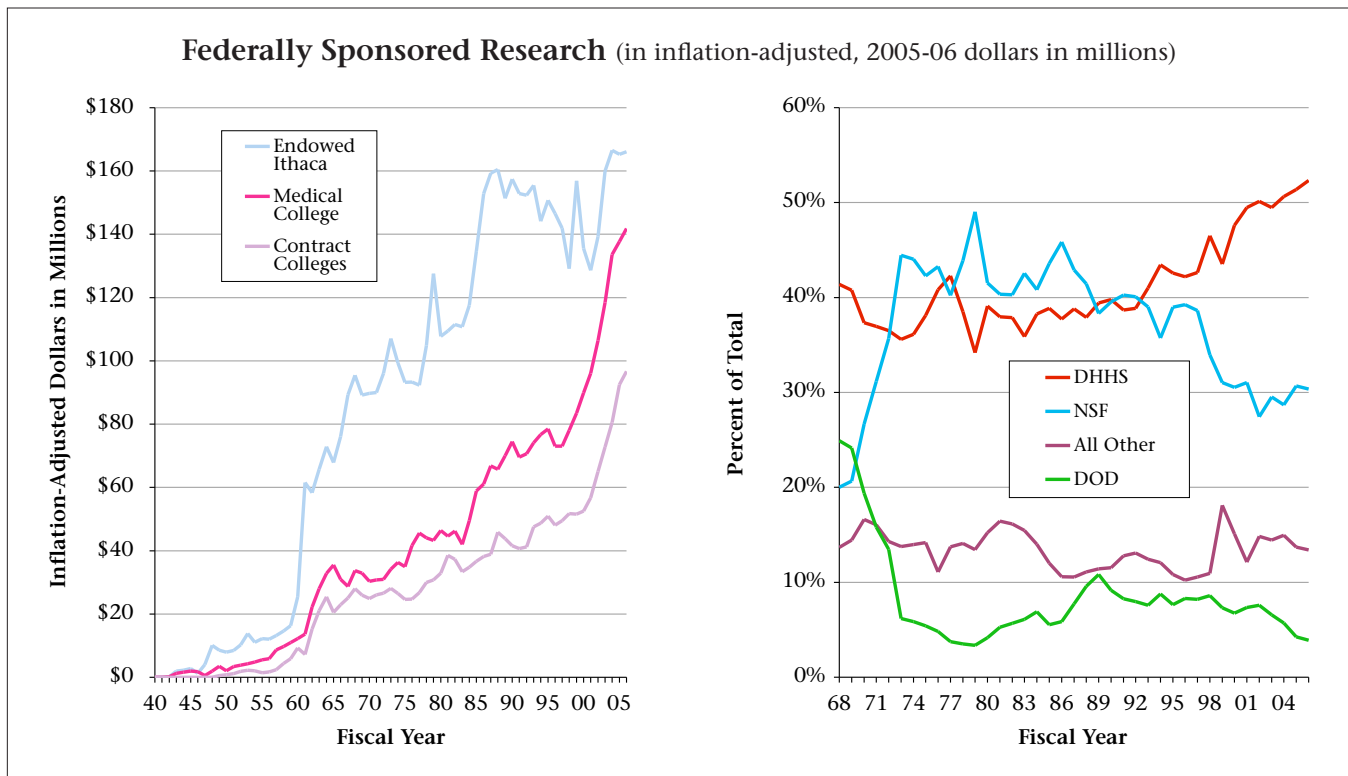
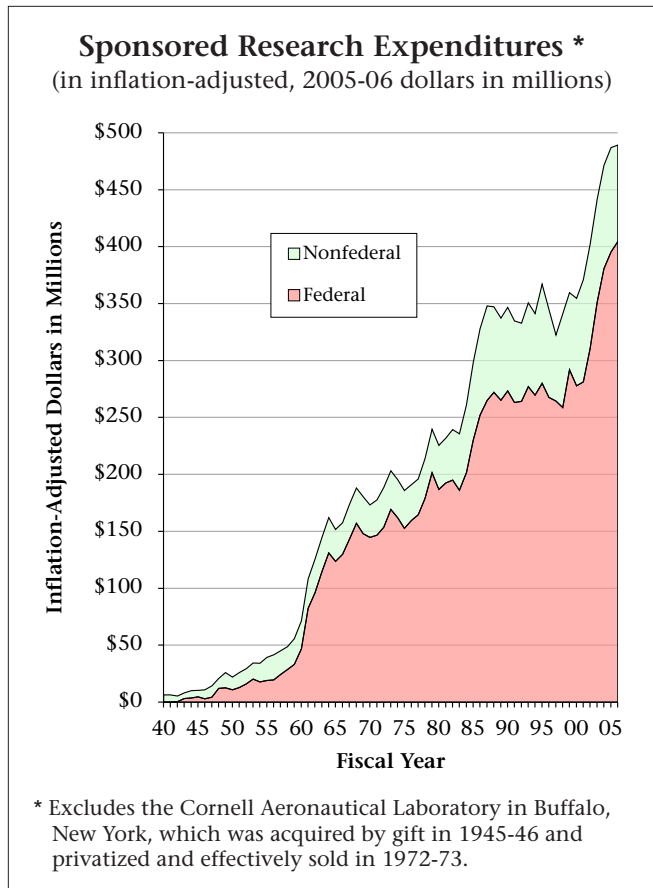
* Funds that the university neither possesses nor controls but which provide Cornell income or in which the university has a residual interest in the assets.

RESEARCH

Sponsored Research

Sponsored research expenditures totaled \$489.4 million in 2005-06, a 4.3 percent increase from 2004-05, with the federal government accounting for 82.7 percent of that total. (See graph at right.).

- Funding has grown at an average annual rate of 11.2 percent, or 6.8 percent in inflation-adjusted terms, since 1939-40, when externally sponsored research emerged as a major activity at Cornell. The expansion in support for endowed Ithaca occurred in waves, coincident with the establishment of a number of research centers. (See graph below at left). Research support has continued to grow over this period in the contract and medical colleges.
- Although many federal agencies support research at Cornell, three—the Department of Health and Human Services (DHHS), the National Science Foundation (NSF), and the Department of Defense (DOD)—dominate. (See graph below at right.) Support from these agencies is not distributed uniformly: 98 percent of NSF and DOD funding goes to the Ithaca campus while 66 percent of DHHS support goes to Weill Cornell Medical College.
- It is the increase in DHHS funding that has fueled the steady expansion in federal research for the



contract and medical colleges, a growth that occurred as the U.S. Congress doubled the budget for the National Institutes of Health (NIH), the largest component of DHHS. The lack of real growth in NSF funding for science and engineering nationally coupled with a decline in the Department of Energy's budget for the physical sciences have been major factors influencing the level of federal research for endowed Ithaca since the mid-1980's.

- The American Association for the Advancement of Science notes that even "if Congress approves proposed increases in selective research programs, offsetting cuts in other research programs mean that the federal investment in basic and applied research is almost certain to fall in FY 2007." The NIH budget is scheduled to decline, however, the NSF budget is projected to increase under the "American Competitiveness Initiative," regaining ground lost in previous budget cuts.

Facilities and Administrative Costs

Sponsored research funding is provided in two forms:

- *Direct costs* – representing charges clearly identified with a particular project, such as the salaries and benefit costs of project participants, laboratory supplies, and project equipment.
- *Facilities and administrative costs (F&A)* – representing the average indirect costs incurred by the university in supporting a project, such as depreciation; operation, maintenance, and utility costs of facilities; libraries; and administrative costs.

In inflation-adjusted dollars, federal F&A recoveries for research and nonresearch activities have historically paralleled overall expenditures for research, totaling \$114.1 million in 2005-06. (See graph at right.)

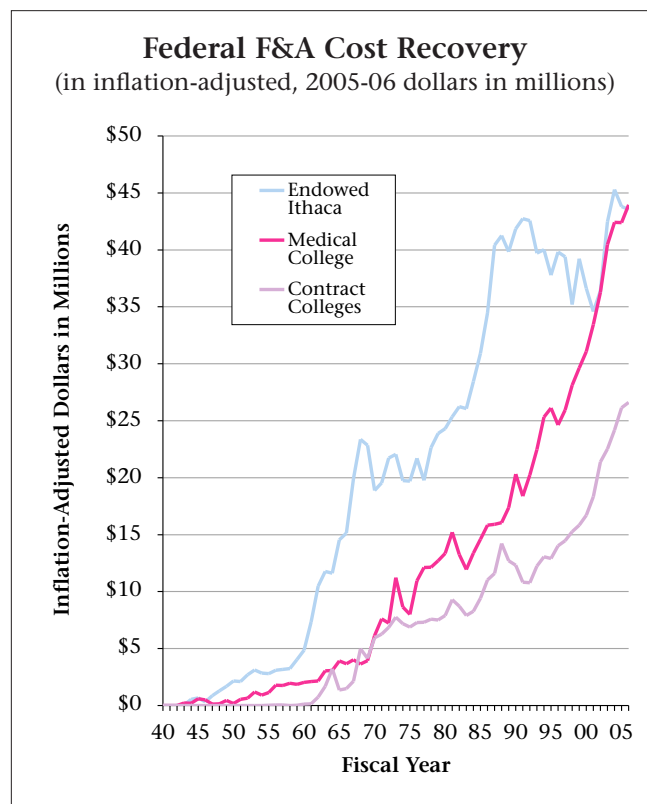
As F&A costs cannot be associated with particular projects they are paid through a federal government rate-recovery system. Several factors limit full recovery.

- Fund-raising costs are not recoverable, even when the monies raised support research.
- Administrative costs are capped by statute at 26 percent—a limit imposed in 1990 that caused a dip in recoveries soon thereafter, and remains in effect.
- Some recoveries, such as utility costs, are provided by formula, regardless of actual expenditures.
- The costs of research projects that are funded by the university rather than a sponsor are included in

the direct cost base for rate determination, effectively lowering F&A rates.

While F&A rates are calculated, the final rates employed are subject to negotiation. They are based on historic data that may not accurately represent future events, although they do reflect, marginally, the construction of new research facilities. These recoveries are further limited by certain conventions. For example, many federal programs that support graduate training and agricultural research do not permit the payment of the full, negotiated F&A rates. Also, some activities are considered part of the university's public service mission, and are therefore funded at a discounted rate by sponsors.

Cornell has negotiated federal F&A rates for endowed Ithaca and the contract colleges for a four-year period beginning 2005-06. The endowed Ithaca rate is 58 percent through 2006-07 and 59 percent for the last two years. The contract college rate is 53.5 percent through 2007-08 and 54 percent for the last year. Both rates include an allowance for the Life Sciences Technology Building and the East Campus Research Facility, which the university expects to complete and use for research during this period.

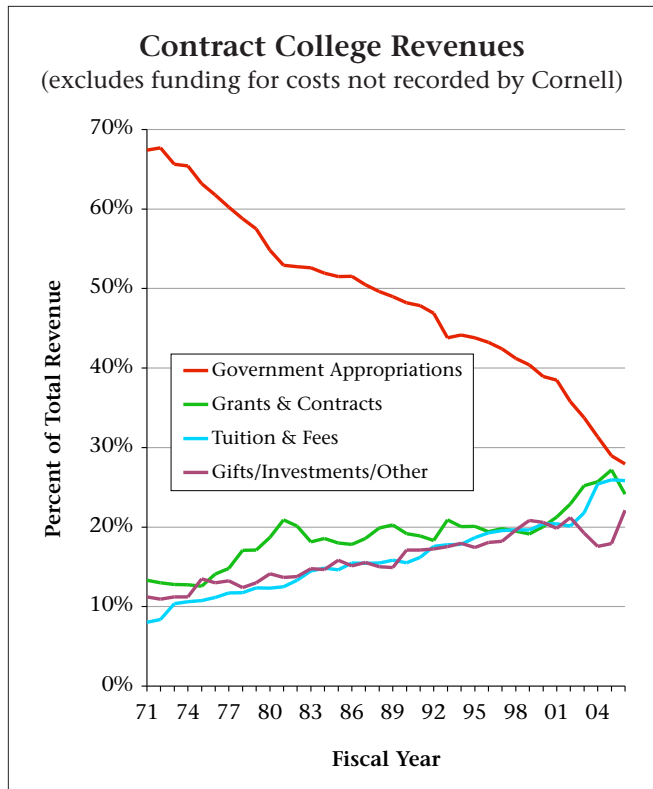
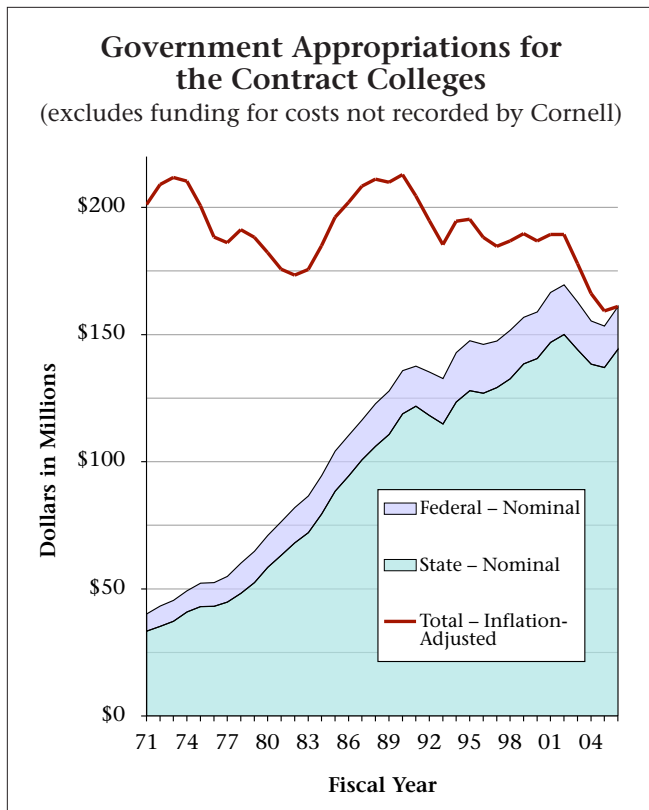


GOVERNMENT APPROPRIATIONS

Government Appropriations

In 2005-06, Cornell received \$162.8 million in federal and state appropriations, a 4.9 percent increase from 2004-05. *Excluded from this total are funding for employee benefits costs paid directly by New York State, debt service on state-owned facilities at Cornell, and certain financial-aid funds—all of which are recorded by the state rather than the university.*

- While appropriations benefit all of Cornell's programs, most of this funding (98.9 percent) underwrites the activities of the four contract colleges. Appropriations for these colleges have grown at an average annual rate of 4.2 percent since 1970-71, but have declined, in inflation-adjusted terms, from \$201.2 million to \$161.1 million over the same period. (See graph below.)
- Appropriations that funded two-thirds of the contract colleges' operating budget in 1970-71 now support less than one-third of the total. (See graph at right.) Other revenues—tuition and fees, grants and contracts, gifts, investment income, and sales and services of academic departments—have together supplanted government appropriations as the major sources of support for these colleges.



Appropriations Through SUNY

Cornell received \$144.3 million in state appropriations administered through the State University of New York (SUNY) in 2005-06. (See table on page 21.) For the past eight years, Cornell's base allocation has been established through a SUNY resource allocation methodology that generally treated the university unfavorably because increases in student populations at other SUNY campuses effectively reduced Cornell's funding. This methodology also provided no inflation for Cornell's land-grant mission and its provision of instruction for contract college students in endowed Ithaca colleges (so called accessory instruction). Beginning in 2006-07, Cornell's overall state operating support—while still flowing through SUNY—has been separated from SUNY's regular campus resource allocation process. Within that total, the portion of state operating support attributable to land-grant activities is being provided through discrete line-item funding in the governor's executive budget. This partition appropriately recognizes that Cornell's land grant responsibilities as well as the organizational and financial structures associated with instructional activities are unique and should not be commingled with other SUNY campus resource allocations.

New York State Appropriations

(dollars in thousands)

| | 03-04 | 04-05 | 05-06 | 05-06 |
|---|------------------|------------------|------------------|------------------|
| Ithaca Campus | Actual | Actual | Plan | Actual |
| 1. Original Base Appropriation Through SUNY | \$140,963 | \$129,502 | \$130,810 | \$130,810 |
| SUNY/Cornell Negotiated/Planned Increases | | | | |
| 2. For inflation and fixed costs | | 4,582 | 4,410 | 5,666 |
| 3. Base Appropriation (prior to legislative actions) | 140,963 | 134,084 | 135,220 | 136,476 |
| 4. SUNY-Initiated Adjustments | (2,034) | (3,000) | | |
| 5. Other Adjustments/Reclassifications | (9,427) | (285) | | |
| 6. Revised Base Appropriation | 129,502 | 130,799 | 135,220 | 136,476 |
| Additional Planned State Funding Through SUNY | | | | |
| 7. Cooperative Extension (support for County Associations) | 3,863 | 3,670 | 3,670 | 3,670 |
| 8. Institute for Community College (ICCD) | | 300 | 300 | 300 |
| 9. SUNY Program Support (academic equipment/fellowships) | 1,445 | 1,650 | 1,579 | 1,684 |
| 10. SUCF Critical Maintenance In-Year Funds | 3,577 | 688 | 1,298 | 2,193 |
| 11. Additional State Funding | 8,885 | 6,308 | 6,847 | 7,847 |
| 12. Total State Appropriations Through SUNY | 138,387 | 137,107 | 142,067 | 144,323 |
| Other State Appropriations | | | | |
| 13. Bundy Aid (based on degrees granted) | 1,740 | 1,606 | 1,756 | 1,597 |
| 14. Total Ithaca Campus | 140,127 | 138,713 | 143,823 | 145,920 |
| Medical College | | | | |
| 15. Bundy Aid (based on degrees granted) | 223 | 179 | 179 | 163 |
| 16. Total Medical College | 223 | 179 | 179 | 163 |
| 17. Total State Appropriations | 140,350 | 138,892 | 144,002 | 146,083 |

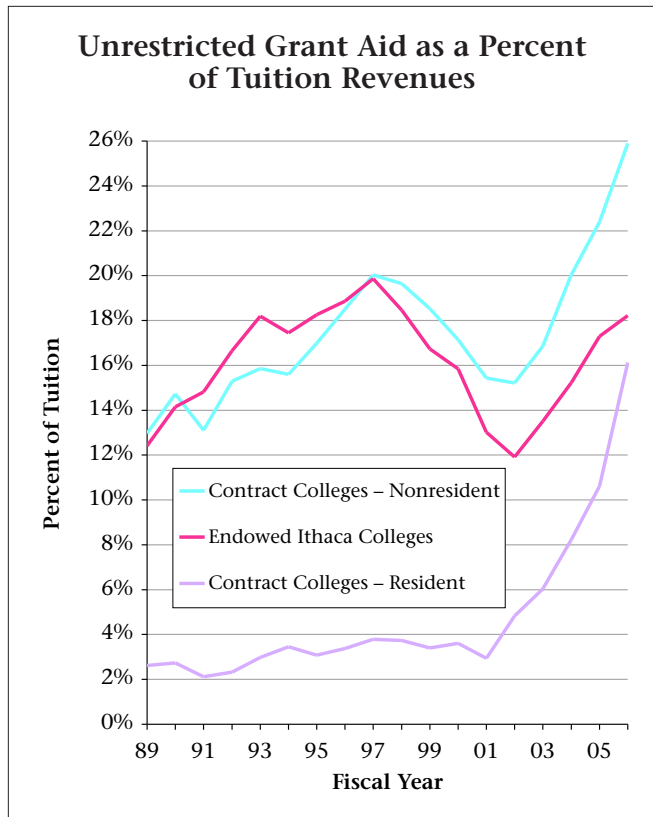
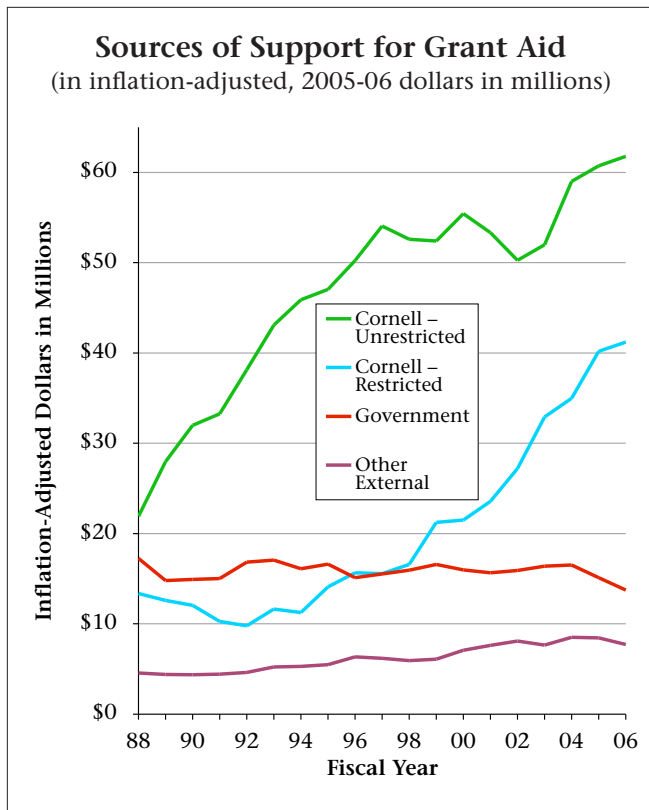
- Notes:
- Cornell receives New York State appropriations through the State University of New York (SUNY) and directly from the state. Most appropriations flow through SUNY.
 - Not represented on this schedule are certain student financial-aid funds and grants and contracts with state agencies. The schedule also excludes the value of employee benefits provided by New York State and debt service on facilities provided through SUNY, neither of which is recorded by Cornell.
 - Cornell received a \$1.2 million in-year allocation in 2005-06 to offset rising utility commodity costs (line 2).
 - The state appropriation was reduced by \$9,427,000 in 2003-04 to exclude the pass-through of SUNY tuition, previously remitted to New York State and returned to Cornell as part of its state appropriation (line 5). An offsetting entry under tuition revenue was made in 2003-04.
 - Beginning in 2004-05, funding for the Institute for Community College was disbursed through the SUNY U-Wide Programs (line 8).
 - Direct Institutional Aid (Bundy Aid) is distributed to independent institutions of higher education in New York State based on the annual number of degrees awarded by each institution (lines 13 and 15).

FINANCIAL AID

Undergraduate Financial Aid

Grant-aid expenditures from all sources (federal, state, external, and Cornell) averaged \$21,902 per grant-aided student in 2005-06, 4.8 percent less than planned. Overall grant-aid expenditures were only 1.2 percent below budget as the number of grant-aid recipients was 3.9 percent more than expected.

- General purpose grant-aid expenditures, which have grown at an average annual rate of 9.1 percent since 1987-88, totaled \$58.3 million in 2005-06, an increase of 5.2 percent from the prior year. (See table on page 24.) This long-term growth rate has moderated recently due to the infusion of gift and endowment support for financial aid and an increase in the amount of external grants that are not awarded directly by Cornell.
- Although government support for financial aid has increased, there has been a shift at the federal level from grant aid to loans as the main vehicle for student support. In inflation-adjusted terms, federal and state grant aid administered by Cornell was less in 2005-06 (\$13.8 million) than in 1987-88 (\$17.3 million). (See graph below.)
- The ratio of unrestricted grant aid to gross tuition

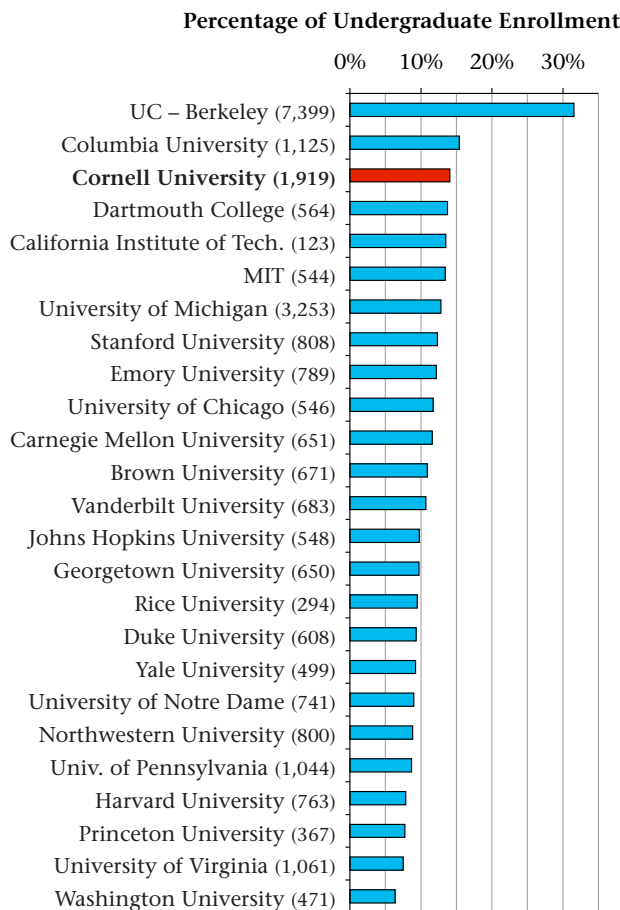


revenues, sometimes termed a *tuition discount*, is a measure of the impact that awarding unrestricted grants has on income. From 1988-89 through 1996-97, that ratio for the endowed Ithaca colleges rose from 12.4 percent to 19.9 percent. (See graph above.) There was an almost identical change for the contract college nonresident population (13 percent to 20 percent). Both ratios then fell below 20 percent due to the increase in restricted gift and endowment support and increases in tuition rates. The recent uptick in these ratios reflects partially the impact of Cornell's adoption of the "consensus approach" in determining the financial need of students and the ability of their families to help support the cost of an undergraduate education. This approach, which takes into account circumstances such as a family having more than one dependent in college simultaneously or a significant loss suffered by a family-owned business, provides a more favorable treatment for middle-income families. The more consistent treatment of parental assets among participating institutions also increased demand for unrestricted grant aid at Cornell. Also, the recent

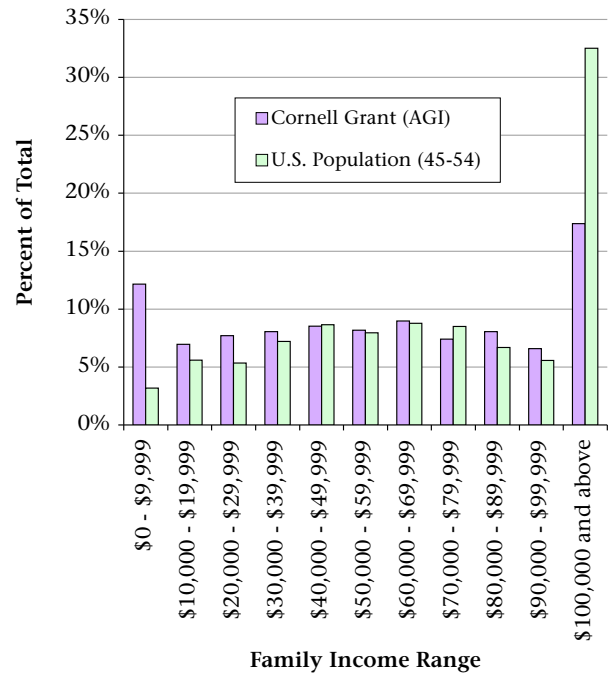
substantial increases in contract college tuition rates have led to growth in grant-aid costs.

- Cornell’s continued success in maintaining undergraduate socioeconomic diversity creates a demand for significant grant-aid resources, as low-income students require higher levels of grant funding. The graph below, which displays the number and percentage of undergraduates who receive Pell Grant awards (primarily students whose families have incomes below \$45,000), shows that Cornell ranks relatively high among peer institutions in attracting low-income students. The distribution of Pell Grant recipients across Cornell’s seven undergraduate colleges is fairly uniform.
- The graph at right uses family income to compare the distribution of Cornell’s grant recipient popu-

Number and Percentage of Undergraduates Per Institution Who Receive Federal Pell Grant Awards for Low-Income Students (2005-06; ranked in descending order of percent)



Distribution by Family Income Range of the Cornell Grant-Aid Population (fall 2005) and the U.S. Population at Large (age 45 to 54; calendar year 2005)



lation with the population of U.S. families where the head of the household is between 45 and 54 years old (the age range of the typical undergraduate’s parents.) The university’s grant-aid population has a higher percentage of low-income students than this segment of the U.S. population. Under the “consensus approach” Cornell awards grant aid to students whose families have a wide variety of incomes (measured by adjusted gross income—AGI—as reported on federal tax returns).

- Although the university is need-blind with respect to the admission of international students, it does not assist all such students in meeting the full cost of attendance. As international students are not generally eligible for federal or state financial-aid programs any aid that they do receive, over and above that which they bring from their home countries, must come from Cornell’s resources. The university expended \$1.94 million for international students in 2005-06 (excluding those from Canada and Mexico) or \$6.23 million when those students are included.

FINANCIAL AID

| Sources of Funding for Undergraduate Financial Aid | | | | | | Percent Change from Plan to Actual | Average Annual Growth Rate from 87-88 |
|---|-------------------------|-------------------------|-------------------------|-----------------------|-------------------------|---|--|
| (dollars in thousands) | | | | | | | |
| | 87-88 Actual | 03-04 Actual | 04-05 Actual | 05-06 Plan | 05-06 Actual | | |
| Family Contribution | | | | | | | |
| 1. Parental | \$22,189 | \$68,712 | \$72,379 | \$75,274 | \$73,304 | (2.6%) | 6.9% |
| 2. Student | <u>7,819</u> | <u>17,846</u> | <u>17,725</u> | <u>18,611</u> | <u>17,397</u> | (6.5%) | 4.5% |
| 3. Subtotal | 30,008 | 86,558 | 90,104 | 93,885 | 90,701 | (3.4%) | 6.3% |
| Federal Government | | | | | | | |
| 4. Grants | 5,143 | 9,749 | 9,071 | 9,036 | 8,397 | (7.1%) | 2.8% |
| 5. Loans | 11,192 | 32,781 | 29,485 | 33,000 | 29,183 | (11.6%) | 5.5% |
| 6. Work/Study | <u>2,769</u> | <u>4,891</u> | <u>4,578</u> | <u>4,700</u> | <u>4,142</u> | (11.9%) | 2.3% |
| 7. Subtotal | 19,104 | 47,421 | 43,134 | 46,736 | 41,722 | (10.7%) | 4.4% |
| State Government | | | | | | | |
| 8. Grants | 4,903 | 5,709 | 5,499 | 5,660 | 5,362 | (5.3%) | 0.5% |
| 9. Work/Study | <u>692</u> | | | | | | |
| 10. Subtotal | 5,595 | 5,709 | 5,499 | 5,660 | 5,362 | (5.3%) | (0.2%) |
| Other External | | | | | | | |
| 11. Grants | <u>2,663</u> | <u>7,978</u> | <u>8,148</u> | <u>8,392</u> | <u>7,707</u> | (8.2%) | 6.1% |
| 12. Subtotal | 2,663 | 7,978 | 8,148 | 8,392 | 7,707 | (8.2%) | 6.1% |
| Cornell | | | | | | | |
| 13. General Purpose Grants | 12,157 | 52,441 | 55,422 | 58,295 | 58,295 | | 9.1% |
| 14. Designated Grants | 594 | 2,745 | 3,071 | 2,839 | 3,472 | 22.3% | 10.3% |
| 15. Gifts/Endowment Grants | 7,770 | 32,723 | 38,701 | 41,667 | 41,192 | (1.1%) | 9.7% |
| 16. Loans | 130 | 1,842 | 3,129 | 2,500 | 2,388 | (4.5%) | 17.6% |
| 17. Work/Study | <u>1,846</u> | <u>4,891</u> | <u>4,578</u> | <u>4,700</u> | <u>4,142</u> | (11.9%) | 4.6% |
| 18. Subtotal | 22,497 | 94,642 | 104,901 | 110,001 | 109,489 | (0.5%) | 9.2% |
| 19. Total | 79,867 | 242,308 | 251,786 | 264,674 | 254,981 | (3.7%) | 6.7% |
| Financial-Aid Population | | | | | | | |
| (on- and off-campus) | | | | | | | |
| | Fall 1987 Actual | Fall 2003 Actual | Fall 2004 Actual | Fall 2005 Plan | Fall 2005 Actual | Percent Change from Plan to Actual | Average Annual Growth Rate from Fall 1987 |
| All Undergraduates | | | | | | | |
| 1. Total Enrollment | 12,958 | 13,655 | 13,625 | 13,506 | 13,515 | 0.1% | 0.2% |
| 2. Number with Need | 5,173 | 6,717 | 6,431 | 6,550 | 6,449 | (1.5%) | 1.2% |
| 3. Percent of Total Enrollment | 39.9% | 49.2% | 47.2% | 48.5% | 47.7% | | |
| 4. Number with Grant Aid | 3,815 | 5,609 | 5,238 | 5,470 | 5,681 | 3.9% | 2.2% |
| 5. Percent of Total Enrollment | 29.4% | 41.1% | 38.4% | 40.5% | 42.0% | | |
| Minority Undergraduates | | | | | | | |
| 6. Total Minority | 2,436 | 3,698 | 3,768 | 3,647 | 3,847 | 5.5% | 2.6% |
| 7. Percent of Total Enrollment | 18.8% | 27.1% | 27.7% | 27.0% | 28.5% | | |
| 8. Underrepresented Minority | 1,124 | 1,471 | 1,554 | 1,459 | 1,679 | 15.1% | 2.3% |
| 9. Percent of Total Enrollment | 8.7% | 10.8% | 11.4% | 10.8% | 12.4% | | |

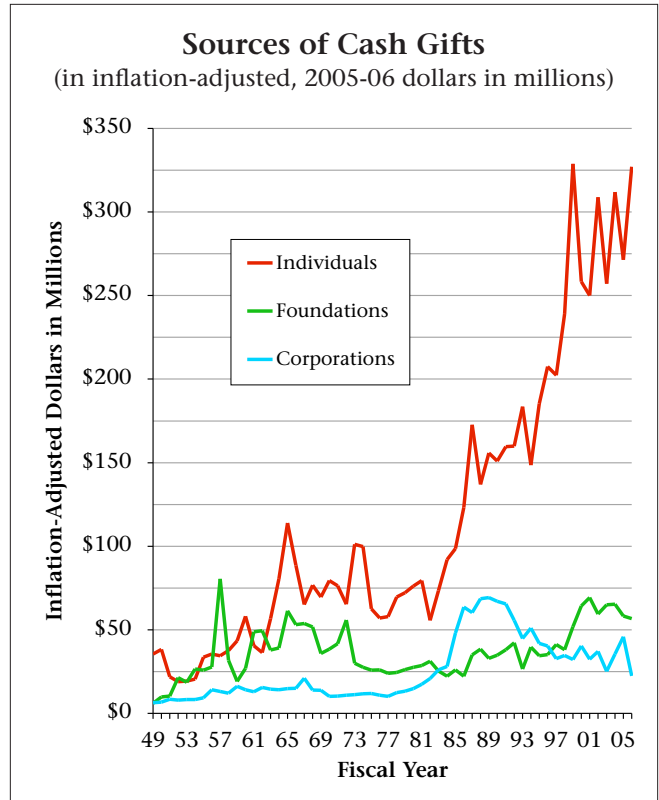
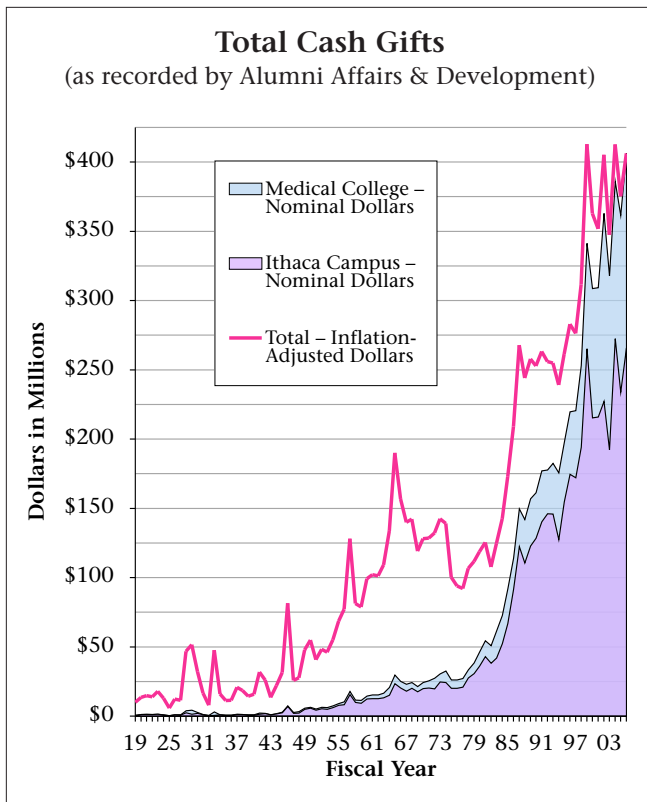
Notes: • The sources of financial aid shown are for students who demonstrate a financial need according to Cornell's methodology. Financial-aid amounts are shown as computed and as awarded. Students sometimes elect to underutilize the loan and work study components of their financial-aid packages.
• Enrollments exclude *in-absentia* and extramural students.

GIFTS/CONTRIBUTIONS

Cash Gifts

Cornell raised \$406.3 million in cash gifts in 2005-06 (as reported by Alumni Affairs and Development), a 12.4 percent increase from the prior-year amount. (See graph below and table on page 26.)

- Since 1918-19, the nominal level of cash gifts has grown at an annual compounded rate of 7.4 percent, or 4.3 percent in inflation-adjusted terms.
- Gift sources have varied substantially over time. (See graph at right.) Corporate gifts, which increased in the 1980's, have since declined in inflation-adjusted terms. Foundation support has rebounded to the level that Cornell enjoyed in the 1960's. Individual support—now 81 percent of total giving—has grown dramatically. Gifts from alumni (including bequests) account for 53 percent of all cash donations.
- Cornell's significant fund-raising success since the 1980's is due to a combination of institution-wide campaigns and a number of focused initiatives that helped boost the inflation-adjusted level of annual cash giving from about \$250 million in the mid-1980's to the \$400 million range today.



Contributions (including pledges)

Cornell's financial statements report as *contributions* the sum of cash gifts, pledges deemed as *unconditional promises to give*, and irrevocable outside trust income. The table on page 26 reconciles the differences between *cash gifts* as reported by Alumni Affairs and Development and *contributions* as recorded in the financial statements.

- A total of \$409.6 million in contributions was reported in the university's 2005-06 financial statements, an increase of 42.8 percent from the amount recorded in 2004-05. This sum differed by \$3.3 million from the total of cash gifts reported by Alumni Affairs and Development, and included adjustments for pledges, gift annuities, split-interest agreements, and timing differences.
- Contributions for general operations and physical capital increased \$134.2 million and \$15.1 million respectively from their 2004-05 levels, while contributions to financial capital decreased \$26.5 million. The overall growth in contributions was centered on the Ithaca campus, as the Weill Medical College experienced a 12 percent decrease in contributions from 2004-05.

GIFTS/CONTRIBUTIONS

Reconciliation of Contributions to Cash Gifts

(dollars in thousands)

| | <u>Ithaca Campus</u> | <u>Medical College</u> | <u>05-06 Total</u> | <u>04-05 Total</u> | <u>03-04 Total</u> | <u>02-03 Total</u> |
|---------------------------------------|--------------------------|----------------------------|------------------------|------------------------|------------------------|------------------------|
| General Operations | | | | | | |
| 1. Unrestricted | \$39,224 | \$68,804 | \$108,028 | \$93,381 | \$83,924 | \$95,550 |
| 2. Temporarily Restricted | <u>141,308</u> | <u>11,096</u> | <u>152,404</u> | <u>32,822</u> | <u>65,198</u> | <u>35,669</u> |
| 3. Subtotal General Operations | 180,532 | 79,900 | 260,432 | 126,203 | 149,122 | 131,219 |
| Financial Capital | | | | | | |
| 4. True Endowment | 42,053 | 11,455 | 53,508 | 91,279 | 76,925 | 37,642 |
| 5. Funds Functioning as Endowment | 19,403 | 1,059 | 20,462 | 20,547 | 74,011 | 37,239 |
| 6. Life Income Funds | 8,366 | 685 | 9,051 | 4,925 | 6,343 | 3,821 |
| 7. Trusts Held by Others | 2,494 | 7,289 | 9,783 | 2,235 | 2,332 | 276 |
| 8. Loan Funds | <u>26</u> | <u>223</u> | <u>249</u> | <u>561</u> | <u>339</u> | <u>1,159</u> |
| 9. Subtotal Financial Capital | 72,342 | 20,711 | 93,053 | 119,547 | 159,950 | 80,137 |
| Physical Capital | | | | | | |
| 10. Cash Gifts | 45,428 | 6,111 | 51,539 | 25,899 | 26,618 | 8,879 |
| 11. Gifts in Kind | <u>4,538</u> | <u> </u> | <u>4,538</u> | <u>15,081</u> | <u>14,374</u> | <u>2,371</u> |
| 12. Subtotal Physical Capital | 49,966 | 6,111 | 56,077 | 40,980 | 40,992 | 11,250 |
| 13. Financial Statement Total | 302,840 | 106,722 | 409,562 | 286,730 | 350,064 | 222,606 |
| Adjustments | | | | | | |
| 14. Gifts from Outside Trusts | 15,669 | (7,289) | 8,380 | 3,052 | 429 | 628 |
| 15. Gift Annuities | 1,607 | 302 | 1,909 | 4,936 | 1,257 | 3,607 |
| 16. Split-Interest Agreements | 5,299 | 578 | 5,877 | 2,341 | 4,484 | 2,531 |
| 17. Insurance Premiums Not Booked | | | | | | 1 |
| 18. Pledges (net present value) | (54,233) | 30,558 | (23,675) | 47,788 | 22,335 | 86,149 |
| 19. Timing Differences | (5,420) | 9,275 | 3,855 | (7,705) | 7,367 | 1,522 |
| 20. Other | <u>369</u> | <u> </u> | <u>369</u> | <u>24,450</u> | <u> </u> | <u>(1)</u> |
| 21. Subtotal Adjustments | (36,709) | 33,424 | (3,285) | 74,862 | 35,872 | 94,437 |
| 22. Gift Records Total | 266,131 | 140,146 | 406,277 | 361,592 | 385,936 | 317,043 |

- Notes:
- This table reconciles contributions as displayed in the financial statements (line 13) to cash gifts as reported by Alumni Affairs and Development from the contributor relations system (line 22). The reconciling adjustments between the two records are detailed on lines 14 through 20.
 - Line 14 shows the net difference in valuation of gifts from outside trust agreements that are recorded in the contributor relations system at full value and may be reflected at present value in the financial statements. Lines 15 and 16 identify trusts in which the university shares an interest with the donors. While the gifts are reflected at full value in the contributor relations system, Cornell's financial statements recognize the liability owed to the beneficiaries of these trusts. Line 17 reflects insurance policy gifts and premiums that are not recorded in the financial statements until the policy matures. Line 18 reflects the net present value of unconditional promises to give (pledges) that were recorded in the financial statements but not treated as cash gifts in the contributor relations system. Lines 19 and 20 identify other periodic adjustments.
 - Some of these exclusions—all of which are based on the application of reporting standards appropriate for each record—are entire (e.g., the inclusion of pledges in the financial statements and the exclusion of such promises from the cash gifts of the contributor relations system). Others are partial (e.g., the recognition in the financial statements of the interest that beneficiaries may have in split-interest agreements).