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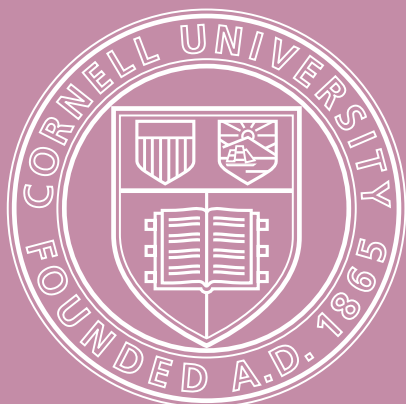
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Financial Plan

Year-End Variance Report

November 2004



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INTRODUCTION

To the Cornell University Board of Trustees:

This document presents a variance analysis of the university's 2003-04 financial plan, which was approved by the Board of Trustees in May 2003. Cornell ended the fiscal year on June 30, 2004, 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.

- A few years ago, Cornell adopted a management process to maintain the freshman enrollment at 3,050, which we believe results in an optimal number of about 13,000 on-campus undergraduates and allows us to accommodate all freshmen in North Campus housing. We actually enrolled 3,135 freshmen in the fall of 2003, 85 over target. This increase plus a growth in Graduate School enrollments resulted in a slight overage in tuition and fee revenues for 2003-04.
- Support for sponsored programs—primarily research—increased 2.4 percent in 2003-04, with growth in the endowed Ithaca and medical divisions. 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 \$324 million were greater than planned and grew 15.1 percent from the prior year. These revenues remain a vital source of support for the Medical College.
- The university raised \$385.9 million in cash gifts in 2003-04, a 22 percent increase from the prior-year amount. Cornell was number one among Ivy League and peer institutions in alumni giving. We remain indebted to our alumni and other benefactors for their continued support.
- Cornell's investments provided \$200.5 million in funding for the operating plan in 2003-04, representing 9 percent of total revenues. Most of this support came from the Long Term Investment Pool, which contains 96 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 72 percent of all

expenditures, accounting for \$1.54 billion in cost. Academic program expenditures grew 5.1 percent from their 2002-03 levels, driven largely by salary improvement programs.

- Nonacademic programs (student services, administrative and support, physical plant) represented 21 percent of all expenditures, accounting for \$452 million in cost. This total included an 18.5 percent increase in administrative and support costs from 2002-03, over half of which was centered in the Medical College and due partially to the initiative to create the Weill Cornell Medical College in Qatar.
- Centrally recorded financial aid, which accounted for the remaining 7 percent, or \$140.7 million, in cost, grew 12.7 percent from 2002-03.
- Cornell recorded a \$16.1 million net from operations (representing 0.7 percent of revenues), which was added to operating fund balances.
- We made good progress on our capital plan during 2003-04. The first of the West Campus Initiative residential facilities—the Alice H. Cook House—was opened for fall 2004 occupancy. Also, Duffield Hall and the Statler Hall Beck Center were substantively completed and readied for fall 2004 dedication. Work was initiated on the rehabilitation of Bailey Hall, which will bring this widely used facility up to modern standards, and the renovation of Mann Library continued apace. Also, the Medical College's \$230 million ambulatory care building was approved in 2003-04, with construction scheduled to be completed in 2006.

In addition to detailed budget variance reports for each of the university's 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

2003-04 OPERATING PLAN

The university's 2003-04 composite operating plan was predicated on revenues of \$2.134 billion and expenditures of \$2.078 billion.

Revenues

Revenues totaled \$2.224 billion, an increase of 4.3 percent from the plan and 6.2 percent greater than recorded in 2002-03. There were several significant revenue changes that resulted in positive variances.

- **Distributions** from **investment** sources exceeded the plan by \$34.4 million due to a greater than expected return on intermediate-term funds that were invested for the long term.
- **Unrestricted** and **restricted gifts** that flow to operating budgets totaled \$187.1 million, 13.9 percent more than planned.
- **Indirect costs of sponsored programs** were \$11.1 million more than planned as the portion of grant and contract expenditures against which indirect costs may be recovered grew in all three divisions.
- 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 \$13.4 million more than planned.

Partially offsetting these positive variances were declines in two areas:

- **Federal appropriations** were \$3 million less than planned due to a change in the treatment of extension grants in the contract colleges (with these activities being recorded as sponsored programs).
- Revenues for supervision and training services purchased by the **New York-Presbyterian Hospital (NYPH)** from the Medical College were \$6.4 million less than expected, although these revenues grew 4.4 percent from 2002-03.

Transfers In from Other Funds

A total of \$34.7 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 \$4.6 million was transferred from **plant funds**, most of which was used to pay for renovations, repairs, and operations.

Expenditures

Expenditures totaled \$2.133 billion, an increase of 2.6 percent from the plan and 7.3 percent greater than in 2002-03. Within this overall change in the plan there were major positive and negative variances.

- **College** expenditures were \$34.1 million more than planned. Expenditures in the Medical College and the Colleges of Engineering and Arts and Sciences exceeded the plan by \$38.3 million, \$12.9 million, and \$2.3 million respectively. Physician Organization activities in the Medical College and research growth in Engineering and Arts and Sciences led to this variance from plan, offset partially by decreases from plan in the remaining colleges.
- **Research center** expenditures were \$3.5 million more than budgeted as a result of growth in sponsored programs funding.
- **Centrally recorded financial aid**, which included nearly \$5 million planned as part of individual college and academic program budgets (and is embedded in other lines in the schedules on pages 6 and 7), was 8.5 percent more than budgeted due to growth in graduate enrollments and increased demand for undergraduate student aid.
- **Administrative and support** costs were \$1.7 million less than planned, a variance due primarily to changes in the pattern of Qatar expenses. Excluding Qatar, administrative and support costs were 6.3 percent greater than planned. The increase reflected additional fund-raising, student service, and general administrative expenditures.
- Current fund **physical plant** expenditures were \$8.9 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 \$59.1 million was transferred from current funds to **funds functioning as endowment**. Also, \$55.7 million was transferred to **plant funds** for renovation and maintenance projects.

Net from Operations

The year ended with a **net from operations** of \$16.1 million (\$7 million less than planned), which was added to **current fund balances** in all three divisions.

OPERATING PLAN REPORT – HIGHLIGHTS

University Operating Plan – Summary						
(dollars in thousands)						
	01-02	02-03	03-04	03-04	Change from	
	Actual	Actual	Plan	Actual	03-04	02-03
					Plan	Actual
Revenues & Transfers In						
1. Tuition & Fees	\$461,476	\$491,006	\$527,325	\$531,259	\$3,934	8.2%
2. Investment Distributions	184,751	184,666	166,089	200,469	34,380	8.6%
3. Unrestricted Gifts	56,946	52,133	46,131	54,828	8,697	5.2%
4. Restricted Gifts	110,056	131,046	118,169	132,291	14,122	1.0%
5. Sponsored Programs (direct costs)	314,680	354,504	351,260	357,927	6,667	1.0%
6. Sponsored Programs (indirect costs)	91,784	102,654	99,095	110,163	11,068	7.3%
7. Institutional Allowances	16,520	17,680	18,273	19,154	881	8.3%
8. State Appropriations	152,046	145,885	138,980	140,350	1,370	(3.8%)
9. Federal Appropriations	19,495	18,770	20,077	17,048	(3,029)	(9.2%)
10. Physician Organization (PO)	274,832	281,356	318,610	323,968	5,358	15.1%
11. NYPH (purchased services)	61,265	60,475	69,520	63,106	(6,414)	4.4%
12. Sales & Services of Enterprises	114,798	120,556	120,990	121,280	290	0.6%
13. Other Sources	<u>110,828</u>	<u>133,614</u>	<u>139,053</u>	<u>152,469</u>	<u>13,416</u>	<u>14.1%</u>
14. Total Revenues	1,969,477	2,094,345	2,133,572	2,224,312	90,740	6.2%
15. Transfers In from Endowment	9,800	19,883	9,126	34,674	25,548	74.4%
16. Transfers In from Plant Funds	<u>4,546</u>	<u>2,632</u>	<u>1,494</u>	<u>4,620</u>	<u>3,126</u>	<u>75.5%</u>
17. Total Resources Available	1,983,823	2,116,860	2,144,192	2,263,606	119,414	6.9%
Expenditures & Transfers Out						
18. Agriculture & Life Sciences	194,828	203,741	209,312	208,245	(1,067)	2.2%
19. Architecture, Art, & Planning	14,838	15,445	15,282	14,802	(480)	(4.2%)
20. Arts & Sciences	128,412	146,492	148,675	150,969	2,294	3.1%
21. Engineering	94,233	104,711	99,988	112,927	12,939	7.8%
22. Hotel Administration	39,970	39,751	42,946	41,415	(1,531)	4.2%
23. Human Ecology	42,831	44,546	44,227	41,202	(3,025)	(7.5%)
24. Industrial & Labor Relations	36,281	37,609	40,401	37,887	(2,514)	0.7%
25. Johnson School	32,159	34,628	36,679	34,476	(2,203)	(0.4%)
26. Law School	16,843	19,418	19,374	18,557	(817)	(4.4%)
27. Medical College (academic/clinical)	498,230	548,780	557,300	595,616	38,316	8.5%
28. Veterinary Medicine	<u>82,091</u>	<u>82,221</u>	<u>91,544</u>	<u>83,737</u>	<u>(7,807)</u>	<u>1.8%</u>
29. Subtotal Colleges	1,180,716	1,277,342	1,305,728	1,339,833	34,105	4.9%
30. Research Centers	78,620	86,103	86,743	90,206	3,463	4.8%
31. Other Academic Programs	100,878	101,998	102,822	110,065	7,243	7.9%
32. Centrally Recorded Financial Aid	116,569	124,777	124,695	140,654	15,959	12.7%
33. Student Services	93,673	94,882	97,752	100,829	3,077	6.3%
34. Administrative & Support	153,720	164,341	196,402	194,707	(1,695)	18.5%
35. Physical Plant	140,627	132,379	157,197	148,310	(8,887)	12.0%
36. All Other	<u>5,340</u>	<u>5,417</u>	<u>6,516</u>	<u>8,117</u>	<u>1,601</u>	<u>49.8%</u>
37. Total Expenditures	1,870,143	1,987,239	2,077,855	2,132,721	54,866	7.3%
38. Transfers Out to Endowment	19,733	41,655	9,658	59,137	49,479	42.0%
39. Transfers Out to Plant Funds	<u>47,056</u>	<u>51,757</u>	<u>33,633</u>	<u>55,675</u>	<u>22,042</u>	<u>7.6%</u>
40. Total Resources Used	1,936,932	2,080,651	2,121,146	2,247,533	126,387	8.0%
41. Net from Operations	46,891	36,209	23,046	16,073	(6,973)	
42. Change in Current Fund Balances	46,891	36,209	23,046	16,073	(6,973)	

University Operating Plan – Divisional Detail

(dollars in thousands)

	Endowed Ithaca	Contract Colleges	Medical College	03-04 Actual	03-04 Plan	Change from Plan
Revenues & Transfers In						
1. Tuition & Fees	\$388,854	\$126,093	\$16,312	\$531,259	\$527,325	0.7%
2. Investment Distributions	151,984	20,125	28,360	200,469	166,089	20.7%
3. Unrestricted Gifts	43,911	8,852	2,065	54,828	46,131	18.9%
4. Restricted Gifts	66,500	10,201	55,590	132,291	118,169	12.0%
5. Sponsored Programs (direct costs)	142,221	111,270	104,436	357,927	351,260	1.9%
6. Sponsored Programs (indirect costs)	43,684	25,587	40,892	110,163	99,095	11.2%
7. Institutional Allowances		73	19,081	19,154	18,273	4.8%
8. State Appropriations	1,740	138,387	223	140,350	138,980	1.0%
9. Federal Appropriations		17,048		17,048	20,077	(15.1%)
10. Physician Organization (PO)			323,968	323,968	318,610	1.7%
11. NYPH (purchased services)			63,106	63,106	69,520	(9.2%)
12. Sales & Services of Enterprises	109,432		11,848	121,280	120,990	0.2%
13. Other Sources	53,919	38,987	59,563	152,469	139,053	9.6%
14. Inter-Unit Transfers	<u>(12,268)</u>	<u>12,268</u>				
15. Total Revenues	989,977	508,891	725,444	2,224,312	2,133,572	4.3%
16. Transfers In from Endowment	34,302	372		34,674	9,126	279.9%
17. Transfers In from Plant Funds	<u>3,446</u>	<u>1,174</u>		<u>4,620</u>	<u>1,494</u>	209.2%
18. Total Resources Available	1,027,725	510,437	725,444	2,263,606	2,144,192	5.6%
Expenditures & Transfers Out						
19. Agriculture & Life Sciences		208,245		208,245	209,312	(0.5%)
20. Architecture, Art, & Planning	14,802			14,802	15,282	(3.1%)
21. Arts & Sciences	150,969			150,969	148,675	1.5%
22. Engineering	112,927			112,927	99,988	12.9%
23. Hotel Administration	41,415			41,415	42,946	(3.6%)
24. Human Ecology		41,202		41,202	44,227	(6.8%)
25. Industrial & Labor Relations		37,887		37,887	40,401	(6.2%)
26. Johnson School	34,476			34,476	36,679	(6.0%)
27. Law School	18,557			18,557	19,374	(4.2%)
28. Medical College (academic/clinical)			595,616	595,616	557,300	6.9%
29. Veterinary Medicine		83,737		83,737	91,544	(8.5%)
30. Research Centers	90,206			90,206	86,743	4.0%
31. Other Academic Programs	102,276	7,789		110,065	102,822	7.0%
32. Centrally Recorded Financial Aid	127,291	1,643	11,720	140,654	124,695	12.8%
33. Student Services	100,829			100,829	97,752	3.1%
34. Administrative & Support	109,435	4,326	80,946	194,707	196,402	(0.9%)
35. Physical Plant	83,020	30,246	35,044	148,310	157,197	(5.7%)
36. All Other	4,254	3,863		8,117	6,516	24.6%
37. Intra-University Cost Distribution	<u>(76,252)</u>	<u>74,707</u>	<u>1,545</u>			
38. Total Expenditures	914,205	493,645	724,871	2,132,721	2,077,855	2.6%
39. Transfers Out to Endowment	55,245	3,892		59,137	9,658	512.3%
40. Transfers Out to Plant Funds	<u>44,734</u>	<u>10,671</u>	<u>270</u>	<u>55,675</u>	<u>33,633</u>	65.5%
41. Total Resources Used	1,014,184	508,208	725,141	2,247,533	2,121,146	6.0%
42. Net from Operations	13,541	2,229	303	16,073	23,046	
43. Change in Current Fund Balances	13,541	2,229	303	16,073	23,046	

OPERATING PLAN REPORT – DETAILS

ENDOWED ITHACA

Revenues and Transfers In

Revenues for 2003-04 totaled \$990 million, an increase of \$72.6 million, or 7.9 percent, from the plan and 7.4 percent higher than in 2002-03.

- **Tuition and fee** revenues were 0.7 percent greater than planned due to slight increases in undergraduate and graduate enrollments.
- **Investment distributions** exceeded the plan by \$35 million and were 15.8 percent greater than in 2002-03. These increases were due to a substantive change in the approach used to invest working capital and intermediate-term funds that resulted in significantly higher returns. (See page 16.) Partially offsetting these gains was a planned 10 percent reduction in the LTIP payout rate.
- **Unrestricted gifts** were \$9.1 million higher than anticipated, while **restricted gifts** exceeded the plan by \$21.1 million. These increases resulted from donations that will underwrite residential projects and academic and research initiatives.
- **Direct cost** funding for **sponsored programs** was \$7.3 million more than budgeted due to research growth in the Colleges of Arts and Sciences and Engineering, Computer and Information Sciences, and the research centers.
- **Indirect cost** funding for **sponsored programs** increased 9.6 percent from 2002-03, and was \$2.1 million more than budgeted, largely paralleling the growth in direct costs.
- **Inter-unit transfers** were \$7.3 million greater than planned as resources to support research and other university-wide initiatives were moved from endowed Ithaca to the contract colleges.

Transfers from **funds functioning as endowment** totaled \$34.3 million, reflecting the movement of funds to cover the costs of recent construction, debt service, and student support. Transfers from **plant funds** totaled \$3.4 million, and included amounts used to pay for renovations, repairs, and operational costs.

Expenditures and Transfers Out

Expenditures in 2003-04 totaled \$990.5 million, an increase of \$35.4 million, or 3.7 percent, from the plan and 7.7 percent higher than in 2002-03.

- **College** expenditures were \$10.2 million more than

planned due to increases in sponsored program costs in the Colleges of Arts and Sciences and Engineering. This growth was offset partially by expense decreases that resulted primarily from unfilled positions in the Johnson and Law Schools and a reduction in planned capital expenditures in the School of Hotel Administration.

- Expenditures in **other academic programs** were \$6.3 million, or 6.6 percent, more than planned due to increased sponsored program activity in the Cornell Center for Policy Research, renovation and capital expenditures in the Johnson Museum and the Cornell Institute for Public Affairs, and gift-funded support at Boyce Thompson Institute.
- **Research center** expenditures totaled \$90.2 million, a 4 percent increase over the amount planned, with growth related directly to the above-mentioned increase in sponsored programs funding.
- **Centrally recorded financial aid**, which included \$4.9 million planned as part of individual college and academic program budgets (and is embedded in other lines in the schedule on page 9), exceeded the plan by 8.2 percent, reflecting a combination of graduate enrollment growth and the impact on undergraduate aid of the “consensus approach” in determining financial need. (See page 24.)
- **Administrative and support** expenditures were \$2.7 million, or 2.5 percent, more than budgeted with increases in fund-raising and external relations costs that were offset partially by decreases in information and technology expenditures.
- **Physical plant** expenditures were 6.8 percent less than budgeted as facility improvements planned in current funds were instead recorded in plant funds, and were reflected as transfers. (See below.)

Transfers to **funds functioning as endowment** totaled \$55.2 million as gifts were invested for the West Campus residential initiative and other academic programs. Transfers to **plant funds**, which were recorded at \$44.7 million, funded a variety of capital projects in student housing, dining, and retail operations; the research centers; and the College of Arts and Sciences.

Net from Operations

The combination of these changes yielded a **net from operations** of \$13.5 million. Designated reserves in **current funds** saw a \$21.9 million increase while restricted reserves declined \$6.8 million.

Endowed Ithaca						Change from	
(dollars in thousands)		01-02	02-03	03-04	03-04	03-04	02-03
		Actual	Actual	Plan	Actual	Plan	Actual
Revenues & Transfers In							
1. Tuition & Fees	\$351,230	\$370,209	\$386,211	\$388,854	\$2,643	5.0%	
2. Investment Distributions	130,901	131,228	117,007	151,984	34,977	15.8%	
3. Unrestricted Gifts	41,664	40,311	34,860	43,911	9,051	8.9%	
4. Restricted Gifts	50,337	50,344	45,436	66,500	21,064	32.1%	
5. Sponsored Programs (direct costs)	119,220	140,076	134,960	142,221	7,261	1.5%	
6. Sponsored Programs (indirect costs)	34,644	39,840	41,616	43,684	2,068	9.6%	
7. State Appropriations	1,791	1,696	1,839	1,740	(99)	2.6%	
8. Sales & Services of Enterprises	103,649	109,798	109,420	109,432	12	(0.3%)	
9. Other Sources	45,391	49,234	51,028	53,919	2,891	9.5%	
10. Inter-Unit Transfers	<u>(10,906)</u>	<u>(11,287)</u>	<u>(5,003)</u>	<u>(12,268)</u>	<u>(7,265)</u>	8.7%	
11. Total Revenues	867,921	921,449	917,374	989,977	72,603	7.4%	
12. Transfers In from Endowment	8,028	19,308	9,026	34,302	25,276	77.7%	
13. Transfers In from Plant Funds	<u>3,646</u>	<u>1,935</u>	<u>493</u>	<u>3,446</u>	<u>2,953</u>	78.1%	
14. Total Resources Available	879,595	942,692	926,893	1,027,725	100,832	9.0%	
Expenditures & Transfers Out							
15. Architecture, Art & Planning	14,838	15,445	15,282	14,802	(480)	(4.2%)	
16. Arts & Sciences	128,412	146,492	148,675	150,969	2,294	3.1%	
17. Engineering	94,233	104,711	99,988	112,927	12,939	7.8%	
18. Hotel Administration	39,970	39,751	42,946	41,415	(1,531)	4.2%	
19. Johnson School	32,159	34,628	36,679	34,476	(2,203)	(0.4%)	
20. Law School	16,843	19,418	19,374	18,557	(817)	(4.4%)	
21. Research Centers	78,620	86,103	86,743	90,206	3,463	4.8%	
22. Other Academic Programs	93,631	95,351	95,986	102,276	6,290	7.3%	
23. Centrally Recorded Financial Aid	104,998	113,667	112,766	127,291	14,525	12.0%	
24. Student Services	93,673	94,882	97,752	100,829	3,077	6.3%	
25. Administrative & Support	98,477	95,945	106,774	109,435	2,661	14.1%	
26. Physical Plant	77,592	70,772	89,113	83,020	(6,093)	17.3%	
27. Endowed Ithaca All Other	<u>3,307</u>	<u>2,788</u>	<u>2,956</u>	<u>4,254</u>	<u>1,298</u>	52.6%	
28. Gross Expenditures	876,753	919,953	955,034	990,457	35,423	7.7%	
Intra-University Cost Distribution							
29. Accessory Instruction	(16,487)	(17,221)	(17,830)	(17,830)		3.5%	
30. Administrative & Support	(39,329)	(42,207)	(44,143)	(44,333)	(190)	5.0%	
31. Financial Aid	<u>(9,143)</u>	<u>(12,308)</u>	<u>(14,089)</u>	<u>(14,089)</u>		14.5%	
32. Net Expenditures	811,794	848,217	878,972	914,205	35,233	7.8%	
33. Transfers Out to Endowment	14,634	36,728	9,208	55,245	46,037	50.4%	
34. Transfers Out to Plant Funds	<u>39,526</u>	<u>42,816</u>	<u>29,343</u>	<u>44,734</u>	<u>15,391</u>	4.5%	
35. Total Resources Used	865,954	927,761	917,523	1,014,184	96,661	9.3%	
36. Net from Operations	13,641	14,931	9,370	13,541	4,171		
Additions to/(Withdrawals from) Current Fund Balances							
37. General Purpose	47	41		53	53		
38. Designated	9,883	17,076	5,993	21,873	15,880		
39. Enterprise/Service	3,818	162	268	(1,623)	(1,891)		
40. Restricted	<u>(107)</u>	<u>(2,348)</u>	<u>3,109</u>	<u>(6,762)</u>	<u>(9,871)</u>		
41. Net Current Fund Changes	13,641	14,931	9,370	13,541	4,171		

GENERAL PURPOSE BUDGET

Revenues and Transfers In

Revenues for 2003-04 totaled \$408.7 million, an increase of \$11 million, or 2.8 percent, from the plan and 4.8 percent greater than in 2002-03.

- **Tuition and fee income** was 2.8 percent more than budgeted due to enrollment increases. At the undergraduate level, freshman enrollment was as planned, however, the enrollment of returning students surpassed the plan in the Colleges of Arts and Sciences, Engineering, and Architecture, Art and Planning, resulting in a \$4.7 million excess. Additional graduate student enrollments accounted for \$3.6 million of the overage.
- **Investment distributions** (including the recovery of investment management expense), totaling \$61.7 million, exceeded the plan by \$2.4 million due to greater than expected earnings from working capital and intermediate-term funds that were recorded in the general purpose budget.
- **Unrestricted gifts** of \$4.6 million were 6.5 percent less than planned, but 5 percent greater than received in 2002-03, reflecting an expanded fundraising effort to secure unrestricted gifts.
- **Indirect cost recoveries from sponsored programs** were recorded at \$43.6 million, a 4.7 percent increase over that planned, representing a 9.3 percent expansion from 2002-03. Growth occurred in the Colleges of Arts and Sciences and Engineering, Computer and Information Sciences, and in several research centers (most notably, the Cornell High Energy Synchrotron Source, the Center for Radiophysics and Space Research, the National Astronomy Ionosphere Center, and the Cornell Center for Materials Research).
- **State appropriations** of Bundy Aid for degrees granted by the Colleges of Architecture, Art and Planning, Arts and Sciences, and Engineering and the Graduate School were 5.4 percent less than planned but 2 percent more than received in 2002-03. The decrease from budget was due to a slight decline in the Bundy Aid reimbursement rate, which was offset partially by an increase in the number of graduate and professional degrees awarded. The number of undergraduate degrees remained as planned.

Allocations for Expenditure

Expenditure allocations totaled \$502.7 million in 2003-04, an increase of \$10.3 million, or 2.1 percent, from the plan and 5.1 percent more than in 2002-03.

- Allocations to **colleges, research centers, and other academic programs** increased \$8.7 million over the amount planned, reflecting in-year allocations of centrally budgeted funding for faculty recruitment and support, program initiatives, research infrastructure and cost sharing, graduate student support, and program initiatives.
- The general purpose allocation for **undergraduate financial aid** totaled \$52.4 million, a \$2.8 million, or 5.6 percent, increase from the original 2002-03 allocation of \$49.7 million. The original 2002-03 allocation was offset by a one-time use of \$4.5 million in designated funds, resulting in a final allocation of \$45.2 million. Thus, the 16.1 percent change from 2002-03 to 2003-04 (line 18) is artificially high due to this one-time event.
- Allocations for **graduate financial aid**, which included \$5.8 million planned in the category of **all other** (line 23) and transferred in-year to this category, were \$3.7 million greater than budgeted overall, due to enrollment growth.
- **Student service** allocations exceeded the plan by \$1.7 million, or 7.3 percent, due primarily to additional costs of student health services.
- **Administrative and support** allocations totaled \$97 million, \$3 million more than planned and 3.7 percent greater than in 2002-03. This growth included the in-year assignment of \$1.5 million for network infrastructure and other information technology initiatives and \$1 million for research administration and compliance activities.
- The category of **all other** decreased \$12.6 million from the plan as a result of the normal in-year budgetary process. This category contains the university's contingency and limited-term allocations that are budgeted centrally and transferred during the year (and therefore are reported as allocated for expenditure on lines 11 through 22).

Net from Operations

The combination of these changes yielded a \$53 thousand **net from operations**, which was added to the **general purpose fund balance**.

General Purpose Budget				Change from		
(dollars in thousands)				03-04	03-04	02-03
	01-02	02-03	03-04	03-04	03-04	02-03
	Actual	Actual	Plan	Actual	Plan	Actual
Revenues & Transfers In						
1. Tuition & Fees	\$264,130	\$277,845	\$284,503	\$292,551	\$8,048	5.3%
2. Investment Distributions	62,068	61,209	59,385	61,741	2,356	0.9%
3. Unrestricted Gifts	4,505	4,343	4,877	4,560	(317)	5.0%
4. Sponsored Programs (indirect costs)	34,644	39,840	41,616	43,563	1,947	9.3%
5. State Appropriations	1,460	1,417	1,528	1,446	(82)	2.0%
6. Other Sources	<u>5,120</u>	<u>5,427</u>	<u>5,838</u>	<u>4,849</u>	<u>(989)</u>	<u>(10.7%)</u>
7. Total Revenues	<u>371,927</u>	<u>390,081</u>	<u>397,747</u>	<u>408,710</u>	<u>10,963</u>	<u>4.8%</u>
8. Transfers In from Endowment						
9. Transfers In from Plant Funds						
10. Total Resources Available	<u>371,927</u>	<u>390,081</u>	<u>397,747</u>	<u>408,710</u>	<u>10,963</u>	<u>4.8%</u>
Allocations for Expenditure						
11. Architecture, Art, & Planning	10,170	11,014	10,822	10,923	101	(0.8%)
12. Arts & Sciences	96,124	102,102	104,642	105,742	1,100	3.6%
13. Engineering	38,148	41,209	40,796	41,605	809	1.0%
14. Johnson School	227	234	241	241		3.0%
15. Law School	750	750	750	750		
16. Research Centers	7,467	7,674	4,784	6,857	2,073	(10.6%)
17. Other Academic Programs	48,207	51,077	49,166	53,831	4,665	5.4%
18. Undergraduate Financial Aid	43,151	45,180	52,441	52,441		16.1%
19. Graduate Financial Aid	25,896	27,485	20,682	30,190	9,508	9.8%
20. Student Services	22,240	23,666	22,670	24,317	1,647	2.8%
21. Administrative & Support	87,148	93,543	93,933	96,980	3,047	3.7%
22. Physical Plant	52,682	55,401	54,925	54,905	(20)	(0.9%)
23. All Other	<u>17,627</u>	<u>19,049</u>	<u>36,598</u>	<u>23,953</u>	<u>(12,645)</u>	<u>25.7%</u>
24. Gross Expense Allocation	<u>449,837</u>	<u>478,384</u>	<u>492,450</u>	<u>502,735</u>	<u>10,285</u>	<u>5.1%</u>
Intra-University Cost Distribution						
25. Accessory Instruction	(12,415)	(12,780)	(13,878)	(13,279)	599	3.9%
26. Administrative & Support	(56,399)	(63,256)	(66,736)	(66,710)	26	5.5%
27. Financial Aid	<u>(9,143)</u>	<u>(12,308)</u>	<u>(14,089)</u>	<u>(14,089)</u>		14.5%
28. Net Cost Distribution	<u>(77,957)</u>	<u>(88,344)</u>	<u>(94,703)</u>	<u>(94,078)</u>	<u>625</u>	<u>6.5%</u>
29. Transfers Out to Endowment						
30. Transfers Out to Plant Funds						
31. Total Resources Used	<u>371,880</u>	<u>390,040</u>	<u>397,747</u>	<u>408,657</u>	<u>10,910</u>	<u>4.8%</u>
32. Net from Operations	47	41		53	53	
Additions to/(Withdrawals from) Current Fund Balances						
33. General Purpose	47	41		53	53	
34. Designated						
35. Net Current Fund Changes	<u>47</u>	<u>41</u>		<u>53</u>	<u>53</u>	

CONTRACT COLLEGES

Revenues and Transfers In

Revenues for 2003-04 totaled \$508.9 million, an increase of \$1 million, or 0.2 percent, from the plan and 2.4 percent more than recorded in 2002-03.

- **Tuition and fees** were 1 percent more than planned as graduate enrollment increases in the College of Agriculture and Life Sciences (CALs), the School of Industrial and Labor Relations, and the College of Veterinary Medicine (CVM) combined with a slight increase in nonresident undergraduate enrollments. Tuition and fee revenues were 20.1 percent greater than in 2002-03 due to the growth in tuition rates and a change in how tuition and state appropriations were recorded. (See below.)
- **Restricted gifts** were 24.8 percent greater than planned due primarily to the receipt of gifts for the Laboratory of Ornithology in CALs that were originally planned in the category of sponsored programs (line 5).
- **Direct funding for sponsored programs** was \$12.6 million less than planned due partially to an increasingly more competitive grant environment. Included in this reduction was a change in the handling of \$7.4 million of activity that will be recorded in a future fiscal year. **Indirect cost recoveries** exceeded the plan by 15.6 percent due to an increase in the proportion of allowable costs.
- **State appropriations** totaled \$138.4 million, \$5.7 million less than in 2002-03 but \$1.5 million more than budgeted. Cornell received \$466 thousand more than planned in base appropriations, which declined by \$2 million from 2002-03, and \$1 million more in Cooperative Extension funding, which remained unchanged from 2002-03. (See page 23.) Included in the plan for 2003-04 was an ongoing reduction of \$9.427 million to exclude the pass-through of a fraction of Cornell's tuition to the State University of New York (SUNY) and then back to Cornell via an appropriation. Instead, these revenues were (and will continue to be) recorded as tuition income.
- **Federal appropriations** were 15 percent less than planned due to a change in the treatment of extension grants, which were recorded as sponsored programs, and a reduction in available funding.
- **Inter-unit transfers** (which reflect the allocation of

resources from the endowed Ithaca division) were \$7.3 million more than planned due to enhanced funding for research, equipment, faculty support, animal care, and university-wide academic initiatives, particularly in the field of life sciences.

Expenditures and Transfers Out

Net expenditures totaled \$493.6 million, a decrease of \$14.1 million, or 2.8 percent, from the plan but 2.7 percent more than recorded in 2002-03.

- Expenditures in the four **contract colleges** (including the Geneva Experiment Station under CALs) were \$14.4 million less than anticipated. Delays in the arrival of new faculty, less than planned sponsored programs activity, and expenditure control programs all combined to lower expenditures compared to the plan.
- **Other academic programs** were 13.9 percent more than planned due to an increase in wages and general expenses that resulted from greater than expected state funding for Cooperative Extension.
- **Centrally recorded financial aid** included \$1.6 million of Supplemental Educational Opportunity Grant awards for contract college students, \$500 thousand more than recorded in 2002-03.
- **Physical plant** expenditures were \$1.4 million less than planned as several facility projects that were planned in current funds were instead recorded in plant funds, and were reflected as transfers. (See below.)

Transfers to **funds functioning as endowment** were \$3.4 million more than planned, reflecting the effort to invest departmental balances and gift funds for the long term. Transfers to **plant funds**, which were \$8.6 million more than planned, included funding for facilities projects in CALs and CVM as well as college supported matching funds for various smaller capital projects.

Net from Operations

These changes, which yielded a \$2.2 million **net from operations** (\$3.5 million more than planned), resulted mainly in additions to designated **fund balances** that were offset partially by reductions in general purpose and restricted **fund balances**.

Contract Colleges (dollars in thousands)	01-02	02-03	03-04	03-04	Change from	
	Actual	Actual	Plan	Actual	03-04	02-03
					Plan	Actual
Revenues & Transfers In						
1. Tuition & Fees	\$95,433	\$105,033	\$124,851	\$126,093	\$1,242	20.1%
2. Investment Distributions	21,117	21,488	20,799	20,125	(674)	(6.3%)
3. Unrestricted Gifts	9,744	9,583	8,666	8,852	186	(7.6%)
4. Restricted Gifts	7,602	11,024	8,177	10,201	2,024	(7.5%)
5. Sponsored Programs (direct costs)	108,321	113,615	123,885	111,270	(12,615)	(2.1%)
6. Sponsored Programs (indirect costs)	22,264	23,807	22,139	25,587	3,448	7.5%
7. Institutional Allowances	230	149	130	73	(57)	(51.0%)
8. State Appropriations	150,066	144,051	136,937	138,387	1,450	(3.9%)
9. Federal Appropriations	19,495	18,770	20,077	17,048	(3,029)	(9.2%)
10. Other Sources	38,539	38,023	37,245	38,987	1,742	2.5%
11. Inter-Unit Transfers	<u>10,906</u>	<u>11,287</u>	<u>5,003</u>	<u>12,268</u>	<u>7,265</u>	8.7%
12. Total Revenues	483,717	496,830	507,909	508,891	982	2.4%
13. Transfers In from Endowment	1,772	575	100	372	272	(35.3%)
14. Transfers In from Plant Funds	<u>900</u>	<u>697</u>	<u>1,001</u>	<u>1,174</u>	<u>173</u>	68.4%
15. Total Resources Available	486,389	498,102	509,010	510,437	1,427	2.5%
Expenditures & Transfers Out						
16. Agriculture & Life Sciences	194,828	203,741	209,312	208,245	(1,067)	2.2%
17. Human Ecology	42,831	44,546	44,227	41,202	(3,025)	(7.5%)
18. Industrial & Labor Relations	36,281	37,609	40,401	37,887	(2,514)	0.7%
19. Veterinary Medicine	82,091	82,221	91,544	83,737	(7,807)	1.8%
20. Other Academic Programs	7,247	6,647	6,836	7,789	953	17.2%
21. Centrally Recorded Financial Aid	1,287	1,099	2,000	1,643	(357)	49.5%
22. Administrative & Support	4,017	3,679	3,683	4,326	643	17.6%
23. Physical Plant	30,184	28,350	31,624	30,246	(1,378)	6.7%
24. Contract College All Other	<u>2,033</u>	<u>2,628</u>	<u>3,560</u>	<u>3,863</u>	<u>303</u>	47.0%
25. Gross Expenditures	400,799	410,520	433,187	418,938	(14,249)	2.1%
Intra-University Cost Distribution						
26. Accessory Instruction	16,487	17,221	17,830	17,830		3.5%
27. Administrative & Support	38,129	40,708	42,598	42,788	190	5.1%
28. Financial Aid	<u>9,143</u>	<u>12,308</u>	<u>14,089</u>	<u>14,089</u>		14.5%
29. Net Expenditures	464,558	480,757	507,704	493,645	(14,059)	2.7%
30. Transfers Out to Endowment	5,099	4,927	450	3,892	3,442	(21.0%)
31. Transfers Out to Plant Funds	<u>4,240</u>	<u>4,565</u>	<u>2,090</u>	<u>10,671</u>	<u>8,581</u>	133.8%
32. Total Resources Used	473,897	490,249	510,244	508,208	(2,036)	3.7%
33. Net from Operations	12,492	7,853	(1,234)	2,229	3,463	
Additions to/(Withdrawals from) Current Fund Balances						
34. General Purpose	1,504	366	3,874	(1,757)	(5,631)	
35. Designated	8,293	7,541	(3,683)	9,106	12,789	
36. Restricted	<u>2,695</u>	<u>(54)</u>	<u>(1,425)</u>	<u>(5,120)</u>	<u>(3,695)</u>	
37. Net Current Fund Changes	12,492	7,853	(1,234)	2,229	3,463	

MEDICAL COLLEGE

Revenues and Transfers In

Revenues for 2003-04 for the Joan and Sanford I. Weill Medical College and Graduate School of Medical Sciences totaled \$725.4 million, an increase of \$17.2 million, or 2.4 percent, from the plan and 7.3 percent over 2002-03.

- **Gifts** received for **unrestricted** or internally designated purposes were recorded at \$2.1 million, \$540 thousand less than planned. **Restricted gifts**, including monies received for purposes specified by the donors, were recorded at \$55.6 million, \$9 million less than anticipated. These changes were due to a greater than expected flow of gifts to fund the capital initiatives of the Strategic Plan Phase II.
- **Sponsored programs direct cost** revenues totaled \$104.4 million, a \$3.6 million, or 3.6 percent, increase from 2002-03. This growth resulted from an increase from the prior year of \$7.8 million in government funding and a decrease of \$4.2 million in private grant support. Faculty recruited as part of the Strategic Plan accounted for \$9 million of the total government support. **Indirect cost recoveries** from **sponsored programs** reached \$40.9 million in 2003-04, a \$1.9 million, or 4.8 percent, growth from the prior year.
- The **Physician Organization (PO)** reported revenues of \$324 million, representing a slight (1.7 percent) increase from the plan and a 15.1 percent increase over the amount received in 2002-03. This growth was fueled by the maturation of clinical initiatives introduced as a component of the Strategic Plan and the addition of clinical faculty in the surgical sub-specialty areas. The share of PO activities related to managed-care agreements also rose slightly in 2003-04, from 50 percent to 51.7 percent.
- Revenues for services purchased by the **New York-Presbyterian Hospital (NYPH)** from the Medical College netted \$63.1 million, a 4.4 percent increase from 2002-03. 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 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 2003-04, Cornell received \$32.5 million from the Foundation, inclusive of the expended portion of the management fee. Changes in the timing and level of faculty and administrative staffing resulted in an unexpended balance of \$9.5 million. (See line 19.)

Expenditures and Transfers Out

Net expenditures in 2003-04 were \$724.9 million, an increase of \$33.7 million, or 4.9 percent, from the plan and 10.1 percent more than in 2002-03.

- Expenditures for **academic and clinical departments**, including the PO, increased 10.2 percent over the prior year total, to \$586.1 million. This growth resulted from expansion in two areas: a) higher PO-related expenditures due to escalating malpractice premiums and expansion of surgical sub-specialty programs and b) sponsored program costs related to federal government and private foundation funding.
- **Administrative and support** costs for the Weill Medical College increased \$6.8 million, or 13.3 percent, from the plan, to \$58 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 \$11.8 million from the plan, to \$22.9 million. These costs were 84.9 percent more than recorded in 2002-03.
- **Physical plant** expenditures totaled \$35 million, a 5.4 percent increase from the prior year, reflecting increased debt service payments, operating and maintenance costs, and insurance premiums.

Transfers to **plant funds** of \$270 thousand reflected equipment purchases and capital costs of the PO.

Net from Operations

The combination of these factors yielded a **net from operations** of \$303 thousand, which was added to **current fund balances**. This net included surpluses totaling \$12.9 million in general purpose and restricted funds that were almost entirely offset by the use of \$12.6 million in designated and enterprise/service operating fund balances.

Medical College				Change from		
(dollars in thousands)	01-02	02-03	03-04	03-04	03-04	02-03
	Actual	Actual	Plan	Actual	Plan	Actual
Revenues & Transfers In						
1. Tuition & Fees	\$14,813	\$15,764	\$16,263	\$16,312	\$49	3.5%
2. Investment Distributions	32,733	31,950	28,283	28,360	77	(11.2%)
3. Unrestricted Gifts	5,538	2,239	2,605	2,065	(540)	(7.8%)
4. Restricted Gifts	52,117	69,678	64,556	55,590	(8,966)	(20.2%)
5. Sponsored Programs (direct costs)	87,139	100,813	92,415	104,436	12,021	3.6%
6. Sponsored Programs (indirect costs)	34,876	39,007	35,340	40,892	5,552	4.8%
7. Institutional Allowances *	16,290	17,531	18,143	19,081	938	8.8%
8. State Appropriations	189	138	204	223	19	61.6%
9. Physician Organization (PO)	274,832	281,356	318,610	323,968	5,358	15.1%
10. NYPH (purchased services)	61,265	60,475	69,520	63,106	(6,414)	4.4%
11. Sales & Services of Enterprises	11,149	10,758	11,570	11,848	278	10.1%
12. Qatar †	10,326	29,358	34,743	32,451	(2,292)	10.5%
13. Other Sources	<u>16,572</u>	<u>16,999</u>	<u>16,037</u>	<u>27,112</u>	<u>11,075</u>	59.5%
14. Total Revenues	617,839	676,066	708,289	725,444	17,155	7.3%
15. Transfers In from Endowment						
16. Transfers In from Plant Funds						
17. Total Resources Available	<u>617,839</u>	<u>676,066</u>	<u>708,289</u>	<u>725,444</u>	<u>17,155</u>	<u>7.3%</u>
Expenditures & Transfers Out						
18. Medical College (academic/clinical)	492,336	531,823	557,300	586,098	28,798	10.2%
19. Return to Qatar Foundation	5,894	16,957		9,518	9,518	(43.9%)
20. Centrally Recorded Financial Aid	10,284	10,011	9,929	11,720	1,791	17.1%
21. Administrative & Support	46,794	52,316	51,202	58,013	6,811	10.9%
22. Administrative & Support (Qatar)	4,432	12,401	34,743	22,933	(11,810)	84.9%
23. Physical Plant	<u>32,851</u>	<u>33,257</u>	<u>36,460</u>	<u>35,044</u>	<u>(1,416)</u>	5.4%
24. Gross Expenditures	592,591	656,765	689,634	723,326	33,692	10.1%
Intra-University Cost Distribution						
25. Administrative & Support	<u>1,200</u>	<u>1,500</u>	<u>1,545</u>	<u>1,545</u>		3.0%
26. Net Expenditures	593,791	658,265	691,179	724,871	33,692	10.1%
27. Transfers Out to Endowment						
28. Transfers Out to Plant Funds	<u>3,290</u>	<u>4,376</u>	<u>2,200</u>	<u>270</u>	<u>(1,930)</u>	(93.8%)
29. Total Resources Used	597,081	662,641	693,379	725,141	31,762	9.4%
30. Net from Operations	20,758	13,425	14,910	303	(14,607)	
Additions to/(Withdrawals from) Current Fund Balances						
31. General Purpose	4,356	4,610		2,959	2,959	
32. Designated	4,222	(1,321)	2,893	(10,869)	(13,762)	
33. Enterprise/Service	1,290	(284)	139	(1,754)	(1,893)	
34. Restricted	<u>10,890</u>	<u>10,420</u>	<u>11,878</u>	<u>9,967</u>	<u>(1,911)</u>	
35. Net Current Fund Changes	20,758	13,425	14,910	303	(14,607)	

Notes: * This schedule has been restated to show as institutional allowances (line 7) all administrative cost recoveries related to the Physician Organization as well as the Physician Organization institutional development fund that was shown previously on a separate line. Beginning in 2004-05, these allowances will be negotiated and calculated as a single value.

† This schedule has been restated to show as Qatar revenues (line 12) certain costs that were formerly included as *administrative and support* expenditure reductions and revenues formerly included in *other sources*.

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 \$4.151 billion as of June 30, 2004. (See table below.)

- The total fair value of investments increased \$527.8 million, or 14.6 percent, during 2003-04.
- The Long Term Investment Pool (LTIP) constituted 74 percent, or \$3.07 billion, of total invested funds. Intermediate-term funds and separately invested securities represented 15.6 percent and 8 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 these 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 assets of the LTIP as well as a portion of general operating fund balances. This office oversees more than 150 investment accounts and partnerships with external investment fund managers.

- The university's long-term investment results for 2003-04 were consistent with general market conditions, out performing some component market benchmarks:

Domestic Equity (unhedged/opportunistic)	21.6%
<i>Russell 3000</i>	20.5%
<i>S&P 500</i>	19.1%
Non-U.S. Equity (developed markets)	30.3%
<i>MSCI EAFE Index</i>	32.9%
Non-U.S. Equity (emerging markets)	29.1%
<i>MSCI Emerging Markets Free</i>	33.5%
Hedged Equity	7.3%
<i>50% Russell 3000 + 5%</i>	15.4%
Private Equity	17.5%
<i>Cambridge VC & LBO 50/50 Q Lag</i>	14.4%
Real Estate	19.4%
<i>NCREIF Q Lag</i>	9.7%
REITs	29.2%
<i>Wilshire REIT Index</i>	27.2%
Resource Related (since 8/03)	24.9%
<i>Dow Jones AIG</i>	25.6%
Core Fixed Income	1.8%
<i>Lehman Aggregate</i>	0.3%
Absolute Return	13.0%
<i>T-Bills + 5%</i>	6.2%
Enhanced Fixed Income	44.5%
<i>T-Bills + 5%</i>	6.2%

Investments at Fair Value

(dollars in thousands at year end)

	6/30/03	Percent	6/30/04	Percent	Change from
	Total	of Total	Total	of Total	6/30/03
1. Working Capital	\$11,827	0.3%	\$8,159	0.2%	(\$3,668)
2. Intermediate-Term Investments	508,790	14.0%	646,936	15.6%	138,146
3. Long Term Investment Pool	2,720,790	75.1%	3,070,235	74.0%	349,445
4. Separately Invested Securities	317,349	8.8%	333,282	8.0%	15,933
5. Life Income Pools	20,900	0.6%	20,633	0.5%	(267)
6. DASNY Holdings *	39,923	1.1%	66,934	1.6%	27,011
7. Other Purposes of Investment	3,387	0.1%	4,570	0.1%	1,183
8. Total	3,622,966	100.0%	4,150,749	100.0%	527,783

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

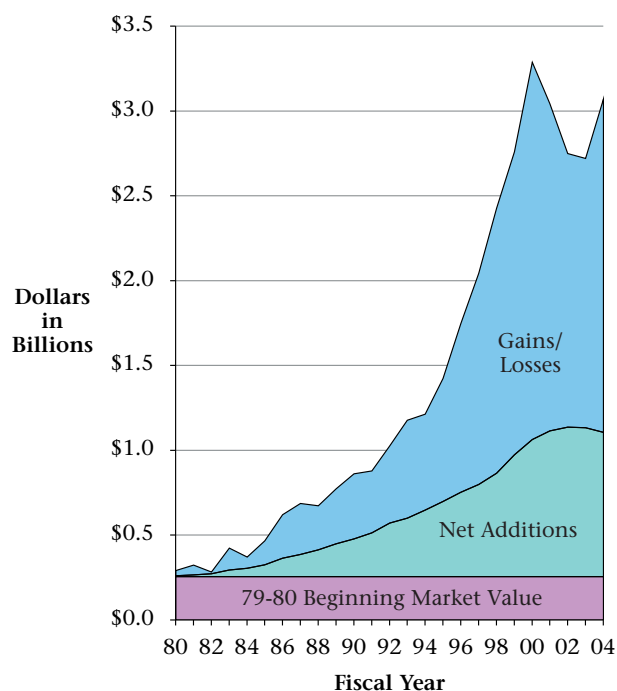
- Overall, long-term investments experienced a 16.28 percent annualized gross return in 2003-04 (16.12 percent when adjusted for investment management fees), which was slightly less than the 16.7 percent return of the Russell/Mellon endowment and foundations median for the same period.
- A key factor in Cornell's strategy for long-term investments is the maintenance of a diversified portfolio (shown below as of June 30, 2004).

Domestic Equity (unhedged/opportunistic)	28.5%
Non-U.S. Equity (developed/emerging)	14.7%
Hedged Equity	13.8%
Private Equity	5.8%
eCornell	0.1%
Real Estate/REITs	8.5%
Resource Related	5.2%
Fixed Income/Absolute Return	<u>23.4%</u>
Total	100.0%

This portfolio is rebalanced periodically to maintain an equity-to-fixed income ratio of 75:25, ± 2.5 percentage points. As of June 30, 2004, the portfolio's equity-to-fixed balance stood at 76.6:23.4, a ratio that was within trustee-established limits.

Within the aggregate of long-term investments, the value of an LTIP share increased \$3.86, or 9 percent, during 2003-04. This growth reflected the total return noted above less payout to shareholders and investment and service charges. The number of LTIP shares grew 3.5 percent from 2002-03, reflecting the addition of \$88.9 million in new principal, primarily from gifts. The market value of the LTIP has increased \$2.81 billion over the past 25 years, from \$256 million to \$3.07 billion. (See graph at right.) Realized and unrealized gains (net of losses) on the initial market value and

Cumulative Change in LTIP Market Value



all net additions have accounted for 70 percent of the cumulative growth; additions net of withdrawals have accounted for the remaining 30 percent. The combination of investment performance and the inflow of new principal has allowed the LTIP to pay out a total of \$1.48 billion to shareholders over this period.

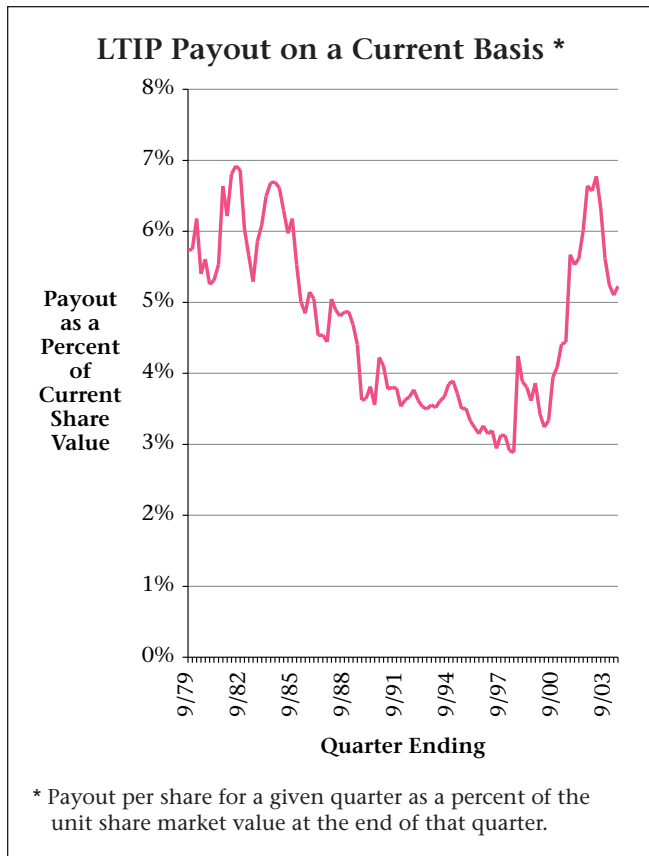
Investment Strategy and Payout Policy

The LTIP was created in 1979, when the trustees combined the assets of the Endowment Fund (containing

Long Term Investment Pool

	6/30/99	6/30/00	6/30/01	6/30/02	6/30/03	6/30/04
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
1. Market Value (per share)	\$51.16	\$58.16	\$51.85	\$44.95	\$42.65	\$46.51
2. Annualized Gross Total Return †	12.5%	18.8%	(6.4%)	(7.5%)	2.05%	16.28%
3. Payout per Share	\$1.85	\$1.94	\$2.30	\$2.70	\$2.70	\$2.43
4. Shareholder Payout (in millions)	\$95.71	\$106.68	\$131.80	\$160.55	\$167.55	\$157.09
5. Payout as of June 30th Market Value	3.6%	3.3%	4.4%	6.0%	6.3%	5.2%
6. Number of Shares (in millions)	54.0	56.5	58.7	61.2	63.8	66.0

Note: † Total returns net of investment management fees for 1999-2000, 2000-01, 2001-02, 2002-03, and 2003-04 were 18.5%, (6.7%), (7.7%), 1.9%, and 16.12% respectively.

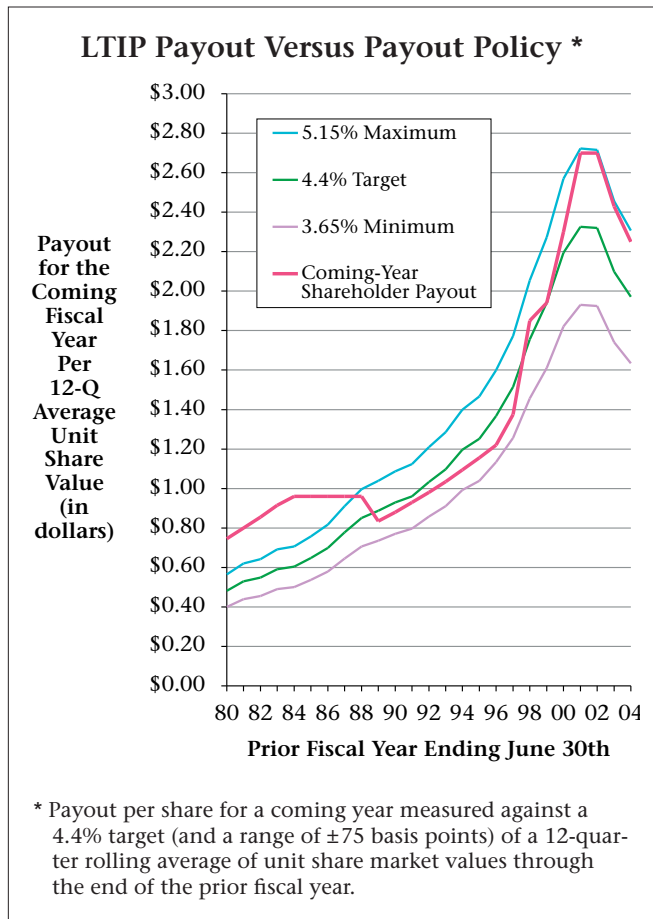


true endowments) and the Capital Fund (holding funds that functioned as endowments). Previously, each fund had its own approach to investment and payout. The initial investment strategy for the newly created LTIP was aimed at ensuring sufficient income for annual payout. Through the early 1980's, LTIP payout was relatively high, averaging 6 percent of current market values. (See graph above.) In 1988-89, the trustees created a revised approach for the LTIP that focused on maximizing total return so that the payout could theoretically grow at a steady rate as long as it remained within a set of payout guidelines. The current version of the trustee's 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 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 graph at left.)

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—including 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 combi-



nation 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-six percent of all of the endowment that Cornell actively manages is invested in the LTIP. (The other 4 percent is separately invested or temporarily held in an intermediate-term investment vehicle.) In turn, the LTIP is almost totally composed of endowment—95 percent as of June 30, 2004. (The other 5 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 nine years, payout from the LTIP has more than tripled. While 54 percent of this increase was due to growth in the payout rate, 46 percent was attributable to the additions of new principal, mostly from gifts.
- Taken together, position and financial-aid endowments account for 55 percent of the LTIP payout distributed to Ithaca Campus programs.

LTIP Payout Distribution

(dollars in millions)

	<u>94-95</u>	<u>03-04</u>	<u>Change</u>
Endowed Positions	\$9.83	\$28.83	\$19.00
Instruction	5.89	18.68	12.79
Research	0.55	1.19	0.64
Public Service	0.43	1.39	0.96
Academic Support	0.37	1.58	1.21
Library	1.05	3.72	2.67
Student Services	0.56	1.74	1.18
Administrative/Support	0.14	1.29	1.15
Physical Plant	1.02	3.47	2.45
Financial Aid/Loan	11.01	38.65	27.64
Other Activities	1.60	7.51	5.91
University-Wide	<u>5.44</u>	<u>13.82</u>	<u>8.38</u>
Subtotal Ithaca Campus	37.89	121.87	83.98
Medical College	7.83	28.70	20.87
Non-University Funds *	2.92	6.46	3.54
Total	48.64	157.03	108.39

Note: * Funds managed but not owned by Cornell.

- 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.

Endowment – Net Assets

(dollars in thousands at year end)

	<u>02-03</u>	<u>03-04</u>	<u>Change</u>	<u>Percent Change</u>
1. True Endowment & Unspent Earnings	1,891,570	2,146,427	254,857	13.5%
2. Funds Functioning as Endowment	<u>817,422</u>	<u>944,847</u>	<u>127,425</u>	<u>15.6%</u>
3. Subtotal Under Cornell Investment Management	2,708,992	3,091,274	382,282	14.1%
4. True Endowment – Contribution Receivable †	59,870	75,878	16,008	26.7%
5. Funds Held in Trust by Others *	<u>145,779</u>	<u>147,076</u>	<u>1,297</u>	<u>0.9%</u>
6. Subtotal Funds External to Cornell	205,649	222,954	17,305	8.4%
7. Total University Endowment	2,914,641	3,314,228	399,587	13.7%

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.

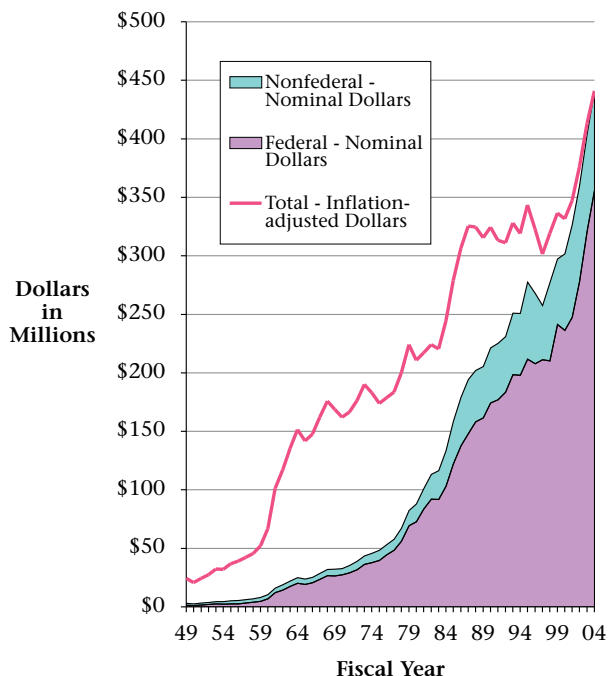
RESEARCH

Sponsored Research

Sponsored research expenditures totaled \$441 million in 2003-04, a 9.1 percent increase from 2002-03, with the federal government accounting for 81 percent of that total. (See graph at right.).

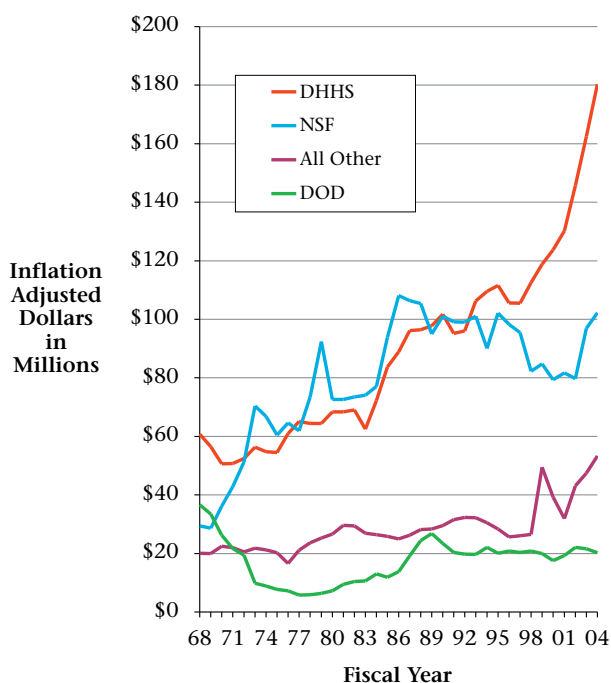
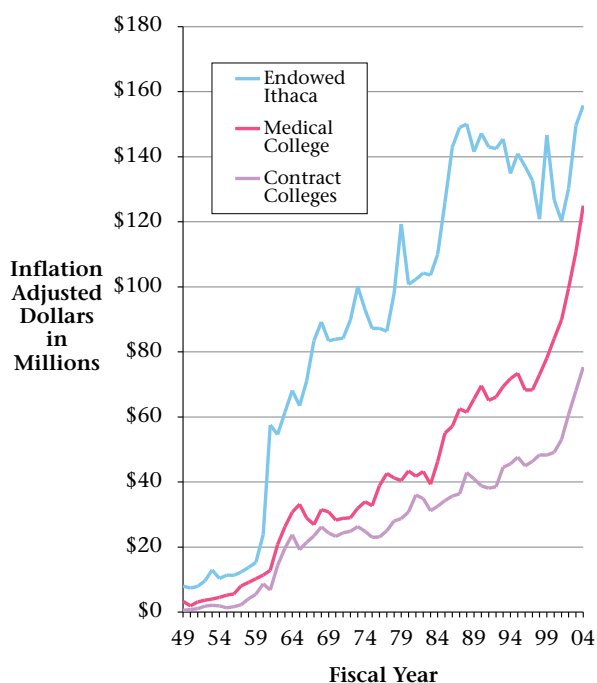
- Funding has grown at an average annual rate of 9.4 percent, or 5.4 percent in inflation-adjusted terms, since 1948-49, when externally sponsored research emerged as a major activity at Cornell. The expansion in support for endowed Ithaca occurred in waves, coincident with the establishment of a number 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. Eighty-seven percent of all NSF and DOD funding goes to endowed Ithaca while 68 percent of DHHS support goes to the medical division.
- It is the increase in DHHS funding that has fueled the steady expansion in federal research for the

Sponsored Research Expenditures *



* Excluded from this graph and these analyses are the activities of the Cornell Aeronautical Laboratory in Buffalo, NY, which was acquired by gift in 1945-46 and privatized and effectively sold in 1972-73.

Federally Sponsored Research (in inflation-adjusted, 2003-04 dollars in millions)



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.

- A recent analysis made by the American Association for the Advancement of Science shows declining levels of projected federal nondefense R&D funding through 2009 in inflation-adjusted terms. Overall nondefense R&D would decrease 0.5 percent from 2004 to 2009 after adjusting for expected inflation. Excluding increases in the R&D budgets for National Aeronautics and Space Administration and the Department of Homeland Security, the remaining nondefense R&D portfolio would decrease 6.7 percent over the same period.

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, F&A recoveries by division from federal sources for research and nonresearch activities have historically paralleled total expenditures for research, totaling \$104.6 million in 2003-04. (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 cost recovery.

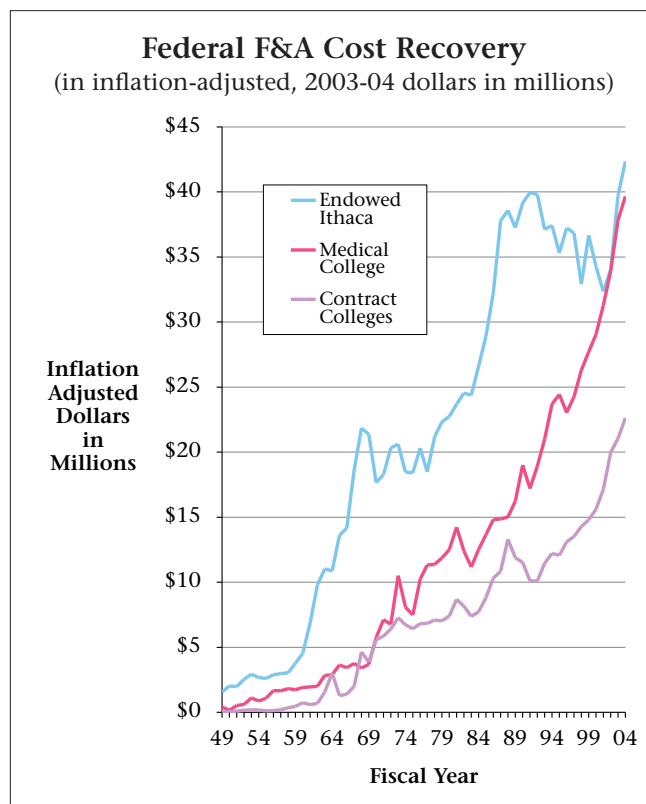
- Fund-raising costs are not recoverable, even when the monies raised support research.
- Administrative costs are capped by statute at 26 percent—a limit imposed in 1990 that caused a dip in recoveries soon thereafter, and remains in effect.
- Some recoveries, such as utility costs, are provided

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 between Cornell and the federal government. They are based on historic data that may not accurately represent future events, such as the construction of new research facilities. These recoveries are further limited by certain conventions. For example, many federal programs—especially those that support graduate training and agricultural research—do not permit the payment of the full, negotiated F&A rate. Also, some activities, particularly in the contract colleges, are considered part of the university's public service mission, and are therefore funded at a discounted rate by the sponsor.

Cornell's federal F&A rates for endowed Ithaca and the contract colleges for 2005-06 and beyond will be renegotiated in 2004-05. The university's cost experience in 2003-04 will form the basis for this negotiation, and the rates that are approved will influence future F&A cost recoveries.



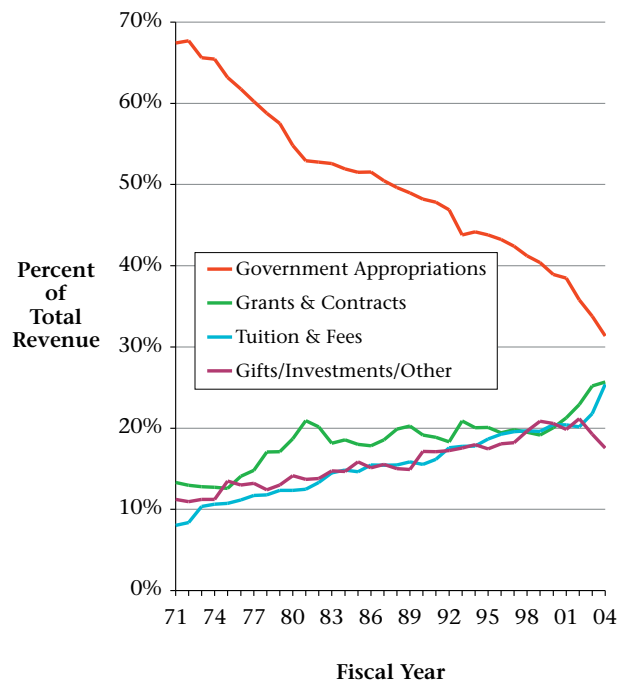
GOVERNMENT APPROPRIATIONS

Government Appropriations

While government appropriations flow to all three divisions of the university, almost all of this funding underwrites the activities of the four contract colleges.

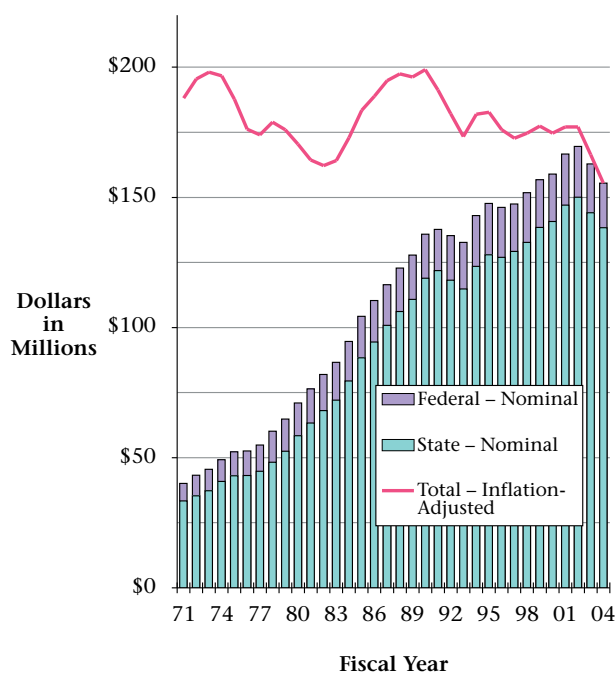
- In 2003-04, Cornell received \$157.4 million in federal and state appropriations, a 4.4 percent decrease from 2002-03. *Excluded from this total is funding for employee benefits costs paid directly by New York State, debt service on state-owned facilities at Cornell, and certain financial-aid funds—all of which are recorded by the state rather than the university.*
- Appropriations for the contract colleges have grown at an average annual rate of 4.2 percent since 1970-71, but have declined, in inflation-adjusted terms, from \$188.1 million to \$155.4 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.

Contract College Revenues
(excludes funding for costs not recorded by Cornell)



Government Appropriations

(excludes funding for costs not recorded by Cornell)



Appropriations Through SUNY

Cornell received \$138.4 million in state appropriations administered through the State University of New York (SUNY) in 2003-04. (See table on page 23.) In 1998-99, SUNY revised its resource allocation method that determines Cornell's base allocation (\$129.5 million in 2003-04), establishing annual campus allocations of tax-dollar support using a few parameters, such as changes in enrollment and growth in external research funding. All campuses now retain the tuition and other revenues that they generate. Generally, this new methodology treats Cornell unfavorably. First, because Cornell's enrollment is stable, increases in student populations at other SUNY campuses draw state funding away from Cornell. Also, the new methodology has no provision to inflate those aspects of Cornell's funding related to its land-grant mission and the provision of instruction for contract college students in endowed Ithaca colleges (so called *accessory instruction*)—components of the methodology which account for 52 percent of Cornell's base allocation. The result is minimal nominal growth in Cornell's base allocation and no real, inflation-adjusted growth.

New York State Appropriations Through SUNY

(dollars in thousands)

	01-02	02-03	03-04	03-04
Base Appropriation	Actual	Actual	Plan	Actual
1. Original Base Appropriation				
<i>Traditional state appropriation administered through SUNY and used for the general purposes of the contract colleges.</i>	\$134,645	\$142,530	\$140,963	\$140,963
2. SUNY/Contract Colleges Negotiated/Planned Increase				
<i>For inflation and fixed costs.</i>	1,515			
<i>Salary improvement programs.</i>	6,370			
3. Actual/Projected State Budget				
<i>Status prior to legislative actions.</i>	142,530	142,530	140,963	140,963
4. Executive Budget Cut				
<i>State-initiated adjustments—as distributed to campuses by SUNY.</i>		(1,567)	(2,500)	(2,034)
6. Other Budget Actions/Reclassifications		(1,156)†	(9,427)§	(9,427)
7. Revised Base Appropriation				
<i>Planned funding level, with revisions, that is used as the base for the subsequent year's funding request.</i>	142,530	139,807	129,036	129,502
Additional State Funding Through SUNY				
8. Cooperative Extension				
<i>For county support.</i>	3,863	3,863	2,862	3,863
9. Legislative Program Support	600	850		
10. SUNY Program Support				
<i>For programs such as academic equipment replacement and underrepresented minority fellowships.</i>	1,465	1,803	1,528	1,439
11. Special Funds for Renovating Facilities	1,608	1,861	1,511	3,583
12. Multi-Year Funding Adjustment				
<i>For funding received in one fiscal year that will be expended over several fiscal years.</i>		(4,133)	2,000	
13. Subtotal of Additional State Funding	7,536	4,244	7,901	8,885
14. Total State Appropriations through SUNY	150,066	144,051	136,937	138,387

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. Those that do not—and are not represented on this schedule—include Bundy Aid and certain student financial-aid funds. This schedule excludes grants and contracts with state agencies. It 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.

† The one-time cash reduction of \$1,156,000 in 2002-03 did not affect the original base for 2003-04.

§ 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. An offsetting entry under tuition revenue was made in the 2003-04 financial plan.

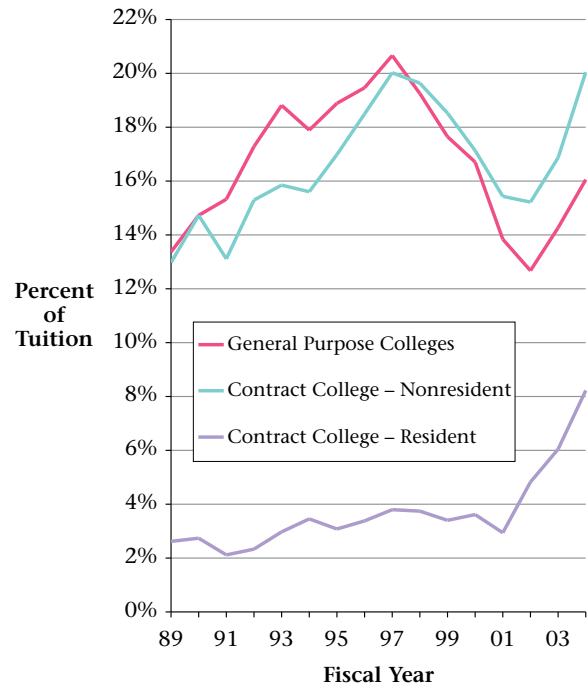
FINANCIAL AID

Undergraduate Financial Aid

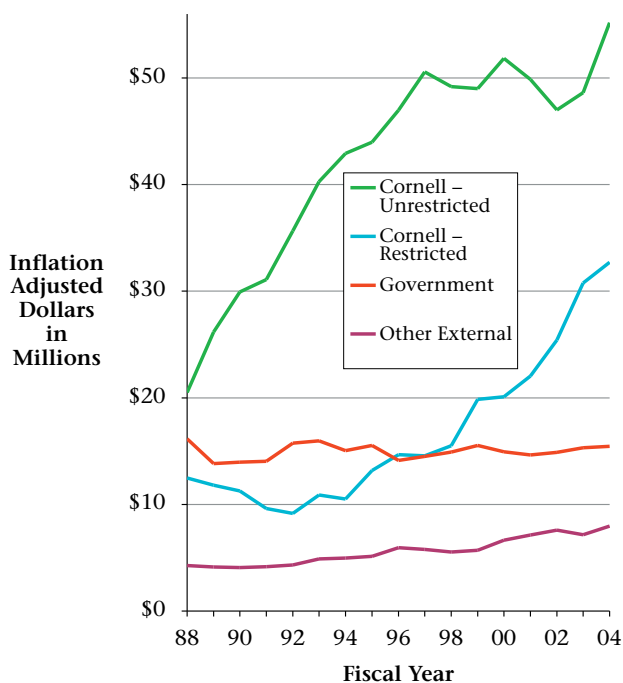
The following changes occurred in undergraduate financial-aid expenditures in 2003-04.

- Grant-aid expenditures averaged \$19,851 per grant-aided student, 2.5 percent less than planned. The number who required grant aid was 3.7 percent more than expected however, resulting in a total grant-aid expenditure from all sources (federal, state, external, and Cornell) that was 1.2 percent greater than budgeted.
- General purpose grant-aid expenditures totaled \$52.4 million, an increase of 16.1 percent from 2002-03. (See table on page 25.) General purpose grant-aid expenditures have grown at an average annual rate of 9.6 percent since 1987-88. This growth 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

Unrestricted Grant Aid as a Percent of Tuition (excludes Hotel Administration and off-campus students)



Sources of Support for Grant Aid
(in inflation-adjusted, 2003-04 dollars in millions)



was less in 2003-04 (\$15.5 million) than in 1987-88 (\$16.1 million). (See graph at left.)

- The ratio of unrestricted grant aid to gross tuition revenue, sometimes termed a *tuition discount*, is a measure of the operational impact of awarding unrestricted grants. From 1988-89 through 1996-97, that ratio for the general purpose colleges rose from 13.4 percent to 20.7 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 resulted in a more consistent treatment of parental assets among participating institutions and provided more financial assistance to middle-income families, which increased demand for unrestricted grant aid.

Sources of Funding for Undergraduate Financial Aid

(dollars in thousands)

	87-88 <u>Actual</u>	01-02 <u>Actual</u>	02-03 <u>Actual</u>	03-04 <u>Plan</u>	03-04 <u>Actual</u>	Percent Change from Plan to <u>Actual</u>	Average Annual Growth Rate from <u>87-88</u>
Family Contribution							
1. Parental	\$22,189	\$59,712	\$63,749	\$65,661	\$68,712	4.6%	7.3%
2. Student	7,819	16,041	17,773	18,662	17,846	(4.4%)	5.3%
3. Subtotal	30,008	75,753	81,522	84,323	86,558	2.7%	6.8%
Federal Government							
4. Grants	5,143	8,913	9,421	9,561	9,749	2.0%	4.1%
5. Loans	11,192	30,776	32,059	33,802	32,781	(3.0%)	6.9%
6. Work/Study	2,769	4,901	4,907	5,250	4,891	(6.8%)	3.6%
7. Subtotal	19,104	44,590	46,387	48,613	47,421	(2.5%)	5.8%
State Government							
8. Grants	4,903	5,348	5,572	5,560	5,709	2.7%	1.0%
9. Work/Study	692						
10. Subtotal	5,595	5,348	5,572	5,560	5,709	2.7%	0.1%
Other External							
11. Grants	2,663	7,263	7,001	7,450	7,978	7.1%	7.1%
12. Subtotal	2,663	7,263	7,001	7,450	7,978	7.1%	7.1%
Cornell							
13. General Purpose Grants	12,157	43,151	45,180	52,441	52,441		9.6%
14. Designated Grants	594	1,867	2,393	2,623	2,745	4.7%	10.0%
15. Gifts/Endowment Grants	7,770	24,350	30,106	32,432	32,723	0.9%	9.4%
16. Loans	130	1,423	1,364	1,300	1,842	41.7%	18.0%
17. Work/Study	1,846	4,901	4,907	5,250	4,891	(6.8%)	6.3%
18. Subtotal	22,497	75,692	83,950	94,046	94,642	0.6%	9.4%
19. Total	79,867	208,646	224,432	239,992	242,308	1.0%	7.2%

Financial-Aid Population

(on- and off-campus)

	Fall 1987 <u>Actual</u>	Fall 2001 <u>Actual</u>	Fall 2002 <u>Actual</u>	Fall 2003 <u>Plan</u>	Fall 2003 <u>Actual</u>	Percent Change from Plan to <u>Actual</u>	Average Annual Growth Rate from <u>Fall 1987</u>
All Undergraduates							
1. Total Enrollment	12,958	13,801	13,725	13,688	13,655	(0.2%)	0.3%
2. Number with Need	5,173	6,489	6,598	6,598	6,717	1.8%	1.6%
3. Percent of Total Enrollment	39.9%	47.0%	48.1%	48.2%	49.2%		
4. Number with Grant Aid	3,815	5,257	5,416	5,407	5,609	3.7%	2.4%
5. Percent of Total Enrollment	29.4%	38.1%	39.5%	39.5%	41.1%		
Minority Undergraduates							
6. Total Minority	2,436	3,719	3,717	3,682	3,738	1.5%	2.7%
7. Percent of Total Enrollment	18.8%	26.9%	27.1%	26.9%	27.4%		
8. Underrepresented Minority	1,124	1,467	1,462	1,451	1,499	3.3%	1.8%
9. Percent of Total Enrollment	8.7%	10.6%	10.7%	10.6%	11.0%		

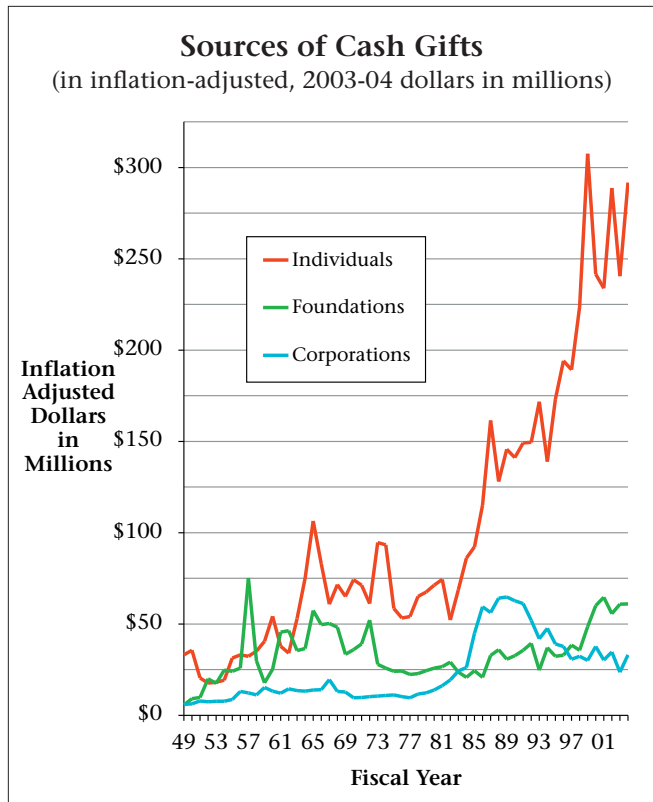
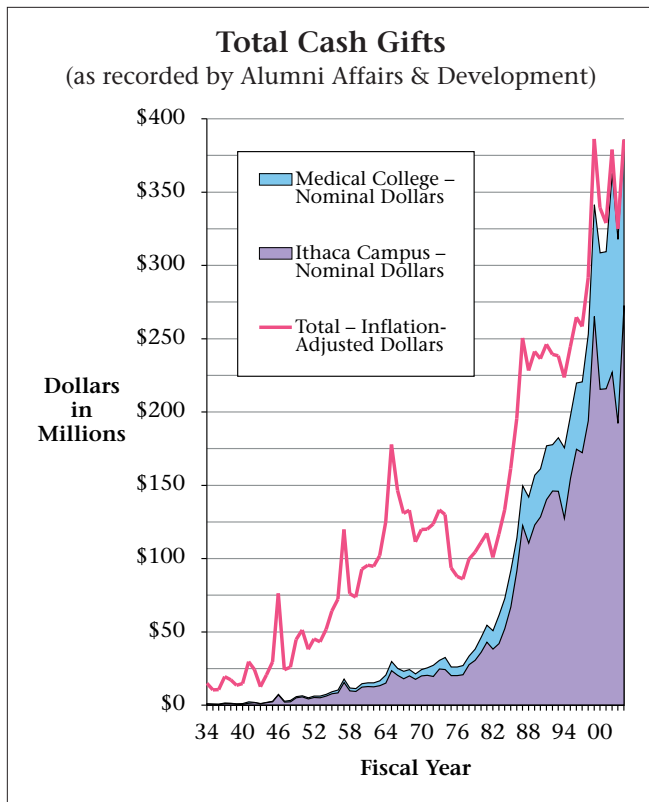
- Notes:
- The sources of financial aid shown are for students who demonstrate a financial need according to Cornell's methodology. Financial-aid amounts are shown as computed and as awarded. Students sometimes elect to underutilize the loan and work study components of their financial-aid packages.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

GIFTS/CONTRIBUTIONS

Gifts/Contributions

Cornell raised \$385.9 million in cash gifts in 2003-04 (as reported by Alumni Affairs and Development), a 22 percent increase from the prior-year amount. (See graph below and table on page 27.)

- Since 1933-34, the nominal level of cash gifts to Cornell has grown at an annual compounded rate of 7 percent. In inflation-adjusted terms, giving has increased at 3 percent per year.
- Gift sources have varied substantially over time. (See graph at right.) Corporate gifts, which increased substantially 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 76 percent of total giving—has grown dramatically. Gifts from alumni (including bequests) account for 48 percent of all cash donations.
- Cornell has achieved significant fund-raising success since the 1980's due to a combination of institution-wide campaigns and a number of focused initiatives to develop support for undergraduate financial-aid and several major capital construction projects. These and other efforts helped boost



the inflation-adjusted level of annual cash giving from about \$200 million in the early 1990's to over \$300 million today.

Cornell's financial statements report as *contributions* the sum of cash gifts, pledges deemed as *unconditional promises to give*, and irrevocable outside trust income.

- A total of \$350 million in contributions was reported in the university's 2003-04 financial statements, an increase of 57 percent from the amount recorded in 2002-03. This sum differed by \$35.9 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. (See table on page 27 for a reconciliation.)
- Contributions for general operations grew \$17.9 million from the 2002-03 level, while contributions to financial capital and physical capital increased \$79.8 million and \$29.7 million respectively. Seventy-nine percent of the overall growth occurred in the endowed Ithaca division, 1 percent in the contract colleges, and 20 percent in the Medical College. The endowed Ithaca increase occurred primarily in gifts to endowment.

Reconciliation of Contributions to Cash Gifts

(dollars in thousands)

	Endowed <u>Ithaca</u>	Contract <u>Colleges</u>	Medical <u>College</u>	03-04 <u>Total</u>	02-03 <u>Total</u>	Change from <u>02-03</u>
General Operations						
1. Unrestricted	\$24,667	\$9,955	\$49,302	\$83,924	\$95,550	(12%)
2. Temporarily Restricted	<u>28,725</u>	<u>9,042</u>	<u>27,431</u>	<u>65,198</u>	<u>35,669</u>	83%
3. Total General Operations	53,392	18,997	76,733	149,122	131,219	14%
Financial Capital						
4. True Endowment	54,854	8,622	13,449	76,925	37,642	104%
5. Funds Functioning as Endowment	61,644	2,195	10,172	74,011	37,239	99%
6. Life Income Funds	5,998	329	16	6,343	3,821	66%
7. Trusts Held by Others	2,002	48	282	2,332	276	745%
8. Loan Funds	<u>126</u>	<u> </u>	<u>213</u>	<u>339</u>	<u>1,159</u>	(71%)
9. Total Financial Capital	124,624	11,194	24,132	159,950	80,137	100%
Physical Capital						
10. Cash Gifts	16,961	(1,402)	11,059	26,618	8,879	200%
11. Gifts in Kind	<u>5,063</u>	<u>961</u>	<u>8,350</u>	<u>14,374</u>	<u>2,371</u>	506%
12. Total Physical Capital	22,024	(441)	19,409	40,992	11,250	264%
13. Financial Statement Total	200,040	29,750	120,274	350,064	222,606	57%
Adjustments						
14. Gifts to Outside Trusts	659	(48)	(182)	429	628	(32%)
15. Gift Annuities	1,052	179	26	1,257	3,607	(65%)
16. Split-Interest Agreements	4,447	37		4,484	2,531	77%
17. Insurance Premiums Not Booked					1	(100%)
18. Pledges (net present value)	28,367	629	(6,661)	22,335	86,149	(74%)
19. Timing Differences	6,074	389	904	7,367	1,522	384%
20. Other					(1)	(100%)
21. Total Adjustments	40,599	1,186	(5,913)	35,872	94,437	(62%)
22. Gift Records Total	240,639	30,936	114,361	385,936	317,043	22%

- Notes:
- This table reconciles *contributions* as displayed in the financial statements (line 13) to *cash gifts* as reported from Alumni Affairs and Development's 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).

NOTES

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