

# CORNELL UNIVERSITY FINANCIAL REPORT, 1978-79

## Financial Review

The argument is often made that in higher education too much attention is paid to financial strength, with academic health appearing to take a backseat to fiscal matters. There can be no argument that the quality of education must be the principal concern if an institution is to survive and thrive. However, in one sense the academic environment is no different from the corporate world. No corporation can achieve great strength without a healthy financial base. So, too, in education the funds must be available for innovation, maintenance of existing quality, and strengthening areas when appropriate.

Because universities follow financial reporting practices vastly different from those in the business sector, the public is often confused when attempting to analyze the overall financial health of the institution. Unlike organizations in the business sector, universities receive large sums of money that must be used for purposes specified by the donor or grantor. Further restrictions may indicate that the funds received are not to be spent but are to be invested to cover future needs. To recognize these differences, higher education follows principles known as fund accounting that categorize the resources of the university in four major fund groups—current funds, endowment and similar funds, plant funds, and student loan funds. While there is a tendency to concentrate on results of operations as displayed in the current funds, it is important for the reader to note the change in all fund groups, not just for one year, but as an indication of trends over longer periods of time. This review, along with the financial statements and the accompanying notes, is intended to improve understanding of Cornell's fiscal health.

## Overall Status and Financial Results

By any measure 1978-79 was a good year for the University. As shown in table 1, fund balances increased \$48.3 million from the prior year. While resources expended increased 11 percent, from \$296.8 million to \$329.1 million, resources received hit an all-time high of \$365.6 million, up \$51 million from the prior year. As noted in the

table, realized and unrealized investment gains were \$15.7 million in 1979, as contrasted with gains of \$4.9 million in 1977 and losses of \$11.8 million in 1978. Investment earnings were also up significantly, to \$24 million, principally reflecting the high interest rates prevailing throughout most of the year. While federal, state, and local

government support continues to provide a major portion of the University's resources, the percentage of the total from all governmental sources declined from 45.1 percent in 1977-78 to 44.3 percent in 1978-79. For the two-year period, there were major increases in private gifts, grants and contracts, federal government funds

**Table 1. Analysis of Overall Financial Activity (In Millions)**

	1979	1978	1977	Change 1979-78	Change 1978-77
<b>Financial resources received (excluding borrowings)</b>					
Students:					
Tuition and fees	\$ 66.9	\$ 61.0	\$ 57.5	\$ 5.9	\$ 3.5
Auxiliary enterprises	25.8	24.5	22.6	1.3	1.9
External sources:					
Private gifts, grants, and contracts	40.4	34.8	29.8	5.6	5.0
Federal government	94.8	79.8	69.3	15.0	10.5
State and local government	67.0	62.1	54.1	4.9	8.0
Investments:					
Current earnings	24.0	19.6	18.0	4.4	1.6
Special distribution of investment income	2.4			2.4	
Realized gain (loss)	6.1	(2.3)	0.5	8.4	(2.8)
Medical Service Plan	17.8	16.2	14.2	1.6	2.0
Other income	20.4	18.9	19.2	1.5	(0.3)
Total	\$365.6	\$314.6	\$285.2	\$51.0	\$ 29.4
<b>Resources expended</b>					
Current fund expenditures and external debt service	\$324.8	\$291.6	\$259.8	\$ 33.2	\$ 31.8
Plant fund expense, maintenance and alterations	4.0	3.9	1.8	0.1	2.1
Other expenditures, net	0.3	1.3	3.2	(1.0)	(1.9)
Total	\$329.1	\$296.8	\$264.8	\$32.3	\$ 32.0
<b>Other charges and adjustments</b>					
Plant additions charged to current operations	\$ 9.6	\$ 10.1	\$ 7.7	\$(0.5)	\$ 2.4
Equipment disposals and write-downs	(7.4)	(16.0)	(2.2)	8.6	(13.8)
Unrealized gain (loss) on investments	9.6	(9.5)	4.4	19.1	(13.9)
<b>Increase in fund balances</b>	<b>\$ 48.3</b>	<b>\$ 2.4</b>	<b>\$ 30.3</b>	<b>\$ 45.9</b>	<b>\$(27.9)</b>

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(principally for research), and earnings on investments.

Reflecting the continuing success of the \$230 million Cornell Campaign, table 2 shows a 16.1 percent increase in private support from 1977-78, to a new high of \$40.4 million in 1978-79. The major increase occurred in gifts to current operations for unrestricted purposes as well as grants, contracts, and other restricted gifts.

At year-end outstanding pledges for major gifts were reported at \$20 million. In addition, the Development Office has been informed of future bequests with a discounted present value of \$27.1 million.

In addition to the \$9.6 million of additions to plant charged to current operations, the University's net investment in plant was increased by \$9.8 million for capitalized expenditures of plant funds and \$2.3 million by debt reduction. Since these latter two items simply translate expendable funds into fixed assets, they are not reflected in the statement of financial activity.

In 1978 the University reduced its net investment in plant by \$16 million, representing both equipment disposed of during the year and a change in the definition of the cost of individual equipment items from \$100 to \$300. In 1978-79 the Statutory Colleges changed their definition from \$100 to \$200 to conform with the capitalization policy of other New York State-funded institutions. As a result, equipment with an aggregate cost of \$5.4 million was deleted from the property accounts in 1978-79. Normal disposals during the year as well as the continuing review of the Endowed equipment records led to an overall figure of \$7.4 million for equipment disposal and write-downs.

Table 3 reflects the effects of the changes described above on the University's assets, liabilities, and "net worth" (while the term "net worth" is not normally used in conventional fund accounting, the total of all fund balances is often viewed as an appropriate simile). Aided by a much-improved stock market as well as successful fund-raising efforts, Cornell's "net worth" increased \$48.3 million during the year ended June 30, 1979, as contrasted with an increase of only \$2.4 million in the prior year. The year 1977-78 was constrained by both the large write-down in equipment and \$11.8 million of losses on

investments, both realized and unrealized. Endowment and similar funds grew 9.5 percent, to \$322.9 million at June 30, 1979. The growth in current assets was even greater, at 15.4 percent. External long-term debt remained relatively constant during the period. Reductions in external debt through normal debt retirement were offset by the refinancing of the University's interest in its IBM 370/168 computer under a sale-leaseback arrangement.

### Current Operations

General purpose revenues are composed chiefly of tuition, New York State appropriations, recovery of overhead costs associated with

research, undesignated gifts, and unrestricted investment income. Designated funds are derived principally from special educational service programs such as Summer Session and the Statler Inn and also include the tuition paid by students in both the School of Business and Public Administration and the School of Hotel Administration, which are operated as self-supporting units. In addition, campuswide service operations such as the computer center, utilities, the print shop, laundry, and others are treated as business operations, with the charges for their services within the University expected to equal their total costs. These service operations are part of the designated fund category, and their revenues totaled \$33.9 million for the year.

**Table 2. Private Support (in Millions)**

	1979			Total 1979	Total 1978	Total 1977
	Endowed Ithaca	Statutory Colleges	Medical College			
Current operations:						
Unrestricted gifts	\$ 7.2	\$1.1	\$0.7	\$ 9.0	\$ 7.5	\$ 6.0
Grants, contracts, and restricted gifts	10.9	4.2	6.2	21.3	12.7	13.1
Endowment funds	2.5	0.6	1.1	4.2	6.0	5.2
Living trust funds	2.5	0.1	0.1	2.7	4.5	1.7
Construction and equipment	3.1	0.1		3.2	4.1	3.8
<b>Total</b>	<b>\$26.2</b>	<b>\$6.1</b>	<b>\$8.1</b>	<b>\$40.4</b>	<b>\$34.8</b>	<b>\$29.8</b>

**Table 3. Analysis of Changes in Assets, Liabilities, and "Net Worth" (in Millions)**

	1979	1978	1977	Change 1979-78	Change 1978-77
Current assets*	\$ 96.5	\$ 83.6	\$ 73.9	\$12.9	\$ 9.7
Long-term investments:					
Endowment and similar funds	322.9	295.0	290.7	27.9	4.3
Student loans	13.6	12.0	11.8	1.6	0.2
Other	1.1	1.1	3.9		(2.8)
Plant	457.7	445.1	437.8	12.6	7.3
<b>Total</b>	<b>\$891.8</b>	<b>\$836.8</b>	<b>\$818.1</b>	<b>\$55.0</b>	<b>\$18.7</b>
Short-term liabilities	\$ 19.3	\$ 17.2	\$ 15.2	\$ 2.1	\$ 2.0
Deposits and deferred revenues	5.1	3.4	2.9	1.7	0.5
Long-term debt (external)	68.7	68.0	53.3	0.7	14.7
Other long-term liabilities	16.8	14.6	15.5	2.2	(0.9)
<b>Total</b>	<b>\$109.9</b>	<b>\$103.2</b>	<b>\$ 86.9</b>	<b>\$ 6.7</b>	<b>\$16.3</b>
<b>Net worth</b>	<b>\$781.9</b>	<b>\$733.6</b>	<b>\$731.2</b>	<b>\$48.3</b>	<b>\$ 2.4</b>

Note: Interfund advances are excluded.

\*Includes state appropriations for construction.

Auxiliary enterprises include housing, dining, and the Campus Store, which charge fees (totaling \$29.5 million in the past year) directly related to the cost of service. Restricted funds are principally those received for federal or state research grants or contracts (\$70.6 million) but also include private gifts, grants, and contracts (\$21.3 million) and investment income (\$11.9 million) restricted by donors to a particular college, function, or activity.

As reflected in table 4, the results of current operations for the year resulted in a net increase in current fund balances for the entire University exceeding \$6 million. Of this increase \$2.293 million was attributable to a change in the accounting for investment income. In prior years the University had accrued investment income primarily only on fixed income securities expected to be held for short term. With the rapid increase of interest rates, there have been substantial changes in the University's investment portfolio, and it appears desirable to reflect all investment income when earned rather than when received. Total revenues of over \$340 million exceeded expenditures and mandatory transfers by approximately \$14 million. Under the University's total return formula, \$811,000 of invested capital was applied to operations. As is discussed in a later section on investment performance, this will be the final year that the University will apply the total return concept in the definition of investment income. The sum of \$8.883 million of expendable gifts received during the year was transferred from current funds to endowment and similar funds to function as endowment for the production of future income. As noted in table 4, over \$6 million of the total was gifts for restricted purposes. An additional \$3.6 million was transferred to plant funds, \$2.991 million for additions and replacement of plant and equipment and \$604,000 for the retirement of internal advances for construction and other plant purposes.

#### Endowed Ithaca

The general purpose revenues and expenditures for this major division include not only the endowed colleges at Ithaca but also the central University administration. The total revenues for Endowed Ithaca include \$6.1 million of tuition paid by students enrolled in the statutory colleges, representing a portion of

these administrative costs attributable to the statutory units. The final shortfall in general purpose funds of \$349,000 contrasts with an originally budgeted deficit of \$2.15 million. This occurred in spite of the division absorbing half of a \$1.4 million budget overrun in connection with the transfer of computing for the Medical College from New York City to the Ithaca computing center. Tuition revenues were up over \$5 million, and indirect cost recovery on sponsored programs increased by \$1.1 million. Thanks to tight expenditure control, particularly in the colleges, budget savings targets were exceeded by most units, and funds carried forward (reappropriated) for expenditure in the following

year increased by over \$1.5 million. With the exception of the heating plant and the Office of Computer Services, all enterprise and service operations operated at break-even or better.

#### Medical College

While a deficit in general purpose budget operations of \$2.3 million can hardly be classified as good news, the original plan had indicated a shortfall over \$3.5 million. Had the college not experienced the unexpected problems in its computing operations mentioned above, the final deficit would have been significantly lower. Main reasons for the improvement were increased

**Table 4. Current Operations (In Thousands)**

	General Purpose (Undesignated) Funds				Designated	Restricted	Total
	Endowed Ithaca	Medical College	Statutory Colleges	Total	Auxiliary Enterprises		
Total revenues and other additions	\$ 82,011	\$ 12,808	\$ 75,534	\$ 166,378*	\$ 66,522	\$ 107,740	\$ 340,641
Expenditures and mandatory transfers	(77,067)	(14,242)	(73,905)	(161,239)*	(67,802)	(97,469)	(326,510)
Other transfers and adjustments:							
Invested capital applied to operations under total return formula	257	34	3	294	97	420	811
Spendable gifts allocated to funds functioning as endowment	(1,897)	(52)	2	(1,897)	(679)	(6,307)	(8,883)
Transfers to plant funds for:							
Additions and replacements	(388)	(519)	(406)	(1,313)	(1,618)	(60)	(2,991)
Internal debt service	(34)			(34)	(570)		(604)
General purpose funds designated and other transfers, net	(3,358)	(362)	(2,164)	(5,884)	6,401	669	1,186
Revenue over (under) expenditures and transfers before actions to cover deficit	\$ (426)	\$ (2,333)	\$ (936)	\$ (3,695)	\$ 2,351	\$ 4,993	\$ 3,649
Effect of realizing gain on investments previously reported as unrealized gain	77			77			77
Surplus (deficit) prior to effect of change in method of accounting for investment income	\$ (349)	\$ (2,333)	\$ (936)	\$ (3,618)	\$ 2,351	\$ 4,993	\$ 3,726
Cumulative effect of change in method of accounting for investment income	509	117		626	109	1,558	2,293
Surplus (funds applied to cover deficit)	\$ 160	\$ (2,216)	\$ (936)	\$ (2,992)	\$ 2,460	\$ 6,551	\$ 6,019

\*Total revenues, expenditures, and mandatory transfers are net of \$3.975 million of accessory instruction, which represents net charges from the Endowed Colleges at Ithaca for instruction of students enrolled at the Statutory Colleges. On a combined University basis this item is eliminated to avoid duplication of revenues and expenditures.

external support for biomedical research and the resulting increase in recovery of indirect costs, higher investment income, and greater unrestricted gifts. At the same time, the college inaugurated a program of tight fiscal control of expenditures including delays in filling vacant positions, postponement of the hiring of new department chairpersons, and more aggressive efforts seeking external funds. The Cornell Medical Group billed patients a record \$17.8 million, up \$1.6 million over the prior year. In addition to supplying over \$2.5 million of faculty salary support, the Group revenues increased college funds by \$267,000 and departmental funds by \$487,000.

### Statutory Colleges

The undesignated funds for the statutory units consist of deans' funds plus federal and state appropriations. While the total of the undesignated funds decreased \$936,000 for the year, college-designated funds (funds available for use by the departments) increased almost \$700,000. State appropriations exceeded the original budget by over \$3 million because of funds received for salary increases (\$2.092 million), new funds (\$533,000), and a supplemental budget appropriation (\$494,000). Departmental revenues from sales and services were up over \$1 million. As footnoted in table 4, the totals of revenues, expenditures, and mandatory transfers are net of \$3.975 million of accessory instruction. While students are free to take courses in all colleges, students enrolled in the statutory colleges take more courses in the endowed colleges than vice versa. During 1978-79 the statutory colleges reimbursed the endowed colleges for a net of over 38,000 credits taught.

### Trends in Current Expenditures

As shown in table 5, the direct costs of academic programs increased over 14 percent while support activities increased approximately 11 percent. Funds expended for research showed the largest increase in direct costs. As noted previously, federal funds received for research increased over 20 percent for the entire University during 1978-79. The growth in expenditures for plant operations and maintenance slowed although rising fuel costs served to counterbalance the University's efforts at energy conservation. The large increase in expenditures for plant

operations and maintenance between 1976-77 and 1977-78 reflected not only the greater energy costs but also a step-up in maintenance expenditures at the endowed colleges.

### Resources Available for Expenditures

Table 6 summarizes the changes in the balances in endowment and similar funds over the past several years for each of the major divisions of the University. (Funds available for use throughout the University are included under "Endowed Ithaca.")

The market value of the University's endowment and similar funds at June 30, 1979, finally recovered past the previous high of June 30, 1973. While all divisions showed increases during the past year, most of the increase occurred in Endowed Ithaca. Approximately \$12 million was from market value gains, \$2.5 million from gifts for endowment, and \$7.2 million from spendable gifts added as funds functioning as endowment. For the Medical College, gifts and other additions were approximately equal to withdrawals for ongoing operations; market increases were \$2.2 million.

**Table 5. Expenditures and Mandatory Transfers for Current Operations (in Millions)**

	1979	1978	1977
Academic programs, direct costs:			
Instruction	\$ 66.5	\$ 61.0	\$ 57.2
Research	90.6	75.1	65.1
Public service	25.9	23.9	20.8
Total	<u>\$183.0</u>	<u>\$160.0</u>	<u>\$143.1</u>
Support activities:			
Libraries and other			
direct academic support	\$ 21.8	\$ 19.7	\$ 17.5
Student services	11.3	9.9	9.4
Plant operations and maintenance	23.5	21.1	18.1
Institutional support	23.4	21.1	18.3
Total	<u>\$ 80.0</u>	<u>\$ 71.8</u>	<u>\$ 63.3</u>
Scholarships and fellowships	\$ 18.0	\$ 17.3	\$ 15.7
Auxiliary enterprises	26.0	24.9	22.7
Medical Service Plan	16.6	15.3	13.2
Other	2.9	2.3	1.8
Total	<u>\$326.5</u>	<u>\$291.6</u>	<u>\$259.8</u>

Note: For comparative purposes, certain 1977 figures have been restated to indicate organizational changes.

**Table 6. Balances of Endowment and Similar Funds (in Millions)**

	Endowed Ithaca	Medical College	Statutory Colleges	Total
1973	\$217.9	\$48.5	\$10.3	\$276.7
1974	182.2	41.3	9.0	232.5
1975	198.1	44.9	11.0	254.0
1976	212.4	46.9	12.5	271.8
1977	211.4	46.7	13.4	271.5
1978	207.5	44.0	14.0	265.5
1979	226.2	45.5	16.3	288.1

Note: As of June 30 in each year.

Table 7 reflects the supplemental system for classifying endowment and similar funds adopted last year. Of particular significance was that undesignated, spendable balances for Endowed Ithaca increased \$5.2 million during the year. The total of true endowment funds for the University increased \$13.8 million.

### Investment Performance

The major portion of Cornell's funds is invested in one of three pools, comparable to mutual funds, and are described in detail in note 2 to the financial statements. The Endowment, Capital, and Life Income Fund pools operate on a unit basis, and each unit has a market value equal to its proportionate share of the underlying assets of the pool's investment. The unit value of these pools over the past seven years, compared with major stock and bond indices, is shown in table 8. As described in note 2 to the financial statements, the University discontinued both the Endowment Fund and the Capital Fund pools at June 30, 1979, and the funds invested were transferred either to a newly created Long Term Investment Pool or to the existing Short Term Investment Pool.

The year 1978-79 was a successful one for Cornell's investments. The total funds under direct management of the Investment Office rose to a new high; unit values in both the Endowment Fund and the Capital Fund pools improved; and income production established new records. The year 1979 was a good one for growth in funds subject to living trust agreements. At June 30, 1979, the Trust Office administered a total \$18.5 million for 262 alumni and friends of the University.

**Table 7. Endowment and Similar Funds (in Millions)**

	Endowed Ithaca	Medical College	Statutory Colleges	Total 1979	Total 1978
True endowments	\$158.1	\$30.2	\$ 9.5	\$197.8	\$184.0
Funds functioning as endowments— not intended to be expended:					
Legally restricted as to use	32.8	5.4	6.4	44.6	36.2
Designated as to use	9.6		0.4	10.0	9.0
Undesignated	1.1			1.1	1.0
Other spendable funds functioning as endowments:					
Security pledges and deposits	4.1	1.1		5.2	5.6
Special situations:					
Limited market stock and partnerships	1.9	2.2		4.1	7.8
Gifts pending donor designation	0.5			0.5	0.4
Anonymous 30/Melion— academic program support	1.0			1.0	1.1
Undesignated spendable balance:					
Unrestricted reserve	8.0	6.6		14.6	6.2
Other funds	9.1			9.1	14.2
<b>Total</b>	<b>\$226.2</b>	<b>\$45.5</b>	<b>\$16.3</b>	<b>\$288.1</b>	<b>\$265.5</b>

**Table 8. Investment Results**

	Unit Market Value				
	Endowment Fund Pool	Capital Fund Pool	Life Income Fund Pool	Dow Jones (Bond Average)	Standard and Poors
1973	\$2.22	\$2.16	\$1.02	74.19	104.26
1974	1.83	1.79	0.92	67.66	86.00
1975	1.97	1.83	0.97	69.32	95.19
1976	2.13	1.77	1.01	85.70	104.28
1977	2.20	1.64	1.06	92.55	100.48
1978	2.11	1.44	0.99	87.34	95.53
1979	2.21	1.63	0.98	85.70	102.91

Note: As of June 30 in each year.

## Concluding Comments

In summary, 1978-79 was a good year. All divisions showed year-end results substantially better than originally budgeted. The recovery of the stock market and the continued generosity of alumni and friends of the University led to significant growth in invested funds. While inflationary pressures continue to keep the University in a cost squeeze, we enter the new year in sound fiscal condition. Particularly noteworthy is the fact that the amount added to investment for the production of future income substantially exceeded withdrawals for operations and capital needs. Budget projections for 1979-80 are in balance for Endowed Ithaca. The Medical College continues to have serious financial problems, and it is hoped the projected deficit for fiscal year 1980 will be substantially diminished by tight operational controls. While national and international fiscal concerns, particularly rising inflation, give cause for concern, we face the decade ahead confident that we will be able to maintain the University's position of excellence.

John S. Ostrom  
University Controller

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## AUDITORS' OPINION

The Board of Trustees  
of Cornell University:

We have examined the balance sheet of Cornell University as of June 30, 1979 and the related statements of changes in fund balances, of non-mandatory transfers among funds, of current funds resources made available and applied and of current funds expenditures for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion such financial statement present fairly the financial position of the University as of June 30, 1979 and the changes in its fund balances and its current funds revenues, expenditures, and other changes for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion such accounting principles have been applied on a basis consistent with that of the preceding year except for the changes, with which we concur, in the method of reporting investment income and in the accounting for equipment of the Statutory Colleges, as described in Notes 1C and 1D to the financial statements.

*Deloitte Haskins + Sells*

September 18, 1979

Exhibit A  
**Balance Sheet (In Thousands)**  
 June 30, 1979  
 With Comparative Amounts for June 30, 1978

	Current Funds		Endowment and Similar Funds		Plant Funds		Student Loan Funds		Total	
	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978
<b>Assets</b>										
Cash and temporary investments (notes 1B, 3, 4)	\$31,512	\$28,567	\$ 32,010	\$ 33,772	\$ 18,130	\$ 17,640	\$ 2,465	\$ 2,359	\$ 84,117	\$ 82,338
Investments (notes 1B, 2, 3, 4, 6)	453	458	290,943	261,195	700	700			292,096	262,353
Accounts receivable (note 5):										
Government agencies	12,247	9,680							12,247	9,680
Patients	3,387	3,615							3,387	3,615
Accrued investment income (note 1C)	3,891	700							3,891	700
Other	12,471	9,132							12,471	9,132
State appropriations for construction					2,497	3,210			2,497	3,210
Student loans receivable (note 5)							13,580	12,059	13,580	12,059
Inventories (at cost) and deferred charges	9,805	8,636							9,805	8,636
Land, buildings, and equipment (notes 1D, 8)					457,740	445,131			457,740	445,131
Advances for plant (note 9)	2,312	3,524	424	468	(2,736)	(3,992)				
<b>Total assets</b>	<u>\$76,078</u>	<u>\$64,312</u>	<u>\$323,377</u>	<u>\$295,435</u>	<u>\$476,331</u>	<u>\$462,689</u>	<u>\$16,045</u>	<u>\$14,418</u>	<u>\$891,831</u>	<u>\$836,854</u>
<b>Liabilities</b>										
Accounts payable and accrued expenses	\$19,288	\$17,163							\$ 19,288	\$ 17,163
Deposits and deferred revenues	4,906	3,423			\$ 200				5,106	3,423
Employee pension funds (note 10)			\$ 14,009	\$ 12,002					14,009	12,002
Funds held in trust for others			2,750	2,616					2,750	2,616
Bonds, mortgages, and notes payable (note 7)					68,713	\$ 68,011			68,713	68,011
<b>Total liabilities</b>	<u>\$24,194</u>	<u>\$20,586</u>	<u>\$ 16,759</u>	<u>\$ 14,618</u>	<u>\$ 68,913</u>	<u>\$ 68,011</u>			<u>\$109,866</u>	<u>\$103,215</u>
<b>Fund balances (note 1)</b>										
Unrestricted funds:										
Undesignated	\$ 1,818	\$ 2,671							\$ 1,818	\$ 2,671
Designated for specific purposes	15,914	13,880							15,914	13,880
Auxiliary enterprises	1,837	1,411							1,837	1,411
Restricted funds	32,315	25,764					\$ 8,104	\$ 5,571	38,419	31,335
Loan funds refundable to U.S. government							9,941	8,847	9,941	8,847
Endowment funds			\$197,774	\$183,977					197,774	183,977
Funds functioning as endowment			90,319	81,502					90,319	81,502
Expendable plant funds (note 8)					\$ 25,911	\$ 27,672			25,911	27,672
Net investment in plant					381,507	367,006			381,507	367,006
Funds subject to living trust agreements			18,525	15,338					18,525	15,338
<b>Total fund balances</b>	<u>\$51,884</u>	<u>\$43,726</u>	<u>\$306,618</u>	<u>\$280,817</u>	<u>\$407,418</u>	<u>\$394,678</u>	<u>\$16,045</u>	<u>\$14,418</u>	<u>\$781,965</u>	<u>\$733,639</u>
<b>Total liabilities and fund balances</b>	<u>\$76,078</u>	<u>\$64,312</u>	<u>\$323,377</u>	<u>\$295,435</u>	<u>\$476,331</u>	<u>\$462,689</u>	<u>\$16,045</u>	<u>\$14,418</u>	<u>\$891,831</u>	<u>\$836,854</u>

See accompanying notes to financial statements.

Exhibit B Statement of Changes in Fund Balances (In Thousands) For the Year Ended June 30, 1979	Current Funds		Endowment and Similar Funds			Plant Funds	Student Loan Funds	Total
	Unrestricted	Restricted	Functioning as		Living Trust Funds			
			Endowment	Endowment				
<b>Revenues and other additions</b>								
Tuition and fees	\$ 66,945							\$ 66,945
State appropriations	56,789					\$ 2,893		59,682
Federal appropriations	12,575	\$ 573						13,148
Federal grants and contracts	15,176	64,892				710	\$ 955	81,733
State grants and contracts	806	5,790				10		6,606
Local grants and contracts		724				25		749
Private gifts, grants, and contracts	8,962	21,286	\$ 4,264		\$ 2,673	3,162	17	40,364
Income from investments (note 1C)	9,841	11,947	155			1,312	729	23,984
Terminated living trust funds	111		10					121
New York Hospital contribution toward shared costs	1,878	776						2,654
Sales and services of educational departments	6,896	989						7,885
Group medical practice fees	17,781							17,781
Sales and services of auxiliary enterprises	25,790							25,790
Other sources including university internal services net of interdepartmental charges	8,891	763				46	45	9,785
Additions to plant charged to current funds						9,635		9,635
Net realized gain on investments	460		3,126	\$ 2,173	338			6,097
Net unrealized gain (loss) on investments			5,632	3,707	323	(53)		9,609
<b>Total revenues and other additions</b>	<b>\$232,901</b>	<b>\$107,740</b>	<b>\$ 13,187</b>	<b>\$ 5,880</b>	<b>\$ 3,380</b>	<b>\$ 17,739</b>	<b>\$ 1,741</b>	<b>\$382,568</b>
<b>Expenditures and other deductions</b>								
Educational and general expenditures	\$200,144	\$ 97,391						\$297,535
Auxiliary enterprises expenditures	23,163	78						23,241
Noncapitalized expenditures for plant						\$ 4,066		4,066
Interest paid on debt						4,145		4,145
Reduction of plant facilities (note 1D)						7,355		7,355
Terminated living trust funds					\$ 121			121
Other deductions				\$ 13		72	77	162
<b>Total expenditures and other deductions</b>	<b>\$223,307</b>	<b>\$ 97,469</b>		<b>\$ 13</b>	<b>\$ 193</b>	<b>\$ 15,643</b>		<b>\$336,625</b>
<b>Transfers among funds—additions (deductions)</b>								
Mandatory transfers to:								
Plant funds for external debt service	\$ (5,631)					\$ 5,631		
Loan funds for matching grants	(103)						\$ 103	
Endowment funds from student loan repayments			\$ 246				(246)	
<b>Total mandatory transfers</b>	<b>\$ (5,734)</b>		<b>\$ 246</b>			<b>\$ 5,631</b>	<b>\$ (143)</b>	
Nonmandatory transfers (see exhibit B-1)	\$ (2,988)	\$ (5,278)	\$ 334	\$ 2,950		\$ 5,013	\$ (31)	
<b>Total transfers</b>	<b>\$ (8,722)</b>	<b>\$ (5,278)</b>	<b>\$ 580</b>	<b>\$ 2,950</b>		<b>\$ 10,644</b>	<b>\$ (174)</b>	
<b>Net change in fund balances before the cumulative effect of change in accounting method</b>	<b>\$ 872</b>	<b>\$ 4,993</b>	<b>\$ 13,767</b>	<b>\$ 8,817</b>	<b>\$ 3,187</b>	<b>\$ 12,740</b>	<b>\$ 1,567</b>	<b>\$ 45,943</b>
Cumulative effect on prior years of the change in method of accounting for investment income (note 1C)	735	1,558	30				60	2,383
<b>Net change in fund balances</b>	<b>\$ 1,607</b>	<b>\$ 6,551</b>	<b>\$ 13,797</b>	<b>\$ 8,817</b>	<b>\$ 3,187</b>	<b>\$ 12,740</b>	<b>\$ 1,627</b>	<b>\$ 48,326</b>
<b>Fund balances, June 30, 1978</b>	<b>17,962</b>	<b>25,764</b>	<b>183,977</b>	<b>81,502</b>	<b>15,338</b>	<b>394,678</b>	<b>14,418</b>	<b>733,639</b>
<b>Fund balances, June 30, 1979</b>	<b>\$ 19,569</b>	<b>\$ 32,315</b>	<b>\$197,774</b>	<b>\$90,319</b>	<b>\$18,525</b>	<b>\$407,418</b>	<b>\$16,045</b>	<b>\$781,965</b>

See accompanying notes to financial statements.



Exhibit B-1

**Statement of Nonmandatory Transfers Among Funds (In Thousands)**

For the Year Ended June 30, 1979

	Current Funds						Endowment and Similar Funds			Plant Funds	Student Loan Funds
	Unrestricted		Auxiliary Enterprises	Restricted	Total Current Funds	Endowment	Functioning as Endowment	Living Trust Funds			
	Undesignated	Designated							Total		
<b>Transfers among current funds</b>											
As subsidies for student unions and computer services	\$ (2,294)	\$ 699	\$ 1,595								
Amounts designated for specific purposes	(2,377)	2,259	7	\$ (111)	\$ 111						
Net change in year-end undesignated balances reapportioned for expenditures in succeeding year	(1,431)	1,431									
<b>Total</b>	<b>\$ (6,102)</b>	<b>\$ 4,389</b>	<b>\$ 1,602</b>	<b>\$ (111)</b>	<b>\$ 111</b>						
<b>Transfers from current to other funds</b>											
To plant funds for:											
Additions and replacements	\$ (1,313)	\$ (639)	\$ (979)	\$ (2,931)	\$ (60)	\$ (2,991)			\$ 2,991		
Internal debt service	(34)	(479)	(91)	(604)		(604)			604		
To funds functioning as endowment	(1,897)	(679)		(2,576)	(6,307)	(8,883)	\$ 8,883				
Other					(86)	(86)	\$ 85			\$ 1	
<b>Total</b>	<b>\$ (3,244)</b>	<b>\$ (1,797)</b>	<b>\$ (1,070)</b>	<b>\$ (6,111)</b>	<b>\$ (6,453)</b>	<b>\$ (12,564)</b>	<b>\$ 85</b>	<b>\$ 8,883</b>	<b>\$ 3,595</b>	<b>\$ 1</b>	
<b>Transfers to current from funds functioning as endowment</b>											
Portion of investment gains distributed under total return formula	\$ 294	\$ 95	\$ 2	\$ 391	\$ 420	\$ 811		\$ (811)			
To eliminate year-end Medical College deficit in undesignated current fund balances	2,216			2,216		2,216		(2,216)			
Other	217	410		627	644	1,271		(1,268)		\$ (3)	
<b>Total</b>	<b>\$ 2,727</b>	<b>\$ 505</b>	<b>\$ 2</b>	<b>\$ 3,234</b>	<b>\$ 1,064</b>	<b>\$ 4,298</b>		<b>\$ (4,295)</b>		<b>\$ (3)</b>	
<b>Transfers not affecting current funds</b>											
To plant funds for additions and replacements								\$ (1,418)	\$ 1,418		
Other							\$ 249	(220)		\$ (29)	
<b>Total</b>							<b>\$ 249</b>	<b>\$ (1,638)</b>	<b>\$ 1,418</b>	<b>\$ (29)</b>	
<b>Total nonmandatory transfers</b>	<b>\$ (6,619)</b>	<b>\$ 3,097</b>	<b>\$ 534</b>	<b>\$ (2,986)</b>	<b>\$ (5,278)</b>	<b>\$ (8,266)</b>	<b>\$ 334</b>	<b>\$ 2,950</b>	<b>\$ 5,013</b>	<b>\$ (31)</b>	

See accompanying notes to financial statements.

## Exhibit C

**Statement of Current Funds Resources Made Available and Applied (In Thousands)**

For the Year Ended June 30, 1979

With Comparative Amounts for the Year Ended June 30, 1978

	Unrestricted				Restricted	1979	1978
	Undesignated	Designated	Auxiliary Enterprises	Total		Total	Total
<b>Resources made available</b>							
Revenues and additions (see exhibit B and note 12)	\$166,379	\$40,635	\$25,887	\$232,901	\$107,740	\$340,641	\$295,746
Nonmandatory transfers (see exhibit B-1):							
From other funds (principally from funds functioning as endowment)	2,727	505	2	3,234	1,064	4,298	3,709
Among current funds		4,389	1,602	5,991	111	6,102	4,531
	\$169,106	\$45,529	\$27,491	\$242,126	\$108,915	\$351,041	\$303,986
Portion of beginning of year fund balance used	\$ 852			\$ 852		\$ 852	\$ 658
Cumulative effect on prior years of changes in accounting methods (note 1C)	627	\$ 99	\$ 9	735	\$ 1,558	2,293	137
Total resources made available	<u>\$170,585</u>	<u>\$45,628</u>	<u>\$27,500</u>	<u>\$243,713</u>	<u>\$110,473</u>	<u>\$354,186</u>	<u>\$304,781</u>
<b>Resources applied</b>							
Expenditures and mandatory transfers:							
Educational and general:							
Expenditures (see exhibit C-1)	\$160,026	\$41,118		\$200,144	\$ 97,391	\$297,535	\$264,395
Mandatory transfers to:							
Plant funds for external debt service	1,090	1,600		2,770		2,770	2,159
Loan funds for matching grant requirements	103			103		103	123
Total educational and general	<u>\$161,219</u>	<u>\$41,798</u>		<u>\$203,017</u>	<u>\$ 97,391</u>	<u>\$300,408</u>	<u>\$266,677</u>
Auxiliary enterprises:							
Expenditures	\$ 20		\$23,143	\$ 23,163	\$ 78	\$ 23,241	\$ 22,120
Mandatory transfers to plant funds for external debt service			2,861	2,861		2,861	2,826
Total auxiliary enterprises	<u>\$ 20</u>		<u>\$26,004</u>	<u>\$ 26,024</u>	<u>\$ 78</u>	<u>\$ 26,102</u>	<u>\$ 24,946</u>
Total expenditures and mandatory transfers	<u>\$161,239</u>	<u>\$41,798</u>	<u>\$26,004</u>	<u>\$229,041</u>	<u>\$ 97,469</u>	<u>\$326,510</u>	<u>\$291,623</u>
Nonmandatory transfers (see exhibit B-1):							
Among current funds	\$ 6,102			\$ 6,102		\$ 6,102	\$ 4,531
To other funds (principally to plant funds and funds functioning as endowment)	3,244	\$ 1,797	\$ 1,070	6,111	\$ 6,453	12,564	5,998
Total expenditures and transfers	<u>\$170,585</u>	<u>\$43,595</u>	<u>\$27,074</u>	<u>\$241,254</u>	<u>\$103,922</u>	<u>\$345,176</u>	<u>\$302,152</u>
Added to fund balance for future use		2,033	426	2,459	6,551	9,010	2,629
Total resources applied	<u>\$170,585</u>	<u>\$45,628</u>	<u>\$27,500</u>	<u>\$243,713</u>	<u>\$110,473</u>	<u>\$354,186</u>	<u>\$304,781</u>

See accompanying notes to financial statements.

**Statement of Current Funds Expenditures (In Thousands)**

For the Year Ended June 30, 1979

With Comparative Amounts for the Year Ended June 30, 1978

	Unrestricted			Restricted	1979	1978
	Undesignated	Designated	Auxiliary Enterprises		Total	Total
<b>Educational and general</b>						
Instruction	\$ 47,069	\$ 7,469		\$ 54,538	\$ 11,966	\$ 61,026
Research	21,853	1,782		23,635	67,005	75,083
Public service	15,426	4,098		19,524	6,356	23,937
Academic support	13,145	7,689		20,834	1,000	19,714
Student services	9,914	867		10,781	530	9,939
Institutional support	21,723	1,473		23,196	253	21,104
Operation and maintenance	23,536	(751)		22,785	578	21,099
Scholarships and fellowships	7,360	878		8,238	9,703	17,190
Group medical practice		16,613		16,613		15,303
Total educational and general	\$160,026	\$40,118		\$200,144	\$97,391	\$264,395
<b>Auxiliary enterprises</b>	\$ 20		\$23,143	\$ 23,163	\$ 78	\$ 22,120
Total current funds expenditures	\$160,046	\$40,118	\$23,143	\$223,307	\$97,469	\$286,515

See accompanying notes to financial statements.

**Notes to Financial Statements****1. Summary of Significant Accounting Policies****A. Principles of Combination**

From a fiscal viewpoint, Cornell University consists of three major organizational units—Endowed Ithaca, which includes the Endowed colleges, University central administration and the auxiliary enterprise and service operations for the Ithaca campus, the Medical College at New York, and the Statutory Colleges at Ithaca. While these units operate as self-supporting entities with fund balances relating to one of the units generally not available to the other units, the only legal limitations pertain to certain donor-restricted funds and funds of the Statutory Colleges. Specifically, the laws establishing the Statutory Colleges at Ithaca prohibit the use of funds attributable to those colleges by other segments of the University.

**B. Fund Accounting**

A principal concern of college and university financial reporting is stewardship reporting—how

the University has managed the funds available in accordance with the terms and conditions under which they were received. The accounting method used is known as fund accounting in which the University's resources are divided into major "fund groups"—Current Funds, Endowment and Similar Funds, Plant Funds, and Student Loan Funds.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds designated for specific purposes by the Board of Trustees. Externally restricted funds may be utilized only in accordance with the purposes established by the donors and are reported separately from those unrestricted funds over which the Board of Trustees retains control.

Investments in marketable securities are stated at market value. Realized and unrealized gains and losses on investments are accounted for in the fund group holding such assets. Income earned from investments or from services rendered is accounted for in the fund owning the assets or

providing the services, except that income earned from the investment of endowment and similar funds is accounted for either in the fund group to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

Current funds are those funds available for current operating purposes. All unrestricted revenues are reported as additions to current funds in the year received or accrued. Only that portion of restricted funds actually expended for the purposes designated by the donor or grantor is considered as revenue. (See Note 12.)

Endowment funds are created when a donor specifies that the fund is to be invested and, generally, only the income earned is to be available for expenditure. From time to time the Board of Trustees may choose to invest otherwise spendable funds for the production of income. These are known as funds functioning as endowment. The income from both true endowment and funds functioning as endowment may or may not have been restricted by the original donor. If the Board of Trustees should

choose to specify a purpose where none has been stated by the original donor, these revenues are classified as designated funds. The principal of funds functioning as endowment is expendable because the action which led to the investment of the principal can be reversed at a future date.

### C. Accounting Changes and Reclassifications

Effective July 1, 1978, the University changed its method of reporting investment income of its Endowment Fund Pool and Capital Fund Pool from the cash to the accrual basis, the basis used previously in reporting income of its Short Term Investment Pool and major separately invested funds. The reporting of investment income of these major investment pools on the cash basis in the past had not resulted in any material difference in reported annual income. However, changes in portfolio composition in response to investment market conditions as well as the inflationary impact on dividends made the adoption of the accrual method appropriate for a more meaningful measurement of annual investment performance. The change in accounting has resulted in a one-time increase in investment income of \$2,383,000 in the year ended June 30, 1979. This amount, which represents the accrued investment income as of June 30, 1978, is shown as a separate item in the financial statements in order to avoid distortion of the investment income for the year.

Effective July 1, 1977, the University adopted the practice of reporting its investments in marketable securities at market value. Such investments previously had been reported at cost or market value at date of donation. The cumulative effect of this change on current funds, representing the unrealized net gain on current funds investments in marketable securities at July 1, 1977, is shown separately in the comparative amounts for 1978 included in the Statement of Current Funds Resources Made Available and Applied.

Certain reclassifications of 1978 amounts have been made for comparison with the 1979 presentation.

### D. Other

Expendable plant funds include construction in progress, funds held for future plant expansion, and funds relating to debt retirement. Certain properties to which the University does not have

title are included in physical plant as follows: (1) land and buildings in the amount of \$98,473,010 at June 30, 1979, which are leased from the Dormitory Authority of the State of New York, the titles to which will pass to the University upon retirement of related indebtedness (see Note 7); and (2) land, buildings and equipment of the Statutory Colleges aggregating \$130,392,701 at June 30, 1979, the acquisition cost of which was borne primarily by the State of New York.

Physical plant and equipment are stated principally at cost at date of acquisition or at fair market value at date of donation. As is customary for educational institutions, depreciation has not been recorded on buildings and equipment. Expenditures associated with construction of new facilities are shown as construction in progress until such projects are completed. When current funds are used to finance additions to plant, the amounts are reported as expenditures in the case of normal replacement of equipment and library books and as transfers to plant funds in the case of provision for debt amortization and interest, equipment renewal and replacement, and new construction. See Note 9 regarding plant funds borrowings from current funds.

Endowed Ithaca began an intensive review of the equipment inventory during 1978. As a result of this review and a physical inventory, approximately \$1,400,000 of previously capitalized equipment was deleted from the accounts during 1979. Such amount is included in reductions of plant facilities in the Statement of Changes in Fund Balances. During 1978 Endowed Ithaca wrote off \$14,900,000 of equipment including an estimated \$10,000,000 as a result of an increase in the minimum unit value for capitalization of equipment. It is anticipated that this ongoing review will be concluded in 1980.

Effective July 1, 1978, the Statutory Colleges increased the minimum unit value for capitalization of equipment from \$100 to \$200 to conform with the capitalization policy of other New York State funded institutions. Concurrently, previously capitalized equipment with a unit value of less than \$200 and an aggregate cost of \$5,423,000 was deleted from the property accounts. The amount of equipment purchases during 1979 which were not capitalized because of the policy change was not material. During 1979 the Statutory Colleges also increased the carrying value of their equipment by \$2,512,000

based on a physical inventory completed by outside consultants. The net effect of these adjustments, a reduction of \$2,911,000, is included in reduction of plant facilities in the Statement of Changes in Fund Balances.

At each year-end, the University recognizes unexpended budget commitments of unrestricted current funds for Endowed Ithaca and the Medical College by transferring an equivalent amount from undesignated to designated fund balances. At the beginning of the following year, this transfer is reversed and the expenditures are reported as expenditures of undesignated current funds. Such commitments amounted to \$3,041,841 and \$1,610,762 at June 30, 1979 and 1978, respectively.

Federal and state appropriations available to the Statutory Colleges for operating purposes for the ensuing fiscal year are not included in the accompanying financial statements. Such appropriations totaled \$47,363,744 and \$42,957,159 at June 30, 1979 and June 30, 1978, respectively.

### 2. Pooled Investments

The University generally pools its investments on a market value basis with each individual fund entering or withdrawing from a pool based on its share of the market value of the pool's investments.

Until June 30, 1979, the University maintained the following four investment pools as well as investing the principal of certain funds separately.

*Endowment Fund Pool*—managed to produce a reasonable and growing current return, while at the same time, striving for capital appreciation at least sufficient to offset inflation. Only the income earned by funds invested in the pool was available for expenditure. The interest and dividends distributed amounted to \$.135 and \$.12 a unit in 1979 and 1978, respectively, a total of \$11,756,016 and \$10,167,911, respectively.

*Capital Fund Pool*—consisting of a variety of funds, the principal of which was spendable. The Trustees declared a spending rate each year which included both interest and dividend income earned and some portion of the accumulated gains attributable to the investments. The Pool has been managed on a "total return" basis. For the years ended June 30, 1979 and 1978, the

Board of Trustees authorized distributions from the Capital Fund Pool of \$.10 and \$.115 per income share or a total of \$3,821,727 and \$5,302,533, respectively. These amounts were equal to 6.1% and 6.3% of the average monthly market value for the preceding five year period. For 1979 and 1978, the amounts so authorized exceeded dividends and interest earned by the pool's investments by \$1,014,902 and \$2,479,990, respectively, and such excesses represent a portion of net gains both realized and unrealized.

*Life Income Fund Pool*—consisting of donated funds, the income of which is payable to one or more beneficiaries during their lifetime. On the termination of life interests, the principal becomes available for University purposes which may or may not have been restricted by the donor.

*Short Term Investment Pool*—consisting of unexpended cash balances invested solely for the production of income and preservation of principal. Funds invested in the pool generally were anticipated to be expended in the near future.

*Separately Invested Portfolio*—consisting of several types of funds which for legal or other reasons, or by request of the donor, could not participate in any of the investment pools. In many cases, the University has a remainder interest in the principal with payments made to others for specified periods of time. In addition, the University has chosen to separately invest certain major expendable funds to maintain liquidity.

Table 1 summarizes certain information concerning the Endowment, Capital, and Life Income Fund pools.

Effective June 30, 1979, both the Endowment Fund and Capital Fund pools were discontinued and, after appropriate review, the funds invested therein were transferred either to a newly created Long Term Investment Pool or to the existing Short Term Investment Pool in accordance with the objectives set forth below. The Life Income Fund Pool and the Separately Invested Portfolio were not affected by this change.

The Long Term Investment Pool includes true endowment funds and such funds functioning as endowment and other expendable funds which are not expected to be expended for at least three years. The objective of the Pool is to produce a reasonable current return coupled with capital appreciation. To meet the requirements for income and safety of principal, it is intended that the pool normally will operate as a "balanced fund" and concentrate investments in high quality, readily marketable securities.

The Short Term Investment Pool includes current cash balances invested for the production of income and other funds which are expected to be expended within three years. The objective of this pool is to produce a high level of income while protecting principal value. The pool normally will be invested in marketable, prime quality, debt securities, at least 50% of which mature within three years.

**Table 1. Summary Information—Investment Pools**

	Market (in Thousands)	Cost (in Thousands)	Net Gain (Loss) (in Thousands)	Market Price per Unit	Number of Units
<b>Endowment Fund Pool</b>					
End of year	\$195,718	\$176,502	\$19,216	\$2.21	88,524,949
Beginning of year	181,612	168,062	13,550	2.11	86,054,104
Unrealized net gain for year			5,666		
Realized net gain for year			3,115		
Net gain for year			<u>\$ 8,781</u>		
<b>Capital Fund Pool</b>					
End of year	62,377	54,219	\$ 8,158	1.63	38,279,924
Beginning of year	61,650	59,773	1,877	1.44	42,674,785
Unrealized net gain for year			6,281		
Realized net gain for year			1,425		
Net gain for year			<u>\$ 7,706</u>		
<b>Life Income Pool</b>					
End of year	3,102	3,222	\$ (120)	.98	3,212,431
Beginning of year	1,886	1,957	(71)	.99	1,896,499
Unrealized net loss for year			(49)		
Realized net loss for year			(10)		
Net loss for year			<u>\$ (59)</u>		

### 3. Collateral Held for Investments Loaned to Brokerage Firms

Investment securities having a market value of \$17,896,755 at June 30, 1979 and \$8,918,063 at June 30, 1978 were loaned to various brokerage firms. The securities are returnable on demand and are collateralized by cash deposits and U.S. Government securities of \$18,468,627 in 1979 and \$9,123,960 in 1978. Income earned on the collateral was credited as additional income to the investment pool owning the securities loaned. For financial statement purposes, the investment assets were reduced by the liability to the brokerage firms for the collateral.

The University sells options on certain of its securities. The unexpired option premiums, which amounted to \$270,683 at June 30, 1979, and \$152,676 at June 30, 1978, have been treated in the accompanying financial statements as a reduction of total value of assets held.

### 4. Book Value of Investments

The approximate book value of investments at June 30, 1979 and 1978 is shown in table 2. The book value of temporary investments approximates market value for both years.

Investments held by the University consist principally of stocks and bonds, including U.S. Government securities, except for \$3,346,536 at

June 30, 1979 and \$3,602,863 at June 30, 1978 of other investments, principally real estate and mortgages.

#### 5. Accounts and Loans Receivable

Patient accounts receivable at June 30, 1979 and 1978 are net of provisions for patient allowances and doubtful accounts of \$3,589,000 and \$2,717,000, respectively. Other accounts receivable at June 30, 1979 and 1978 are net of provisions for doubtful accounts of \$463,000 and \$148,000, respectively.

Student loans receivable at June 30, 1979 and 1978 are reported net of provision for doubtful loans of \$1,520,335 and \$1,925,835, respectively. This provision is intended to provide for loans, both in repayment status and not yet in repayment status (borrowers are still in school or in the grace period following graduation), that may not be collected.

#### 6. Pledged Assets and Funds on Deposit

Certain U.S. Government obligations are held in escrow by the Dormitory Authority of the State of New York in lieu of various required reserves as follows: \$4,372,259 and \$4,273,588 at June 30, 1979 and 1978, respectively, of investment securities of Endowment and Similar Funds, and \$2,285,426 and \$2,242,156, respectively, of investment securities of Current Funds. In addition, investment securities of Endowment and Similar Funds include U.S. Government obligations of \$863,250 and \$1,265,203 at June 30, 1979 and 1978, respectively, held in escrow by the Worker's Compensation Board of the State of New York.

Plant funds investments include cash and U.S. Government obligations of \$7,715,709 and \$8,473,644 at June 30, 1979 and 1978, respectively, held by the Dormitory Authority of the State of New York which will be used primarily for the retirement of debt at a future time.

#### 7. Plant Fund Indebtedness

Plant funds bonds and notes payable include revenue bonds of \$65,365,000 and \$66,995,000 at June 30, 1979 and 1978, respectively, of the Dormitory Authority of the State of New York. Title to the related assets is held by the Authority until the debt is retired.

Under agreement with the Dormitory Authority, certain revenues, principally rental income from facilities financed by bond proceeds plus a portion of tuition, are pledged by the University to meet debt service requirements. In addition, dividends from certain preferred stock held by the University, with a market value of \$3,128,300, are pledged to meet the debt service requirements. In the event this stock is disposed of before the bonds are retired, the proceeds from the sale are pledged to the retirement of a portion of the remaining debt outstanding. Similarly, the University has pledged to apply its remainderman interest in a life income trust held by a bank to debt retirement if received prior to the retirement of the Series G bonds.

**Table 2. Book Value of Investments**

	1979	1978
Current funds	\$ 500,000	\$ 500,000
Endowment and similar funds	266,300,000	247,000,000
Plant funds	700,000	700,000
Total	<u>\$267,500,000</u>	<u>\$248,200,000</u>

**Table 3. Plant Fund Indebtedness—New York State Dormitory Authority Revenue Bonds**

Series	Annual Installment Including Interest	Interest Rates	Final Maturity Date
A	\$611,915 to \$648,000	3.5% to 3.75%	1997
C	250,560 to 349,860	4.1% to 4.4%	1997
D	1,623,415 to 1,779,750	7% to 5%	2001
E	480,243 to 535,500	6.5% to 5%	2002
F	816,625 to 821,500	5.0% to 7.25%	2006
G	1,315,275 to 1,400,003	7.5% to 5.5%	2002

**Table 4. Other Plant Fund Indebtedness**

	Balance June 30, 1978	Balance June 30, 1979	Annual Installment Including Interest	Interest Rates	Final Maturity Date
Real estate mortgages	\$ 13,000	\$ 13,000	\$ 1,000	---	1991
Computer purchase liabilities	999,904	23,547	23,547	9.5%	1980
Computer lease liability		3,312,414	1,006,980 to 919,730	10.5%	1984
Note payable	2,744	0			

The annual installment amounts, interest rates, and final maturity dates of the revenue bonds as of June 30, 1979 are summarized by series in table 3. At June 30, 1979 and 1978, plant funds bonds and notes payable also include the obligations shown in table 4.

The total annual debt service requirements for the next five fiscal years are shown in table 5.

#### 8. Plant Funds

Land, buildings and equipment at June 30, 1979 and 1978 are detailed in table 6.

During the year ended June 30, 1979, the University's net investment in plant was increased \$9,840,832 by capitalized expenditures of plant funds and \$2,341,465 by debt reduction payments. Expendable plant fund balances at June 30, 1979 and 1978 are shown in table 7.

#### 9. Inter-fund Borrowings

Plant funds borrowings from current funds and endowment and similar funds will be repaid either through restricted gifts for which there are firm commitments or through regularly scheduled internal debt service. Interest is provided on most of the plant funds borrowings.

## 10. Pension Plans

The University's employee pension plan coverage for Endowed Ithaca and the Medical College consists of the following:

- a. A contributory defined contribution plan for exempt employees (those not subject to overtime provisions of the Fair Labor Standards Act). Pension costs for this plan are funded with the Teachers Insurance and Annuity Association, as accrued.
- b. A non-contributory defined benefits plan for non-exempt employees, including those retired before July 1, 1976 under a prior similar plan. At June 30, 1979, the University held certain pension reserves for this plan.
- c. A frozen benefits plan for exempt Medical College faculty. Accrued benefits under a prior defined benefits plan as of June 30, 1976 and an appropriate amount of the University's pension reserves were frozen in connection with a reorganization of the University's employee pension plan coverage effective July 1, 1976.

The pension reserves held by the University were established by charges to expenditures in prior years to meet future retirement costs for current employees. Although the reserves are considered to be funded internally, they are not intended to create a trust or fund in which any employee or former employee has any right or interest of any kind. The reserves are included as liabilities in the balance sheet.

In accordance with ERISA requirements, the University must fund annually with an independent trustee in respect to the defined benefits plans an actuarially determined amount representing normal costs plus amortization of prior service costs over a forty year period commencing July 1, 1976. The contribution is charged to expenditures except for an actuarially determined portion of the amortization of prior service costs which is charged to the University's pension reserves.

Participants' vested benefits in the defined benefits plans as determined by independent actuaries amounted to \$23,955,000 at June 30, 1978. The assets held by the independent trustee and those of the University's pension reserves, as valued by the plans' independent actuaries, amounted to \$13,417,000 at the same date.

Total pension costs of the Endowed Ithaca and the Medical College plans for the year ended June 30, 1979 amounted to \$8,337,000.

Employees of the Statutory Colleges are covered under the State of New York pension plan. Contributions to the State retirement system and other fringe benefit costs are paid directly by the State. The amount of such direct payments presently is not determinable and is not included in the financial statements.

Effective January 1, 1977, the University agreed to reimburse the State for fringe benefits costs on

**Table 5. Annual Debt Service Requirements**

Year	Annual Installment Including Interest
1980	\$6,377,923
1981	6,350,660
1982	6,308,370
1983	6,262,446
1984	5,539,929

**Table 6. Land, Buildings, and Equipment, at Cost**

	1979	1978
Land, buildings and improvements	\$296,522,921	\$286,657,462
Furniture, equipment and libraries	145,129,406	140,882,411
Construction in progress	16,087,311	17,591,798
Total	<u>\$457,739,638</u>	<u>\$445,131,671</u>

**Table 7. Expendable Plant Funds**

	Unrestricted		Restricted		Total	
	1979	1978	1979	1978	1979	1978
Construction:						
State appropriations			\$ 6,441,530	\$11,747,995	\$ 6,441,530	\$11,747,995
Other	\$6,030,133	\$7,725,012	9,918,608	5,016,709	15,948,741	12,741,721
Retirement of indebtedness	39,312	181,987	2,174,176	1,742,942	2,213,488	1,924,929
Renewal and replacements	657,910	598,119	649,057	659,353	1,306,967	1,257,472
Total	<u>\$6,727,355</u>	<u>\$8,505,118</u>	<u>\$19,183,371</u>	<u>\$19,166,999</u>	<u>\$25,910,726</u>	<u>\$27,672,117</u>

certain salaries, principally those associated with externally sponsored programs. The amount so reimbursable to the State during the year ended June 30, 1979 was \$1,407,120, which is included in current funds expenditures.

## 11. Pledges

Pledges are not recorded until realized. Unrecorded major gift pledges at June 30, 1979 and June 30, 1978 aggregated approximately \$20,000,000 and \$13,000,000 respectively, most of which are for restricted purposes.

## 12. Current Funds Revenues

As stated in Note 1B, only those portions of restricted additions actually expended are reported as revenues. Current funds revenues for the year ended June 30, 1979 are summarized in table 8.

Details of restricted revenues for the year are given in table 9. Restricted Expenditures exceeded Restricted Revenues by \$420,000, representing the portion of investment gains distributed to restricted current funds under the total return formula.

## 13. Commitments and Contingent Liabilities

The University is defendant in various legal actions, some of which are for substantial amounts, arising out of the normal course of its operations. Although the final outcome of such actions cannot presently be determined, the University's administration is of the opinion that eventual liability, if any, will not have a material effect on the University's financial position.

In connection with the sale of its 68% interest in Calspan Corporation in 1978, the University is contingently liable under an indemnification agreement. Approximately \$273,000 of endowment and similar funds cash is held by an escrow agent under this agreement. The University's maximum liability under the agreement is approximately \$273,000 plus 75% of the buyer's preferred stock it received in the sale. That stock is included in endowment and similar funds investments in the accompanying financial statements at \$3,343,119. The University presently is unable to determine the amount of liability, if any, that may arise under this agreement.

**Table 8. Current Funds Revenues (In Thousands)**

	Unrestricted	Restricted
Revenues and additions, as shown in Exhibits B and C	\$232,901	\$107,740
Investment income resulting from change in accounting method	735	1,558
	<u>\$233,636</u>	<u>\$109,298</u>
Less portion of restricted resources not considered as revenue until expended in the future		(12,248)
Total current funds revenues	<u>\$233,636</u>	<u>\$ 97,050</u>

**Table 9. Restricted Revenues (In Thousands)**

Government appropriations—Federal	\$ 573
Government grants and contracts:	
Federal	65,382
State	5,737
Local	724
Private gifts, grants and contracts	11,867
Income from investments	10,170
N.Y. Hospital contribution toward shared costs	776
Sales and services of educational departments	989
Other sources	832
Total restricted revenues	<u>\$97,050</u>