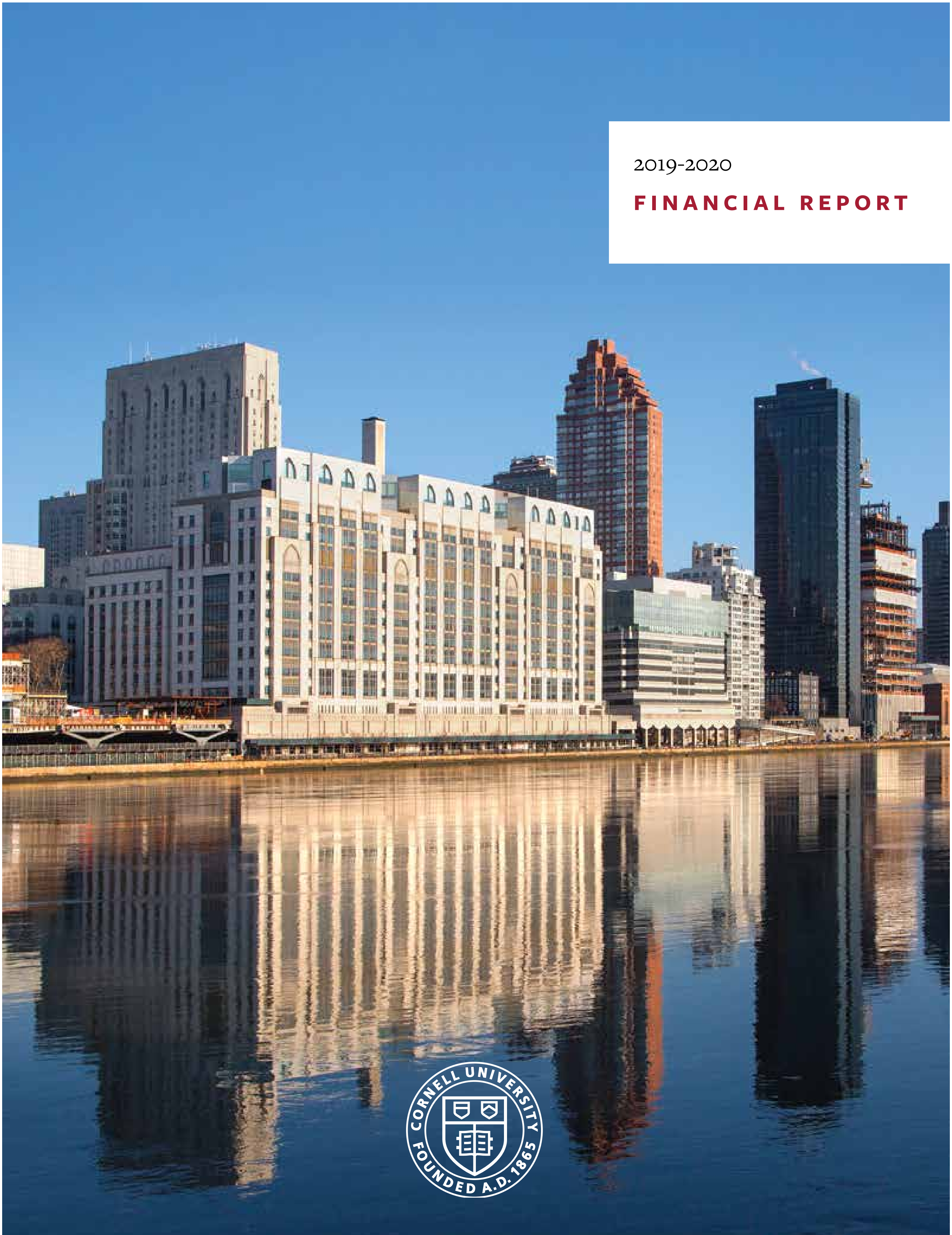
2019-2020

FINANCIAL REPORT



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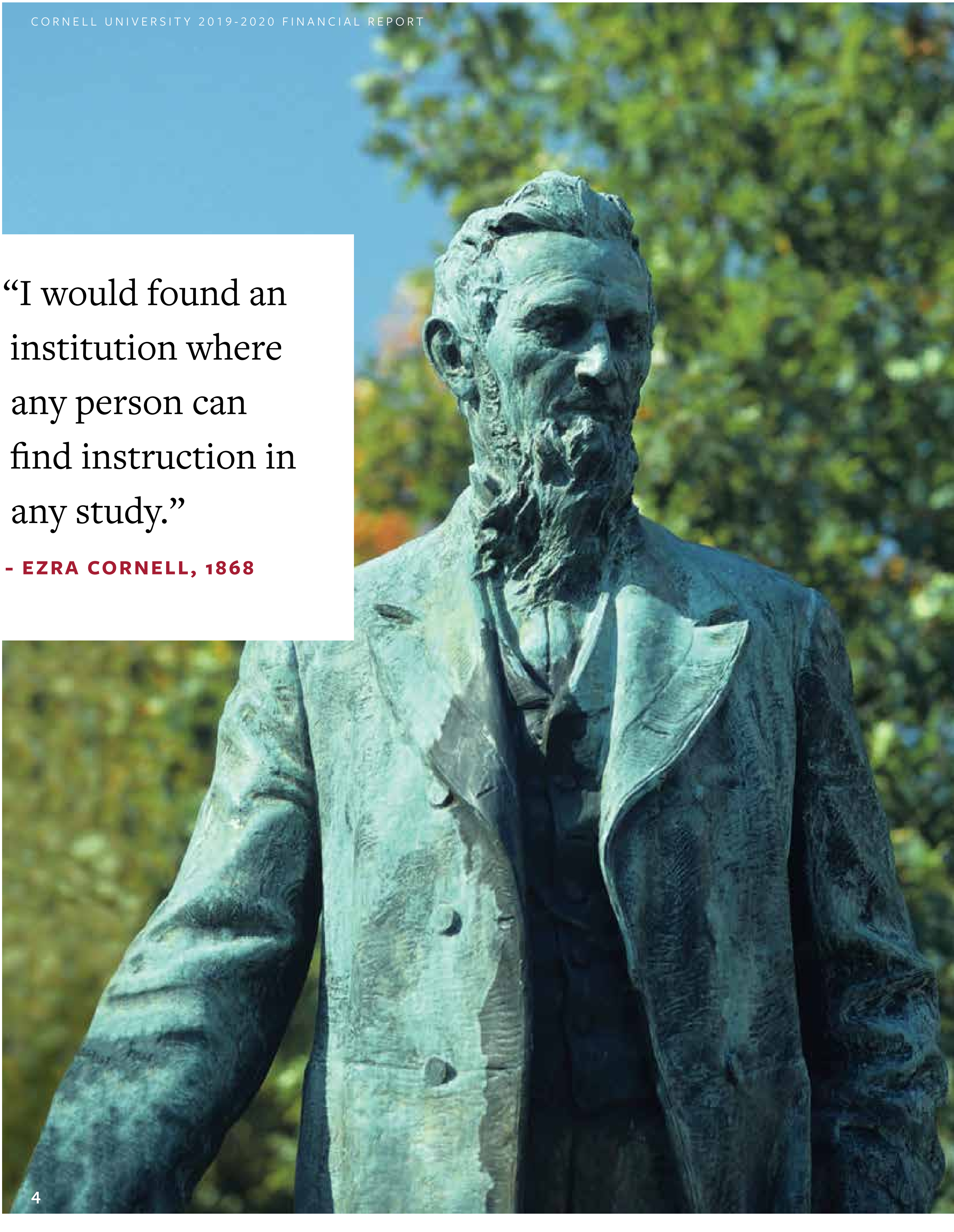


“I would found an institution where any person can find instruction in any study.”

- EZRA CORNELL, 1868

CORNELL UNIVERSITY HIGHLIGHTS

	2019-20	2018-19	2017-18
Fall enrollment (excluding in absentia)			
Undergraduate	15,043	15,182	14,907
Graduate	7,169	6,651	6,306
Professional	3,142	3,015	2,910
Total fall enrollment	25,354	24,848	24,123
Degrees granted			
Baccalaureate degrees	3,875	3,814	3,721
Masters degrees	3,310	2,932	2,799
Ph.D. degrees	584	609	596
Other doctoral degrees (J.D., M.D., D.V.M.)	406	386	384
Total degrees granted	8,175	7,741	7,500
Tuition rates			
Endowed Ithaca	$ 56,550	$ 54,584	$ 52,612
Contract Colleges			
Resident	$ 37,880	$ 36,564	$ 35,242
Nonresident	$ 56,550	$ 54,584	$ 52,612
Medical College	$ 58,760	$ 57,050	$ 55,130
Business	$ 69,440	$ 66,290	$ 63,894
Law	$ 67,748	$ 65,456	$ 63,242
Veterinary Medicine	$ 37,136	$ 35,966	$ 34,750
Volumes in library (in thousands)	8,404	8,365	8,275
Academic workforce			
Full-time employees			
Faculty	4,234	4,064	4,012
Nonfaculty	952	904	890
Part-time employees			
Faculty	291	326	297
Nonfaculty	162	176	130
Total academic workforce	5,639	5,470	5,329
Nonacademic workforce			
Full-time employees	12,208	11,907	11,589
Part-time employees	592	599	580
Total nonacademic workforce	12,800	12,506	12,169
University endowment			
Market value of total university endowment (in millions)	$ 6,882.7	$ 6,974.6*	$ 6,871.5
Unit value of Long Term Investment Pool	$ 55.80	$ 58.37	$ 58.27
Gifts received, excluding pledges (in millions)	$ 480.9	$ 390.9	$ 411.8
New York State appropriations through SUNY (in millions)	$ 129.8	$ 131.5	$ 130.7
Medical Physician Organization fees (in millions)	$ 1,031.2	$ 1,116.4	$ 1,068.2*
Sponsored research volume (in millions)			
Direct expenditures	$ 585.6	$ 561.0	$ 543.8
Indirect-cost recovery	$ 183.4	$ 173.5	$ 158.8
Selected land, buildings, and equipment items & related debt (in millions)			
Additions to land, buildings, and equipment	$ 367.5	$ 376.1	$ 359.0
Cost of land, buildings, and equipment	$ 8,448.2	$ 8,271.5	$ 7,940.0
Outstanding bonds, mortgages, notes payable and finance leases	$ 1,889.6	$ 1,562.3	$ 1,395.5

* Restated from previously reported number.

MESSAGE FROM THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

During this past year, marked by an unprecedented pandemic that shut down on-campus operations, the university remained a relatively healthy and vibrant institution. We are acutely aware of the challenges that we face in keeping our students, faculty, and staff safe, while continuing to educate our students in a world-class academic environment. The university has developed a hybrid approach for its teaching for fiscal year 2021, where students can elect to learn in the classroom or remotely.

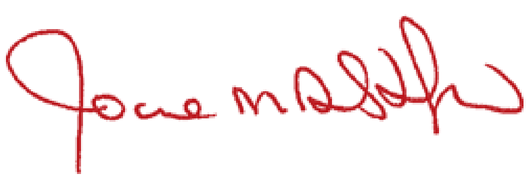
Our institution remains strong, both academically and fiscally. Even with all of the educational uncertainties that the incoming first-year class faced, the university still saw 51,502 applications, with 3,271 deciding to attend Cornell. Our research revenues grew 3%, and our philanthropy increased 28% over the previous year.

The economic challenges brought on by the pandemic remain significant. The clinicians from the medical college diverted the entire fourth quarter to servicing the pandemic, which meant that the clinical revenue was basically lost for an entire quarter. It will take a full year to recover. The result is a $100 million reduction in clinical revenue for fiscal year 2020. Our long-term investments earned 1.8%, which is lower than our payout rate.

As a result of the economic impacts of the pandemic on individuals and families, we expect a significant increase in financial aid for fiscal year 2021. Cornell is proud of its need-blind admission and need-based financial aid policies. Our development office immediately adjusted its planning for a capital campaign and focused on financial aid for the final quarter of the fiscal year. The development team and trustee leaders complemented campaign fundraising efforts with a special focus on raising current operating support for student financial aid to meet the increase in demand. During the last two months of fiscal year 2020, we raised $16.2 million for that purpose.

The university was much better prepared for this economic event than it was for the great recession, with much more liquidity and better spend practices. However, even with all of the advance planning, significant cuts were still required in our operating budget in March and again for fiscal year 2021.

The pandemic has taught us how to teach and work remotely, how to close down and reopen a university, how to get faculty, staff, and students to work closely together to keep the university safe. We do not know what fiscal year 2021 will bring, but the university is prepared to meet its challenges and will become an even stronger institution.



Joanne M. DeStefano
Executive Vice President and Chief Financial Officer

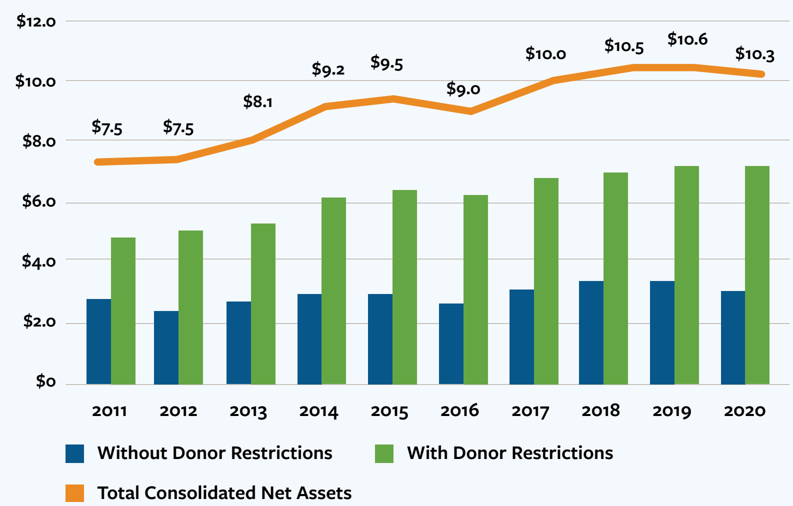
OVERVIEW

The following is a discussion of the financial results for the current fiscal year. It includes highly summarized data and should be read in conjunction with the accompanying consolidated financial statements and notes.

NET ASSETS

The University ended the fiscal year with approximately $10.3 billion in net assets, which is a decrease of $312.8 million or 2.9 percent from the prior year. This decrease in net assets was primarily due to the investment return distributed exceeding the total return on investments along with negative operating results of approximately $175.6 million. Total net assets without donor restrictions are $3.0 billion, down from $3.4 billion or 11.5 percent from the prior year. The University's endowment decreased by $91.9 million. The endowment balance at the end of the fiscal year was $6.9 billion, compared to $7.0 billion in fiscal year 2019. Over the past ten years, consolidated net assets have grown at a compound annual growth rate of 4.4 percent, despite decreases in 2012, 2016, and 2020.

CONSOLIDATED NET ASSETS (IN BILLIONS)



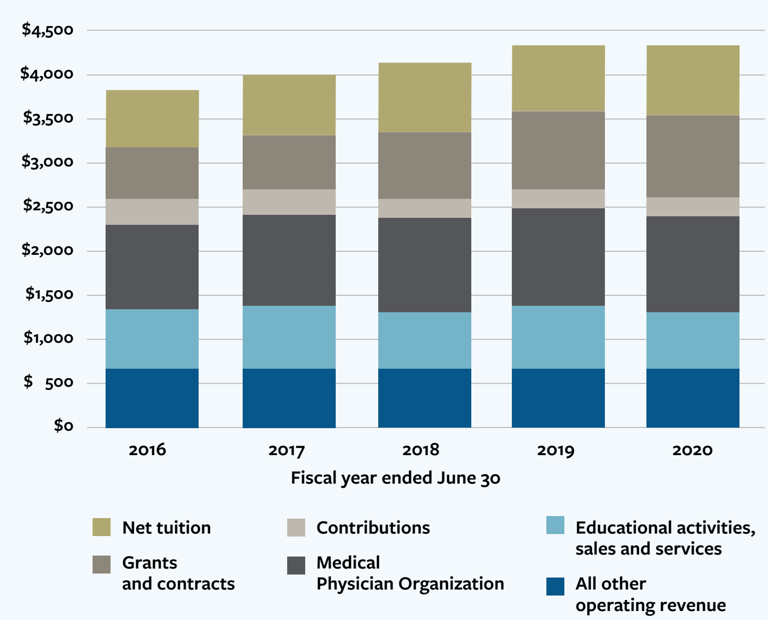
OPERATING RESULTS

The University's operating activities primarily include all revenues and expenses that support education and research efforts and are discussed in more detail in their respective segments of this review. Operating results for fiscal year 2020 declined by $71.4 million compared to fiscal year 2019, as reflected in a 1.5 percent increase in operating expenses offset by a 0.1 percent decrease in operating revenues and other support.

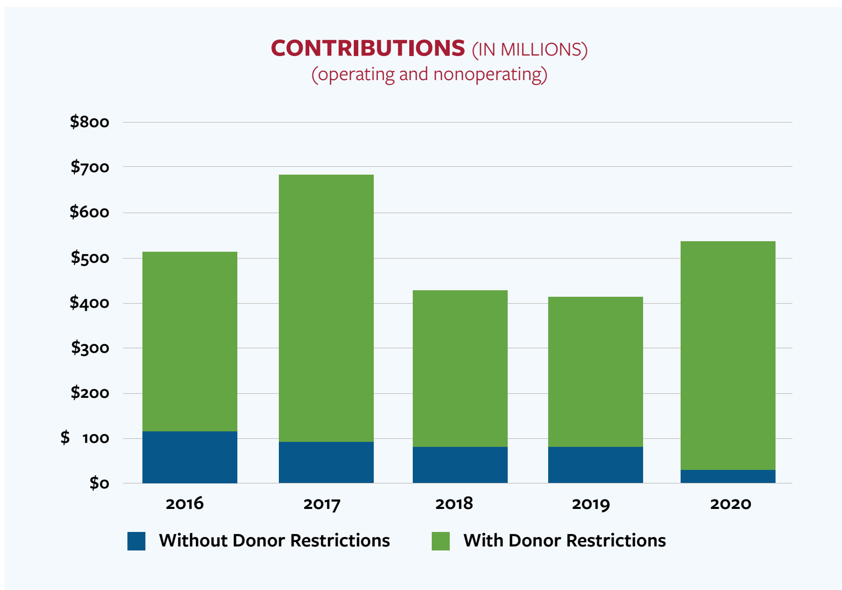
Operating Revenues and Other Support

Total operating revenues and other support decreased by $3.9 million to $4.3 billion in fiscal year 2020. The decrease in revenues was primarily due to the global pandemic. The University's revenue sources are summarized below:

OPERATING REVENUES AND OTHER SUPPORT (IN MILLIONS)

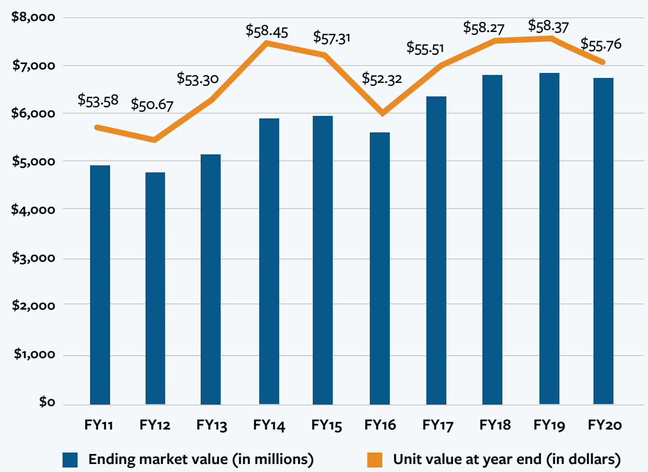


- In fiscal year 2020, gross tuition and fees revenue increased by $53.9 million or 4.6 percent, owing to Board-authorized tuition increases and a 2.0 percent increase in student enrollment, for overall matriculation of 25,354. Net tuition and fees revenue was $801.9 million, or 18.5 percent of total operating revenues and other support, an increase of $30.9 million or 4.0 percent.
- The scholarship allowance of $435.9 million is the financial support awarded by the University to individual undergraduate and graduate students to offset some portion of the amount of tuition billed. Undergraduate tuition financial aid is awarded only based on financial need. For graduate students, the amount of financial aid awarded may be based on financial need and/or student merit. The financial aid category also includes stipends awarded to students, typically as components of fellowship awards or appointments as graduate teaching or research assistants.
- State and federal appropriations of $150.2 million, which represents 3.5 percent of total operating revenues and other support, decreased $1.2 million year over year. New York State and federal governments typically award appropriations to Cornell based on legislation and not through an application process.
- Grants, contracts, and similar agreements (sometimes referred to as "sponsored programs") is revenue generated from external entities, such as governmental agencies, corporations, or non-profit organizations. Sponsored agreements are allocated and charged a portion of the University's facilities and administrative (F&A) costs using the indirect cost, or F&A, rate. The rates are federally negotiated, University-approved, and, in some cases, limited by the sponsor. Combined direct and indirect revenues from grants, contracts, and similar agreements totaled $882.6 million, or 20.3 percent of total operating revenues and other support.
- Contributions, including unconditional promises to give ("pledges"), are recognized as revenues in the appropriate categories of net assets in the periods received. Contributions revenue for operations was $288.4 million, or 6.6 percent of total operating revenues and other support, up from $239.0 million in fiscal year 2019 (a 20.7 percent increase).
- Investment return distributed was $336.6 million, or 7.8 percent of total operating revenues and other support, a 1.3 percent increase year over year. Investment payout on the long-term investment pool (LTIP) shares is the main component of this revenue. The LTIP is a mutual-fund-like vehicle used for investing the University's true endowment funds, funds functioning as endowment, and other funds that are not expected to be expended for at least five years. Investment return included in operating revenues and other support consists of amounts appropriated by the Board of Trustees from the pooled endowment, income and realized gains and losses on investments from working capital, and non-pooled endowments and similar funds. The Board authorizes a total annual payout distribution from endowment funds that is within a target range of 4.4% of a twenty-eight-quarter rolling average of the unit fair value, plus or minus 0.75%.

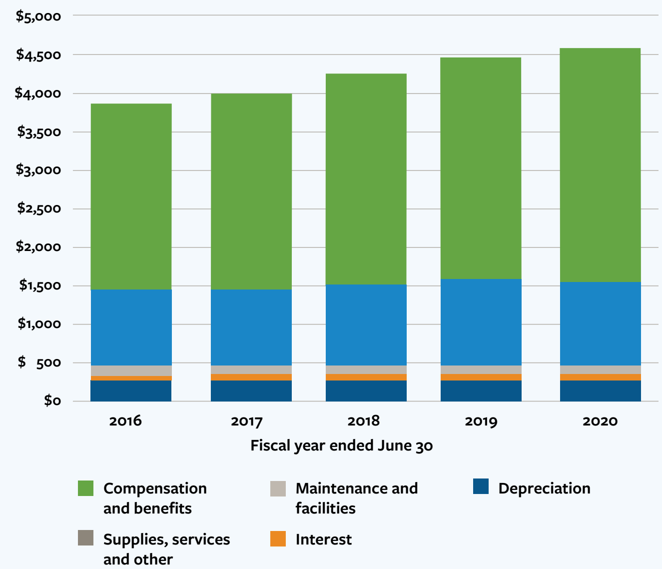


- Medical Physician Organization revenue includes revenues generated by physician members' clinical practice income from their professional services to patients. The Medical Physician Organization was impacted by the pandemic due in part to elective or non-critical medical procedure postponements or cancellations. Revenues decreased by $85.2 million, or 7.6 percent, compared to $1.1 billion in fiscal year 2019. This year's income represented 23.8 percent of total operating revenues and other support.
- Auxiliary enterprises are revenues from non-academic entities that exist mainly to furnish goods or services to students, faculty, or staff members, and that charge a fee directly related to,

LONG TERM INVESTMENT POOL



OPERATING EXPENSES (IN MILLIONS)



although not necessarily equal to, the cost of the goods or services. Income from the University's auxiliary enterprises, which includes housing, dining, conference services, and retail operations (Cornell Store), totaled $149.0 million, a decrease of $17.4 million or 10.5 percent from last year, and represented 3.4 percent of total operating revenues and other support. Of the decrease, $4.7 million was due to refunding dining revenue related to the campus closure in the spring.

- Educational activities and other sales and services include revenues associated with non-credit, educational-related programs and other sales and service activities that occur in many units throughout the University. Examples of such programs and activities include executive education programs, Statler Hotel operations, Cornell University Hospital for Animals operations, royalty income, athletic programs and ticket sales, rental income, and student health insurance premiums. Revenue for educational activities and other sales and services totaled $701.0 million, a decrease of $11.1 million or 1.6 percent from last year and represented 16.1 percent of total operating revenues and other support.
- Net assets released from restriction are the transfer of funds from temporarily restricted net assets to unrestricted net assets resulting from the satisfaction of donor-imposed stipulations on contributions concerning timing or purpose. In fiscal year 2020, this amount was $470.6 million.

Operating Expenses

Total operating expenses increased $67.5 million to $4.5 billion in fiscal 2020. The University's major operating expense categories are summarized below:

- Expenses for salaries and wages are the primary component of operating expenses for a research University, and Cornell is no exception. Compensation and benefits totaled $3.0 billion and comprised 66.3 percent of total operating expenses. This expense increased by $111.1 million, or 3.9 percent, from fiscal year 2019. Beyond the overall salary improvement plan of 3.0 percent in Ithaca, compensation at Weill Cornell Medicine contributed significantly to this increase due to an overall increase in staffing, up 244 employees to 9,164 compared to 8,920 in fiscal year 2019.
- General operating expenses were $1.0 billion and comprised 23.0 percent of the total operating expenses, a decrease of $25.7 million from fiscal year 2019. Included in this expense line is financial aid for room and board and student health plan premiums.
- Other operating expenses, which include depreciation expenses, maintenance and facilities costs, and interest expenses, represented 10.7 percent of total operating expenses. These expenses decreased 3.6 percent from fiscal year 2019, primarily due to the refinancing of debt at a lower interest rate, as discussed in Note 9. The University is committed to managing overall costs without jeopardizing its ability to carry out its missions and strategic initiatives. It continues to focus efforts on streamlining operations, creating efficiencies, and reducing administrative burden.

Non-Operating Revenues And Expenses

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

- State appropriations for capital acquisitions are NYS appropriations for the construction funding for capital projects on State University of New York (SUNY) ("contract college") buildings. These appropriations allow the University

to build and improve its contract college facilities. The current-year revenues increased by $13.2 million from the prior year.

- Contributions for capital acquisitions, trusts, and endowments are gifts designated for non-operating purposes that totaled $245.0 million in fiscal year 2020, resulting in a 39.1 percent increase from the prior year. This increase was due to $90 million in anonymous contributions.
- The overall non-operating loss of $137.2 million for fiscal year 2020 is driven by the remaining income and expense items, all of which are affected significantly by market factors:
  - Investment return, net of amount distributed, which consists of unrealized gains and losses on investments, any difference between total return and amounts appropriated from the pooled endowment, and income and realized gains reinvested per donor restrictions. The investment return net of distribution of $174.6 million is a decrease of $267.7 million, or 287.7 percent from the prior year, due primarily to market conditions. The amount distributed of $336.6 million is reflected in the operating revenues.
  - Pension and postretirement changes are affected by numerous factors. The $88.9 million reduction includes gains, losses, and other changes in the actuarially determined benefit obligations arising in the current period but not yet reflected within net periodic benefit cost.
  - The year-over-year change in the value of interest rate swaps is based on swap interest payments and any change in the fair value of the swaps due to changes in the discount rate. The net loss on these for fiscal year 2020 was $120.2 million.

STATEMENT OF FINANCIAL POSITION

The University's overall net assets decreased by $312.8 million, or 2.9 percent. Because of this change in the current year, the statement of financial position, or balance sheet, decreased to $10.3 billion in total net assets.

Assets

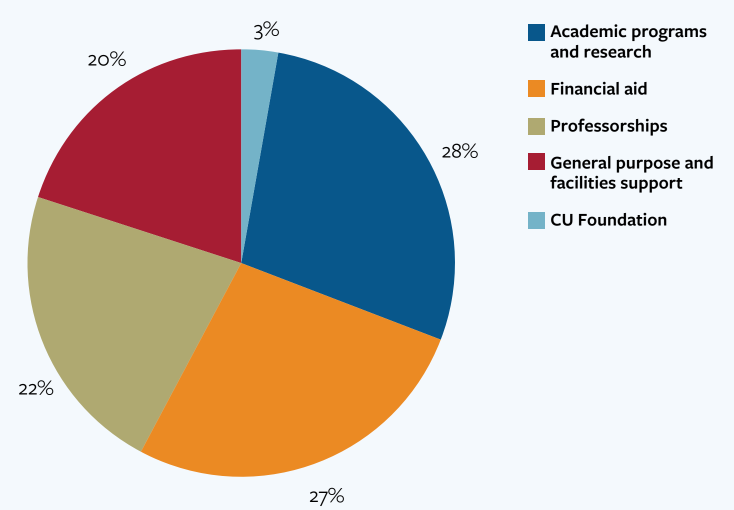
Cash and cash equivalents include cash on hand and in bank accounts, money market funds, and other temporary investments held for working capital purposes with an original maturity term of 90 days or less. Cash is subject to variation from year to year, primarily because of the University's holdings in cash equivalents. Cash and cash equivalents were $356.9 million higher at the end of fiscal year 2020 ($591.5 million) than the prior year ($234.5 million). This increase of 152.2 percent resulted from strategic planning for the purposes of building liquidity in the wake of the pandemic.

Receivables from all sources, including customers, students, and donors, of $1.3 billion (net of allowance for doubtful accounts of $40.6 million) decreased by $58.2 million, or 4.3 percent. These receivables are disclosed more fully in Note 3 of the consolidated financial statements.

Investments, comprising U.S. and international equities, fixed income, commodities, real estate, and private equity assets, had a balance of $7.8 billion as of June 30, 2020, which is a 0.7% increase from the prior year ($7.8 billion). The underlying security holdings within investments are managed and held in discrete investment portfolios by numerous external investment managers selected by and engaged on behalf of the University through the Office of University Investments. Investments are disclosed more fully in Note 4 of the consolidated financial statements.

In fiscal year 2020, right-of-use assets, including operating and finance leases, are $579.2 million. The financial statement

ENDOWMENT BY PURPOSE
(AS OF JUNE 30, 2020)



line items were added in fiscal year 2020 as part of the implementation of the new leasing standards. See the Leasing Standards section in New Standards, Emerging Issues, and Initiatives, which follows. Prior-period amounts have not been adjusted in connection with the adoption of this standard. These right-of-use assets are disclosed more fully in Note 10 of the consolidated financial statements.

The University continues to enhance its physical plant with new buildings, improvements to older buildings, and infrastructure projects. Land, buildings, and equipment, now $4.3 billion, decreased by $61.3 million. This decrease resulted primarily from the reclassification of $114 million in finance leases in accordance with the new leasing standard, which requires a separate financial statement line item. See Leasing Standard in New Standards, Emerging Issues, and Initiatives, which follows. Without this reclassification, there would have been an increase of approximately $53 million. The current-year activity consisted of projects placed in service as well as construction in progress. During the fiscal year, the University placed into service renovations in Ithaca to Martha Van Rensselaer, Mui Ho Fine Arts Library, and Gates Hall. At Weill Cornell Medicine, the University placed into service additions to the Feil Student Center and 1300 York Labs. Construction in progress at fiscal year-end includes several major projects such as Ithaca's North Campus Residential Expansion, Olin Hall, Schurman Hall, Weill Cornell Medicine's West Side OB/Primary Care, and Cornell Tech's Executive Education Center and Hotel.

Funds held in trust by others increased year over year by $15.9 million or 11.9 percent.

Liabilities

The fiscal year 2020 accounts payable and accrued expenses balance of $803.8 million increased by $160.1 million, or 24.9 percent, due primarily to a $99.9 million increase in the swap liability, which was affected by a decrease in interest rates.

The deferred revenue and other liabilities balance of $276.8 million increased by $32.4 million, or 13.3 percent, due primarily to a $26.7 million CARES Act Medicare advance payment received by Weill Cornell Medicine.

Deferred benefits include benefits to employees that are not yet paid, which is the largest component is the University's obligation to its employees after retirement, including pensions and retiree health and life insurance benefits. The deferred benefits of $703.7 million increased this year by $98.0 million, or 16.2 percent. These liabilities are disclosed further in Note 7 of the consolidated financial statements.

Funds held in trust for others are resources that are invested by the University as a custodian for other closely associated parties. Independent trustees are responsible for investing the funds and for designating income distribution. The funds held in trust for others of $100.4 million decreased year over year by 0.4 percent. These funds held in trust for others are disclosed further in Note 6 of the consolidated financial statements.

On June 30, 2020, lease liabilities for operating and finance leases are $589.7 million. The financial statement line item previously titled "Obligations under capital leases" was renamed, "Finance Lease Liabilities." In fiscal year 2019, the reported amount of capital lease liabilities was $119.0 million. As a result of the implementation in fiscal year 2020 of the new leasing standards, the operating lease liabilities financial statement line item was added, but prior-period amounts have not been adjusted. See Leasing Standard in New Standards, Emerging Issues, and Initiatives, which follows. These lease liabilities are disclosed more fully in Note 10 of the consolidated financial statements.

The bonds and notes payable increase of $431.5 million, or 29.0 percent, was due to a $121.4 million tax-exempt, fixed-rate debt offering to finance capital projects. The University also issued $311 million in taxable bank loans for working capital purposes as well as refinancing debt and funding future capital projects. The University also issued $310.8 million in tax-exempt, fixed-rate debt to affect a current refunding of Dormitory Authority of the State of New York (DASNY) Series 2008B&C and 2010A bonds. Bonds and notes payable are disclosed further in Note 9 of the consolidated financial statements.

Total assets increased by $882.3 million, or 6.3 percent, while total liabilities increased by $1.2 billion, or 35.8 percent, for a total net asset decrease of $312.8 million.

NEW STANDARDS, EMERGING ISSUES, AND INITIATIVES

Leasing standard

In February 2016, the Financial Accounting Standards Board (FASB) issued the standard ASU 2016-02–Leases (Topic 842), which provides accounting guidance for leases from the lessor's and lessee's perspective. The main difference between previous Generally Accepted Accounting Principles (GAAP) and Topic 842 is the recognition of lease assets and lease liabilities by lessees for leases classified as operating leases. This standard is effective for the fiscal year ending June 30, 2020. Topic 842 has been applied using a modified retrospective transition as of the effective date, July 1, 2019. The impact was an increase in the operating right-of-use assets of $465.1 million and the operating lease liabilities of $468.0 million. The new leasing standard and its impact are disclosed more fully in Note 10 of the consolidated financial statements.

eCornell

The Cornell University Board of Trustees voted to dissolve Tower Innovative Learning Solutions, Inc. ("eCornell"), a wholly owned subsidiary of the University, and integrate its operations with those of the University. eCornell was established nearly 20 years ago when online education was relatively new, requiring dedicated, focused attention, and arguably benefiting from some separation from the daily University activities. Since the University owned 100% of eCornell shares, Cornell and eCornell were considered entities under common control, and therefore, did not meet the definition of a business combination (and, therefore, no change in value nor gain/loss was recorded as part of the transaction). eCornell was transferred out of the long-term investment pool as a special distribution to the University. External investment holders were made whole by transferring an identical amount of cash into the portfolio as the value that was removed. eCornell assets and liabilities were transferred to the University at cost at December 31, 2019. Revenue and expenses recorded for the subsidiary were transferred to the parent, starting July 1, 2019. There was no impact on the consolidated financial statements.

NOVEL CORONAVIRUS 2019 (COVID-19) IMPACT

In January 2020, the World Health Organization declared Novel Coronavirus 2019 (COVID-19) a Public Health Emergency of International Concern. On March 7, 2020, the Governor of the State of New York declared a state of emergency, and on March 22, 2020, signed the "New York State on PAUSE" executive order. This order included a 10-Point Plan that closed all non-essential businesses and services statewide, canceled or postponed all non-essential gatherings of individuals, limited the use of public transportation, and emphasized social distancing practices in business and personal life. As a result, Cornell established work-from-home policies and travel restrictions and canceled events. Elective or non-critical medical procedures were postponed or canceled, which reduced Medical Physician Organization revenues and operating cash flows. While the pandemic impacted the University's fiscal year 2020 results and future impacts cannot be predicted, to create greater liquidity and flexibility, the University has strategically redeployed its resources to address these shortfalls and the needs associated with a robust campus reactivation plan.

The outbreak of COVID-19 has negatively affected national, state, and local economies, global financial markets, and the higher education and healthcare landscapes in general. However, the University remains optimistic. Cornell is confident in its approach to reactivation and is working actively with government officials and monitoring developments and directives closely. With a strong monitoring plan in place based on rigorous data modeling, Cornell expects to continue to deliver its missions while meeting its fiscal challenges.

SUMMARY

During the two financial statement periods presented, the University has experienced combined negative operating returns of $279.9 million, and mixed market conditions coupled with positive donor philanthropy contributed to an overall negative change in net assets of $183.5 million. To improve operational results in the future, the University persists in its efforts to reduce expenses while continuing to deliver its mission to discover, preserve, and disseminate knowledge, to educate the next generation of global citizens, and to promote a culture of broad inquiry throughout and beyond the Cornell community.

William Sibert

Associate Vice President and University Controller

REPORT OF **INDEPENDENT AUDITORS**

To The Board of Trustees of Cornell University

We have audited the accompanying consolidated financial statements of Cornell University (the "University"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019 and the related consolidated statements of activities for the year ended June 30, 2020 and of cash flows for the years ended June 30, 2020 and 2019.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cornell University as of June 30, 2020 and 2019 and the changes in their net assets for the year ended June 30, 2020 and their cash flows for the years ended June 30, 2020 and 2019 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the University changed the manner in which it accounts for leases in 2020. Our opinion is not modified with respect to this matter.

Other Matter

We previously audited the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated October 17, 2019, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of June 30, 2019 and for the year then ended is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

PricewaterhouseCoopers LLP

Rochester, New York
October 8, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2020 AND JUNE 30, 2019 (in thousands)

		2020		2019
Assets				
Cash and cash equivalents	$	591,483	$	234,539
Accounts receivable, net (note 3-A)		518,153		550,060
Contributions receivable, net (note 3-B)		778,599		804,904
Prepaid expenses and other assets		134,024		141,274
Investments (note 4)		7,813,510		7,756,468
Right-of-use assets, operating leases, net (note 10)		465,124		-
Right-of-use assets, finance leases, net (note 10)		114,036		-
Land, buildings, and equipment, net (note 5)		4,286,656		4,347,909
Funds held in trust by others (note 6)		149,033		133,180
Total assets	$	14,850,618	$	13,968,334
Liabilities				
Accounts payable and accrued expenses	$	803,826	$	643,679
Deferred revenue and other liabilities		276,763		244,355
Obligations under split interest agreements (note 6)		136,909		134,087
Deferred benefits (note 7)		703,716		605,741
Funds held for others (note 8)		100,436		100,827
Operating lease liabilities (note 10)		467,971		-
Finance lease liabilities (note 10)		121,683		119,022
Bonds and notes payable (note 9)		1,918,482		1,486,958
Total liabilities	$	4,529,786	$	3,334,669
Net assets (note 12)				
Without donor restrictions		3,029,185		3,422,627
With donor restrictions		7,291,647		7,211,038
Total net assets		10,320,832		10,633,665
Total liabilities and net assets	$	14,850,618	$	13,968,334

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

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR-ENDED JUNE 30, 2020

WITH SUMMARIZED INFORMATION FOR THE YEAR-ENDED JUNE 30, 2019 (in thousands)

	Without Donor Restrictions	With Donor Restrictions	**2020** Total	**2019** Total
Operating revenues and other support				
Tuition and fees (scholarship allowance $435,911 and $412,929)	$ 801,856	$ -	$ 801,856	$ 770,907
State and federal appropriations	150,198	-	150,198	151,421
Grants, contracts and similar agreements				
Direct	697,317	-	697,317	679,599
Indirect cost recoveries	185,329	-	185,329	176,501
Contributions	15,891	272,518	288,409	239,016
Investment return, distributed	105,844	230,786	336,630	332,407
Medical Physician Organization	1,031,162	-	1,031,162	1,116,384
Auxiliary enterprises	149,040	-	149,040	166,442
Educational activities and other sales and services	700,990	-	700,990	712,130
Net assets released from restrictions	470,577	(470,577)	-	-
Total operating revenues and other support	4,308,204	32,727	4,340,931	4,344,807
Operating expenses (Note 11)				
Compensation and benefits	2,995,105	-	2,995,105	2,884,000
Supplies, services and other	1,037,938	-	1,037,938	1,063,625
Maintenance and facilities	132,725	-	132,725	139,262
Interest (note 9)	38,009	-	38,009	57,338
Depreciation	312,780	-	312,780	304,818
Total operating expenses	4,516,557	-	4,516,557	4,449,043
Change in net assets from operating activities	(208,353)	32,727	(175,626)	(104,236)
Nonoperating revenues and (expenses)				
State appropriations for capital acquisitions	38,513	-	38,513	25,338
Contributions for capital acquisitions, trusts and endowments	-	245,021	245,021	176,206
Investment return, net of amount distributed	(31,883)	(142,759)	(174,642)	93,024
Change in value of split interest agreements	3,057	(9,965)	(6,908)	2,309
Pension and postretirement changes	(88,864)	-	(88,864)	31,399
Swap interest and change in value of interest rate swaps	(120,219)	-	(120,219)	(78,091)
Other	(30,504)	396	(30,108)	(16,607)
Net assets released for capital acquisitions and reclassifications	44,811	(44,811)	-	-
Change in net assets from non-operating activities	(185,089)	47,882	(137,207)	233,578
Change in net assets	(393,442)	80,609	(312,833)	129,342
Net assets, beginning of the year	3,422,627	7,211,038	10,633,665	10,504,323
Net assets, end of the year	$ 3,029,185	$ 7,291,647	$ 10,320,832	$ 10,633,665

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS-ENDED JUNE 30, 2020 AND JUNE 30, 2019 (in thousands)

	2020	2019
Cash flows from operating activities		
Change in net assets	$ (312,833)	$ 129,342
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities		
Proceeds from contributions for capital acquisitions, trusts and endowments	(218,333)	(151,143)
Depreciation and amortization	298,224	295,800
Net realized and unrealized (gain)/loss on investments	(114,481)	(363,277)
Pension and postretirement changes	88,864	(31,399)
Change in unrealized (gain)/loss interest rate swaps	99,928	61,549
(Gain)/loss on extinguishment of debt	9,181	(1,114)
Loss on disposals of land, building, and equipment	5,593	1,449
Non-cash lease expense	3,813	-
State appropriations for capital acquisitions	(38,513)	(25,338)
Other adjustments	(4,430)	(2,580)
Change in assets and liabilities		
Accounts receivable, net, other than student loans	25,724	(35,676)
Contributions receivable, net	26,305	21,205
Prepaid expenses and other assets	7,250	(4,244)
Accounts payable and accrued expenses	58,657	(17,047)
Deferred revenue and other liabilities	31,490	(1,456)
Obligations under split interest agreements	(13,031)	(20,629)
Deferred benefits	9,111	15,792
Net cash provided/(used) by operating activities	(37,481)	(128,766)
Cash flows from investing activities		
Proceeds from the sale and maturities of investments	5,377,539	4,403,090
Purchase of investments	(5,325,825)	(4,291,410)
Acquisition of land, buildings, and equipment (net)	(362,055)	(344,457)
Student loans granted	(6,854)	(9,932)
Student loans repaid	13,528	11,649
Change in funds held for others, net of unrealized (gain)/loss on investments	5,333	(9,210)
Net cash used by investing activities	(298,334)	(240,270)
Cash flows from financing activities		
Proceeds from contributions for capital acquisitions, trusts and endowments		
Investment in endowments	196,300	124,483
Investment in physical plant	18,816	23,427
Investment subject to living trust agreements	3,217	3,233
Proceeds from state appropriations for capital acquisitions	38,513	25,338
Principal payments of bonds, notes payable and finance leases	(420,750)	(342,844)
Proceeds from issuance of bonds and notes payable	864,926	529,244
Gain/(loss) on extinguishment of debt	(9,181)	1,114
Government advances for student loans	918	(1,547)
Net cash provided by financing activities	692,759	362,448
Net change in cash and cash equivalents	356,944	(6,588)
Cash and cash equivalents, beginning of year	234,539	241,127
Cash and cash equivalents, end of year	$ 591,483	$ 234,539
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 61,141	$ 65,979
Increase/(decrease) in construction payables, non-cash activity	$ 1,562	$ 7,036
Assets acquired under capital leases	$ -	$ 396
Right-of-use assets acquired under finance leases	$ 4,565	$ -
Right-of-use assets acquired under operating leases	$ 56,106	$ -
Gifts-in-kind	$ 2,973	$ 5,241

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

1. SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Organization

Founded in 1865, Cornell University ("the University") is dedicated to a mission of learning, discovery, and engagement. Cornell is a private university, the federal land-grant institution of New York State, and a member of the Ivy League. Cornell administers four contract colleges, which are also units of the State University of New York. Described as the first truly American university because of its founders' revolutionary egalitarian and practical vision of higher education, the University is dedicated to its land-grant mission of outreach and public engagement. Cornell's community includes nearly 25,400 students, over 4,500 faculty, and approximately 295,000 alumni who live and work across the globe.

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

The University is subject to the common administrative authority and control of the Cornell University Board of Trustees. The University is prohibited from using funds attributable to the contract colleges (i.e., those colleges operated by the University on behalf of New York State) for other units of the University. Except as specifically required by law, the contract and endowed colleges at Ithaca, Cornell Tech, and WCM are, to the extent practicable, governed by common management principles and policies determined at the private discretion of the University. In addition to the activities of the endowed and contract colleges, the University's subsidiaries and certain affiliated organizations are included in the consolidated financial statements. All significant intercompany transactions and balances are eliminated in the accompanying consolidated financial statements.

B. Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Net assets, revenues, gains, and losses are categorized based on the existence or absence of donor-imposed restrictions.

The University's Board of Trustees, with consideration to the actions, reports, information, advice, and counsel provided by its duly constituted committees and appointed officers of the University, including University Counsel, has instructed the University to preserve the historical dollar value of donor-restricted (true) endowment funds, absent explicit donor direction to the contrary. As a result, the University classifies as net assets with donor restrictions the original gift value of true endowments, plus any subsequent gifts and accumulations made in accordance with the directions of the applicable gift instruments.

Net assets with donor restrictions also include gifts and appropriations from the endowment that can be expended, but for which the donors' purpose restrictions have not yet been met, as well as net assets with explicit or implied time restrictions, such as pledges and split-interest agreements. Expiration of donor restrictions is reported in the consolidated statement of activities as a reclassification from net assets with donor restrictions to net assets without donor restrictions on the net assets released from restriction lines. Net assets without donor restrictions are the remaining net assets of the University.

The University's measure of operations as presented in the consolidated statement of activities includes revenue from net tuition and fees, state and federal appropriations, grants and contracts, contributions for operating programs, allocation of endowment spending for operations, medical services and other revenues. Operating expenses are reported in the consolidated statement of activities by natural classification.

The University's non-operating activity within the consolidated statement of activities includes appropriations and grants and contracts for capital acquisition, contributions to the endowment and for building construction and renovation, investment returns and other activities related to endowment, long-term benefit plan obligation funding changes, and certain nonrecurring items.

C. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in bank accounts, money market funds, and other temporary investments held for working capital purposes with an original maturity term of ninety days or less. The carrying amount of cash equivalents approximates fair value because of their short terms of maturity. Cash and cash equivalents that are part of the University's investment portfolio are reported as investments and included in Note 4.

D. Investments

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

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

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

E. Fair-Value Hierarchy

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

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

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

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

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

F. Derivative Instruments

The University has approved the use of derivatives by outside investment managers, based on investment guidelines negotiated at the time of a manager's appointment. The derivatives are used to adjust fixed-income durations and rates, to create "synthetic exposures" to certain types of investments, to hedge foreign currency fluctuations as well as adjust and/or hedge equity exposures. The value of these derivative positions is reflected in the net asset value of the respective fund. The change in the fair value of a derivative instrument held for investment is included in non-operating investment return in the consolidated statement of activities.

In addition, the University holds other derivatives to manage its exposure to interest-rate risk related to its current and/or future long-term debt. These instruments are recorded at fair value as either prepaid or accrued expenses in the consolidated statement of financial position, and the swap interest and change in fair value is recorded as non-operating activity in the consolidated statement of activities.

Derivatives involve counterparty credit exposure. To minimize this exposure, the University manages counter-party risk by limiting swap exposure for each counter-party and monitoring the financial health of swap counterparties, and has structured swap documents to limit maximum loss in the event of counter-party default.

G. Land, Buildings, and Equipment

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

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

H. Split-Interest Agreements

The University's split-interest agreements with donors consist primarily of charitable gift annuities, pooled income funds, and charitable trusts for which the University serves as trustee. Assets held in trust are either separately invested or included in the University's investment pools in accordance with the agreements. Contributions of split-interest agreements, net of related liabilities, increase net assets with donor restrictions. Liabilities associated with charitable gift annuities and charitable trusts represent the present value of the expected payments to the beneficiaries based on the terms of the agreements. Pooled income funds are recognized at the net present value of the net assets expected at a future date. Gains or losses resulting from changes in fair value, changes in assumptions, and amortization of discount are recorded as changes in value of split-interest agreements in the appropriate restriction categories in the non-operating section of the consolidated statement of activities.

I. Funds Held in Trust by Others

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

J. Endowments

The responsibility for accepting, preserving, and managing those funds entrusted to the University rests, by law, with the Board of Trustees; however, the Trustees have delegated authority for investment decisions to the Investment Committee of the Board of Trustees. The Investment Committee determines investment policy, objectives, and guidelines, including allocation of assets between classes of investments.

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

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

The Board authorizes a total annual payout distribution from endowment funds that is within a target range of 4.4% of a twenty-eight-quarter rolling average of the unit fair value, plus or minus 0.75%. The Trustees may occasionally make step adjustments, either incremental or decremental, based on prior investment performance, current market conditions, and/or any of the factors for prudent judgment described above. Total distributions, or spending, is presented as investment return, distributed, on the consolidated statement of activities, and includes endowment payout and an administrative fee, net of direct investment expenses, that supports the investment and stewardship costs of the University endowment.

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

K. Revenue

Tuition and fees

Tuition and mandatory fees revenue is recognized within the fiscal year in which educational services are provided. Institutional financial aid reduces the published price of tuition for students receiving such aid. Payments received in advance for summer session courses for credit toward a degree are recorded as deferred revenue.

(DOLLARS IN THOUSANDS)

State and Federal Appropriations

Revenue primarily consists of annual New York State appropriation through the legislative process and federal funding to Land Grant institutions via the Hatch, Smith-Lever and other Acts in support of the contract colleges, and it is recognized over the fiscal year.

Grants and Contracts

Revenue under grants, contracts, and similar agreements comprises federal and non-federal (state, private foundation, etc.) grants and contracts. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the University, the funding organization's mission, or the public at large. Federal grants and non-federal grants with similar restrictions on spending are conditional and revenue is recognized at the time expenditures are incurred. Unconditional non-exchange revenue is recognized in full when a qualifying promise to give has been made, generally when the agreement is finalized. Revenues from exchange transactions are recognized as performance obligations are satisfied, which may be as milestones are achieved or as related costs are incurred.

These revenues typically include the recovery of facilities and administrative costs, which are recognized according to the rates defined in the respective sponsored agreement. Amounts received in advance and in excess of incurred expenditures are recorded as deferred revenues.

Additional information regarding grant and contract revenue is presented below.

GRANTS, CONTRACTS AND SIMILAR AGREEMENTS						
2020		**Exchange**		**Non-Exchange**		**2020 Total**
Federal	$	21,166	$	563,099	$	584,265
State and local		40,189		9,757		49,946
Private		196,662		51,773		248,435
Total Grants, contracts and similar agreements	$	258,017	$	624,629	$	882,646
2019		**Exchange**		**Non-Exchange**		**2019 Total**
Federal	$	24,890	$	514,580	$	539,470
State & local		37,608		10,559		48,167
Private		214,253		54,210		268,463
Total Grants, contracts and similar agreements	$	276,751	$	579,349	$	856,100

Federal revenue is primarily nonreciprocal and conditional. A significant portion of private revenue is received in exchange for benefit to the Qatar Foundation related to the operation of Weill Cornell Medicine-Qatar. At June 30, 2020, the University has unrecorded conditional agreements of $1,565,877.

Contributions

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the appropriate category of net assets in the period received. A pledge is recorded at the present value of estimated future cash flows, based on an appropriate discount rate determined by management at the time of the contribution. Amortization of this discount in subsequent years is included in contribution revenue. A contribution of assets other than cash is recorded at its estimated fair value on the date of the contribution. Contributions for capital projects, endowments, and similar funds are reported as non-operating revenues.

(DOLLARS IN THOUSANDS)

The presence of both a barrier and a right of return make a contribution conditional. Conditional promises to give to the University are not recognized until the conditions are satisfied. Net assets with donor restrictions include contributions to the University and to the Cornell University Foundation, an affiliated entity that is included in the consolidated financial statements. The Foundation maintains a donor-advised fund for which the donors can make recommendations to the fund's trustees regarding distributions to the University or other charitable organizations. Distributions from the Foundation to external charitable organizations are recorded as nonoperating expenses.

Medical Physician Organization

The Medical Physician Organization ("MPO") provides the management structure for the practice of medicine for all WCM physicians at the main academic medical center and various clinical practice sites throughout New York City and surrounding areas. In addition to generating clinical practice revenue, MPO members may provide instruction and conduct research activities. MPO revenue represents patient care and management service agreement fees.

MPO patient care revenue is consideration received in exchange for clinical health care services provided to patients. The patient is the customer, regardless of the payor. The contract with the patient exists when the parties have approved the contract for clinical health care services either in writing, verbally or implicitly, based on the MPO's customary business practice. Outpatient services are recognized as the service is provided.

For Medicare, Medicaid and commercial payors, the transaction price is the amount the MPO expects to be entitled to under the contract, which includes explicit price concessions similar to current contractual adjustments. For self-pay, deductibles and co-payments, the transaction price is reduced by implicit price concessions, including estimates of uncollectible amounts. These estimates are based on policies and customary business practices of providing service regardless of the ability to pay, combined with historical collection rates.

The MPO uses a portfolio approach to account for categories of patient contracts rather than recognizing revenue on an individual contract basis. The contracts are categorized and grouped based on service provided, payor, and service location. Based on historical collection trends and other analyses, the MPO believes that revenue recognized using the portfolio approach approximates the revenue that would have been recognized had an individual contract approach been used.

Revenue from management service agreement fees is consideration received in exchange for services provided to an external healthcare provider. Under terms of these contractual arrangements, WCM physicians provide services such as patient care or supervision and teaching of medical staff. The agreements are typically for a one-year term and consideration is fixed in amount. Revenue is recognized throughout the fiscal year as services are rendered.

Additional information regarding MPO revenue is presented below.

MEDICAL PHYSICIAN ORGANIZATION REVENUE

	2020	2019
Outpatient services		
Commercial	$ 597,840	$ 658,036
Government	92,761	102,334
Patient and other	149,069	185,715
	839,670	946,085
Management service agreements	191,492	170,299
Total	$ 1,031,162	$ 1,116,384

Auxiliary enterprises

Auxiliary enterprises support the educational experience of students, and include housing, dining and the campus store. Housing and dining revenues are recognized over the course of the academic year and campus store revenue is recognized at the time of the transaction.

Educational activities and other sales and services

Educational activities and other sales and services represents revenue from operations related to the University's mission that are managed like commercial entities. The largest component of this category is consideration received at WCM from New York-Presbyterian Hospital (NYPH) in exchange for providing personnel, space, and other services. The revenue is billed based upon an approved annual joint budget and actual costs incurred. WCM recognizes revenue throughout the fiscal year as services are rendered to NYPH and accrues for any unbilled services as of June 30.

Educational activities and other sales and services also includes activities such as royalties, transportation, parking, testing labs, teaching hotel, non-degree/non-credit course revenue, athletics, etc. These activities comprise exchange transactions with customers, which may be recognized at a specific point in time or over the period of the contract, depending upon when the benefit is derived by the customer. Amounts received in advance are recorded as deferred revenues.

L. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period. Management's assumptions are related primarily to the appropriate inputs and discount rate for the purposes of fair-value calculations, to the discount rate for pension and postretirement benefit obligations, to allowances for doubtful accounts and contractual allowances, and to self-insured risks. Actual results may differ from those estimates.

M. Comparative Financial Information

The consolidated statement of activities includes prior-year information in summary form rather than by restriction class. Such information does not include sufficient detail to constitute a presentation of prior-year data in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the prior fiscal year from which the summarized information was derived.

N. Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This guidance requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, i.e., the comparatives under ASC 840 option.

The University adopted Topic 842 on July 1, 2019 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The University elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The University has lease agreements with non-lease components that relate to the lease components. The University elected the practical expedient to account for non-lease components and the lease components to which they relate as a single lease component for all leases. Also, the University elected not to record leases with an initial term of 12 months or less on the consolidated statement of financial position, as well as the practical expedient to not assess whether existing or expired land easements that were not previously accounted for as leases under Topic 840 are or contain a lease under Topic 842. The University did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2019.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of $447,345 as of the adoption date July 1, 2019, while the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. As part of adopting the standard, previously recognized liabilities for deferred rent and lease incentives were reclassified as a component of the ROU assets. More information on the adoption, including qualitative and quantitative disclosures, is included in Note 10. Leases.

On July 1, 2019, the University adopted ASU 2016-18 Statement of Cash Flows - Restricted Cash (Topic 230). Under this new guidance, the University must identify all cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents within the consolidated statements of financial position for inclusion in the beginning and ending totals of cash and cash equivalents within the consolidated statement of cash flows. Additionally, the University has elected the policy that all short-term investments included within the investment portfolio are not cash equivalents and thus not included within cash and cash equivalents on the consolidated statement of cash flows. There was no material impact from adoption of ASU 2016-18.

In August 2018, the FASB issued ASU 2018-13, ASC 820 Fair Value Measurement. The new guidance simplifies fair value measurement disclosures through the removal and modification of a number of investment related disclosure requirements. Certain disclosures are no longer required including amount of and reasons for transfers between Levels 1 and 2 and a policy for timing of transfers between levels and valuation processes of Level 3 investments. The standard is effective for fiscal year 2021.

O. Reclassifications

The University has reclassified the consolidated statements of cash flows for the year ended June 30, 2019 to conform to current year presentation. Cash outflows of $25,338 related to state appropriations revenue used for capital acquisitions were moved from operating to financing. Proceeds from the sale and maturity of investments and Purchase of investments were both reduced by $1,611,350 to remove cash transfer activity. Cash proceeds related to debt refinancing activities were reclassified from Principal payments of bonds, notes payable and finance leases to Proceeds from issuance of bonds and notes payable to record amounts on a gross basis.

P. Income Taxes

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate sections of the Internal Revenue Code. In accordance with the accounting standards, the University evaluates its income tax position each fiscal year to determine whether the position is more likely than not to be sustained if examined by the applicable taxing authority. This review had no material impact on the University's consolidated financial statements.

(DOLLARS IN THOUSANDS)

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of June 30 are as follows:

LIQUIDITY AND AVAILABILITY		2020	2019
Total assets		$ 14,850,618	$ 13,968,334
Less:			
	Endowment funds and other illiquid investments	7,481,171	7,614,722
	Land, buildings, and equipment, net	4,286,656	4,347,909
	Contributions receivable, net, due after one year	531,715	471,200
	Right-of-use assets, operating leases, net	465,124	-
	Funds held in trust by others	149,033	133,180
	Prepaid expenses and other assets	134,024	141,274
	Reinsurance receivable	116,010	119,955
	Right-of-use assets, finance leases, net	114,036	-
	Student loans receivable, net	63,211	69,393
Financial assets available within one year		$ 1,509,638	$ 1,070,701

Included within Endowment funds and other illiquid investments above is $1,297,912 in funds functioning as endowment (FFE). These represent unrestricted operating funds that have been internally designated by the University. These could be liquidated over time, if necessary, to support operations.

The University manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. The University's cash flows have seasonal variations during the year primarily attributable to tuition billing and a concentration of contributions received at calendar and fiscal year-end. To manage liquidity, the University maintains three lines of credit totaling $200 million; with $25 million expiring January 2021, $100 million expiring March 2021, and $75 million expiring April 2021.

As of June 30, 2020, the University had no outstanding borrowings under these agreements. In addition, the University has a taxable commercial paper program with a maximum authorized amount of $300 million. As of June 30, 2020, the available balance was $146.1 million.

3. RECEIVABLES

A. Accounts Receivable

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

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

SUMMARY OF ACCOUNTS RECEIVABLE	2020	2019
Grants and contracts	$ 112,954	$ 101,883
New York-Presbyterian Hospital and other affiliates	70,548	51,762
Patients (net of contractual and bad debt allowances)	61,424	94,941
Reinsurance receivable	116,010	119,955
Federal revolving student loans	23,262	30,440
Institutional student loans	39,949	38,953
Student accounts	13,066	20,064
Other	80,940	92,062
Net accounts receivable	$ 518,153	$ 550,060

(DOLLARS IN THOUSANDS)

Receivables are reduced by an allowance for doubtful accounts of $32,286 and $34,195 at June 30, 2020 and 2019, respectively.

The patient accounts receivable for medical services is comprised of the following at June 30, 2020 and 2019, respectively: commercial third parties 79.1 percent and 78.4 percent; federal/state government 13.5 percent and 15.4 percent; and patients 7.4 percent and 6.2 percent. Note 13 provides additional information related to the reinsurance receivable.

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

B. Contributions Receivable

Unconditional promises to give, or pledges, are recorded in the consolidated financial statements at present value using discount rates ranging from 1.3 percent to 7.0 percent. The methodology for estimating uncollectible amounts is based on an analysis of the historical collectability of contributions receivable. Contributions are expected to be realized as follows:

SUMMARY OF CONTRIBUTIONS RECEIVABLE	2020	2019
Less than one year	$ 246,884	$ 333,704
Between one and five years	490,228	413,715
More than five years	149,325	173,027
Gross contributions receivable	$ 886,437	$ 920,446
Less: unamortized discount	(75,396)	(90,648)
Less: allowance for uncollectible amounts	(32,442)	(24,894)
Net contributions receivable	$ 778,599	$ 804,904

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

EXPECTED PURPOSE OF CONTRIBUTIONS RECEIVABLE	2020	2019
Program support	$ 329,335	$ 379,210
Capital purposes	130,942	142,253
Long-term support	318,322	283,441
Net contributions receivable	$ 778,599	$ 804,904

At June 30, 2020, conditional promises not reflected in the consolidated financial statements, which consist primarily of bequest intentions and conditional promises with significant requirements, were $669,571. When conditional promises to give become unconditional or payments from bequests are received, they are recorded, and generally will be restricted for long-term support, program support and capital projects as stipulated by the donors.

4. INVESTMENTS

A. General Information

The University's investments are overseen by the Investment Committee of the Board of Trustees. The University's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the movements of the world equity, fixed income, commodities, real estate, and private equity markets. Based on guidelines established by the Investment Committee, the University's Investment Office directs the investment of endowment and trust assets, certain working capital, and temporarily invested expendable funds.

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

(DOLLARS IN THOUSANDS)

INVESTMENT POOLS/CATEGORIES AT FAIR VALUE		2020		2019
Long-term investments (LTI)				
Long-term investment pool (LTIP)	$	6,763,144	$	6,866,988
Other LTI		455,544		461,253
Total LTI	$	7,218,688	$	7,328,241
Separately invested and other assets		594,822		428,227
Total investments	$	7,813,510	$	7,756,468

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

SUMMARY OF INVESTMENT RETURN		2020		2019
Interest and dividends, net of investment fees	$	53,231	$	60,312
Net realized gain/(loss)		196,218		283,485
Net unrealized gain/(loss)		(87,461)		81,634
Total investment return	$	161,988	$	425,431

(DOLLARS IN THOUSANDS)

B. Fair Value

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

INVESTMENTS AT FAIR VALUE	Level 1 fair value	Level 2 fair value	Level 3 fair value	Net asset value	**2020** Total
Short term investments	$ 160,989	$ 3,660	$ -	$ -	$ 164,649
Derivatives	-	7,276	-	-	7,276
Equity					
Domestic equity	291,449	239,476	394	-	531,319
Foreign equity	351,412	361,471	1,447	450,758	1,165,088
Hedged equity	-	-	2,057	-	2,057
Private equity	-	-	50,726	1,915,955	1,966,681
Fixed income					
Asset backed fixed income	214	15,460	-	-	15,674
Corporate bonds	215	94,484	4,725	-	99,424
Equity partnership	-	29	-	608,061	608,090
International	476	57,889	784	-	59,149
Municipals	64	2,218	-	-	2,282
Mutual funds (non-equity)	10,450	8,637	-	-	19,087
Preferred/convertible	1,267	-	4,412	-	5,679
Other fixed income	-	135	2,489	-	2,624
US government	461,471	130,104	-	-	591,575
Marketable alternatives	-	65,074	-	1,205,146	1,270,220
Diversifying assets	-	-	-	39,441	39,441
Real assets	14,292	-	18,653	1,153,150	1,186,095
Receivable for investments sold	13,739	-	-	-	13,739
Payable for investments purchased	(17,994)	-	-	-	(17,994)
Other	-	-	16,651	4,631	21,282
Total	$ 1,288,044	$ 985,913	$ 102,338	$ 5,377,142	$ 7,753,437
Equity method					60,073
Total Investments					$ 7,813,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (DOLLARS IN THOUSANDS)

INVESTMENTS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	Net asset value	**2019** Total
Short term investments	$ 113,056	$ 27,237	$ -	$ -	$ 140,293
Derivatives	-	5,233	-	-	5,233
Equity					
Domestic equity	199,065	458,818	867	-	658,750
Foreign equity	344,327	118,345	2,599	945,468	1,410,739
Hedged equity	-	-	2,526	-	2,526
Private equity	-	-	52,040	1,684,502	1,736,542
Fixed income					
Asset backed fixed income	416	24,163	790	-	25,369
Corporate bonds	225	97,310	1,730	-	99,265
Equity partnership	-	29	-	509,360	509,389
International	9,763	25,423	553	-	35,739
Municipals	122	2,105	-	-	2,227
Mutual funds (non-equity)	282	14,313	-	-	14,595
Preferred/convertible	-	2,743	5,057	-	7,800
Other fixed income	-	161	-	-	161
US government	463,300	55,720	-	-	519,020
Marketable alternatives	-	15,058	-	1,242,452	1,257,510
Real assets	31,630	-	18,749	1,211,610	1,261,989
Receivable for investments sold	31,486	-	-	-	31,486
Payable for investments purchased	(32,190)	-	-	-	(32,190)
Other	-	-	12,602	-	12,602
Total	$ 1,161,482	$ 846,658	$ 97,513	$ 5,593,392	$ 7,699,045
Equity method					57,423
Total Investments					$ 7,756,468

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

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

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

Equity method investments include certain other investments that are accounted for using the equity method. These investments are structured as joint ventures where the University holds a percent ownership.

C. Investments Using Net Asset Value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (DOLLARS IN THOUSANDS)

The net asset value ("NAV") column above represents the University's ownership interest in certain alternative investments. As a practical expedient, the University uses its ownership interest in the NAV to determine the fair value of all alternative investments that do not have a readily determinable fair value, and have financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The NAV of these investments is determined by the general partner and is based upon appraisal or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the general partner will take into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The University has performed significant due diligence around these investments to ensure that NAV is an appropriate measure of fair value as of June 30.

The following tables provide additional information about alternative investments measured at NAV as of June 30, 2020 and 2019, respectively:

SUMMARY OF ALTERNATIVE INVESTMENTS MEASURED USING NET ASSET VALUE

FY 2020

Asset class	NAV in funds	Unfunded commitments	Timing to draw commitments	Redemption terms*
Private equity	$ 1,915,955	$ 632,334	1 to 10 years	These funds are in a private equity structure, with no ability to be redeemed
Real assets	1,153,150	370,648	1 to 10 years	These funds are in a private equity structure, with no ability to be redeemed
Fixed income	608,061	198,289	1 to 10 years	No redemptions available for funds in a private equity structure; balance includes 4% available daily, 12% within 7 to 15-days, 7% 1-year redemptions with 90-days notice, 2% with rolling 2-year redemptions with 90-days notice, and 2% within 5 years
Foreign equity	450,758	None	N.A.	Ranges between thrice-monthly redemption with 2-days notice, to rolling 3-year redemption with 90-days notice
Marketable alternatives	1,205,146	None	N.A.	Ranges between quarterly redemption with 30-days notice, to 33% redemption per year with 60-days notice
Diversifying assets	39,441	None	N.A.	Available within 7-days
Other	4,631	None	N.A.	These funds are in private equity structure, with no ability to be redeemed
Total	$ 5,377,142	$ 1,201,271		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (DOLLARS IN THOUSANDS)

SUMMARY OF ALTERNATIVE INVESTMENTS MEASURED USING NET ASSET VALUE

FY 2019

Asset class	NAV in funds	Unfunded commitments	Timing to draw commitments	Redemption terms*
Private equity	$ 1,684,502	$ 685,753	1 to 10 years	These funds are in a private equity structure, with no ability to be redeemed
Real assets	1,211,610	460,110	1 to 10 years	These funds are in a private equity structure, with no ability to be redeemed
Fixed income	509,360	260,805	1 to 10 years	No redemptions available for funds in a private equity structure; balance includes 8% within 7 days, 8% with rolling 2-year redemptions with 90-days notice, and 9% within 5 years
Foreign equity	945,468	3,800	N.A.	Ranges between thrice-monthly redemption with 2-days notice, to rolling 3-year redemption with 90-days notice
Marketable alternatives	1,242,452	None	N.A.	Ranges between quarterly redemption with 30 days notice, to 33% redemption per year with 60 days notice
Total	$ 5,593,392	$ 1,410,468		

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

D. Level 3 Investments

The tables below present a summary of Level 3 investment activity. All net realized and unrealized gains/(losses) in the tables are reflected in the accompanying consolidated statement of activities. Net unrealized gains/(losses) relate to those financial instruments held by the University at June 30, 2020 and 2019, respectively. Transfers out of Level 3 and into Level 1 include $1,436 of foreign equity during the fiscal year ended June 30, 2020. The transfers were a result of a change in observable inputs used in the pricing methodology. There were no significant transfers into or out of Level 3 during the fiscal year ended June 30, 2019.

(DOLLARS IN THOUSANDS)

SUMMARY OF LEVEL 3 INVESTMENT ACTIVITY

	Fair value at June 30, **2019**	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in /(out) of Level 3	Fair value at June 30, **2020**
Equity							
Domestic equity	$ 867	$ (3,667)	$ (716)	$ 7,577	$ (3,667)	$ -	$ 394
Foreign equity	2,599	1	(497)	1,283	(503)	(1,436)	1,447
Hedged equity	2,526	(140)	60	98	(487)	-	2,057
Private equity	52,040	(25)	(1,993)	749	(45)	-	50,726
Fixed income							
Asset backed fixed income	790	630	(373)	-	(1,047)	-	-
Corporate bonds	1,730	(4,033)	(252)	7,280	-	-	4,725
International	553	-	39	221	(29)	-	784
Preferred/ convertible	5,057	2	(644)	-	(3)	-	4,412
Other fixed income	-	673	(134)	3,319	(1,369)	-	2,489
Real assets	18,749	(239)	194	-	(51)	-	18,653
Other	12,602	(1)	1,531	2,519	-	-	16,651
Total level 3 investments	$ 97,513	$ (6,799)	$ (2,785)	$ 23,046	$ (7,201)	$ (1,436)	$ 102,338

SUMMARY OF LEVEL 3 INVESTMENT ACTIVITY

	Fair value at June 30, **2018**	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in /(out) of Level 3	Fair value at June 30, **2019**
Equity							
Domestic equity	$ 1,654	$ -	$ (787)	$ -	$ -	$ -	$ 867
Foreign equity	849	(30)	(104)	2,538	(654)	-	2,599
Hedged equity	2,788	(8)	(102)	24	(176)	-	2,526
Private equity	61,974	641	2,961	418	(13,954)	-	52,040
Fixed income							
Asset backed fixed income	844	-	(54)	-	-	-	790
Corporate bonds	2,070	-	(340)	-	-	-	1,730
International	469	(58)	142	-	-	-	553
Preferred/ convertible	4,929	-	103	25	-	-	5,057
Real assets	19,997	(1,046)	(72)	-	(130)	-	18,749
Other	11,508	1	370	734	(11)	-	12,602
Total level 3 investments	$ 107,082	$ (500)	$ 2,117	$ 3,739	$(14,925)	$ -	$ 97,513

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (DOLLARS IN THOUSANDS)

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

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

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

QUANTITATIVE INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENT

	Level 3 fair value	Valuation technique(s)	Unobservable inputs	Range (weighted average)
Equity				
Domestic equity	$ 176	Start-up valuation		
	218	Third-party valuation		
Foreign equity	1,447	Third-party valuation		
Hedged equity	2,057	Third-party valuation		
Private equity	18,041	Discounted cash flow	Discount rate	4.4%
			Discount for lack of marketability	17.2%
	9,394	Start-up valuation		
	23,291	Third-party valuation		
Fixed income				
Corporate bonds	4,725	Third-party valuation		
International	784	Third-party valuation		
Preferred/convertible	4,387	Market comparable	Dividend multiple	16.2x - 19.4x (16.9x)
	25	Start-up valuation		
Other	2,489	Third-party valuation		
Real assets	4,323	Discounted cash flow	Discount rate	10.7%
	1,165	Sales comparison approach	Recent transactions	
	3,994	Third-party valuation		
	9,171	Cap rate valuation model	Capitalization rate	4.5%
Other	9,964	Discounted cash flow	Discount rate	1% - 5.3% (1.6%)
			Years to maturity	2 - 14 (6)
	4,796	Start-up valuation		
	1,891	Third-party valuation		
Total Level 3 investments	$ 102,338			

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

E. Derivative Holdings

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

(DOLLARS IN THOUSANDS)

As part of its overall diversification strategy, the University allocates a percentage of its assets to investment managers specializing in securities whose prices are denominated in foreign currencies. The investment guidelines provide discretion to these managers to adjust the foreign currency exposure of their investment portfolios by using derivative instruments. A derivative is used for buying or selling foreign currency under a short-term contract to lock in the dollar cost of a specific pending purchase or sale of a foreign security, or for selling foreign currency under a longer-term contract to hedge against a general decline in the dollar value of foreign security holdings.

Some investment managers have discretion, limited by overall investment guidelines, to use derivative instruments to create investment exposures that could not be created as efficiently with other types of investments. These synthetic exposures in the University's portfolio consist of four types: 1) forward contracts used to increase exposure to a foreign currency beyond the level of underlying security investments in that currency; 2) futures contracts used to create exposures to assets where the futures market provides a more efficient investment than the underlying securities; 3) swap contracts, also used to provide a more efficient means to gain exposure than the underlying securities; and 4) option contracts used to adjust the exposure of the long-term portfolio to interest rate volatility.

The University entered into option contracts on interest-rate swaps as a way to mitigate the impact of a significant rise in interest rates in the future. Under the terms of certain option contracts on interest-rate swaps, the University is obligated to make future premium payments. At June 30, 2020 and 2019, the University had unfunded premium payment commitments of $1,024 and $2,048 respectively. The University's premium payment schedule is as follows: $1,024 for the year ending June 30, 2021 and $0 thereafter.

Many derivative contracts utilize the London Inter-bank Offered Rate ("LIBOR") as a reference rate to structure contracts. Additionally, LIBOR is often used as a reference rate for other financial products, and contractual agreements. Due to issues surrounding LIBOR, the benchmark rate is being phased out, requiring these instruments to transition to an alternative reference rate. The University assessed the impact of this transition across its investment holdings. The LIBOR exposure in the university's long-term investment portfolio ("LTI") is considered minimal at this point in time. Benchmarks, manager fees, and service provider contracts associated with the LTI are not expected to be impacted by the transition. Interest rate swaptions in the current portfolio will expire before the end of the 2021 deadline while LIBOR is still in place. While the full impact of the transition is still uncertain, the University has held discussions with investment managers with LIBOR exposure, and it was determined that the impact of the transition is not expected to be material.

The following table provides detailed information on the derivatives included in the investment portfolio as of June 30.

FAIR VALUE OF DERIVATIVE HOLDINGS IN STATEMENT OF FINANCIAL POSITION

		2020			2019		
Location	Derivative type	Notional amount	# of Contracts	Fair value	Notional amount	# of Contracts	Fair value
Investments							
	Foreign currency	$ -	20	$ 401	$ -	15	$ (165)
	Commodity	341,629	4	6,101	387,924	62	4,449
	Synthetic	294,387	5	1,781	114,281	4	2,853
	Interest rate	-	2	(1,007)	-	3	(1,904)
Total		$ 636,016	31	$ 7,276	$ 502,205	84	$ 5,233

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (DOLLARS IN THOUSANDS)

5. LAND, BUILDINGS, AND EQUIPMENT

A. General Information

Land, buildings, and equipment are detailed as follows:

LAND, BUILDINGS, AND EQUIPMENT

		Book value at June 30, **2020**		Book value at June 30, **2019**
Land, buildings, and equipment	$	6,686,013	$	6,534,130
Furniture, equipment, books, and collections		1,458,334		1,417,714
Capital leases		-		122,473
Construction in progress		303,803		197,155
Total before accumulated depreciation	$	8,448,150	$	8,271,472
Accumulated depreciation		(4,161,494)		(3,923,563)
Net land, buildings, and equipment	$	4,286,656	$	4,347,909

Certain properties, for which the University has possession and beneficial use for an indefinite period and which other entities may also record as assets, are included in the consolidated statement of financial position, as follows: (1) land, buildings, and equipment of the Contract Colleges aggregating $748,915 and $745,019 at June 30, 2020 and 2019, respectively, the acquisition cost of which was borne primarily by New York State and (2) land, buildings, and equipment for which titles rest with government and corporate agencies aggregating $576 and $625 at June 30, 2020 and 2019, respectively.

The future commitments on capital projects in progress, excluding projects funded by New York State, are approximately $199,998 at June 30, 2020.

B. Cornell Tech Campus

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

In 2014, the University broke ground on Roosevelt Island, taking the first steps toward the completion of the Phase I development commitments, which include the first academic building, a residential building, a corporate co-location space, and an executive education facility. The total cost of demolition of the existing structures on the site is considered to be a prepaid cost of the ground lease and will be amortized over the term of the lease. At June 30, 2020, the unamortized amount of the demolition costs is $54,347.

On March 31, 2016, the University entered a joint venture with the Hudson Companies through its subsidiary H/R Tech Residential LLC. The purpose of the new joint venture, called Hudson Cornell Residential JV LLC, is to construct and operate the new residential facility on the Cornell Tech campus. The University has an equity interest of 86.59 percent and controlling financial interest and, therefore, consolidates the joint venture. This consolidation resulted in $122,314 included in land, buildings, and equipment, net attributed to the joint venture at June 30, 2020. In addition, Hudson Cornell Tech LLC, a subsidiary of Hudson Cornell Residential JV LLC, held bonds and notes payable related the construction of the residential building ("The House at Cornell Tech") (see Note 9A). Net assets without donor restrictions of $3,680 and $4,100, representing the noncontrolling interest of H/R Tech Residential LLC, is also consolidated into the University's net assets at June 30, 2020 and 2019, respectively. Operating activity related to the joint venture is immaterial in the current fiscal year.

The Tata Innovation Center (formerly "The Bridge") is a corporate co-location building and condominium association comprised of a "Cornell Unit" and one or more other units initially owned by the developer and/or its affiliates. The University has entered into a lease agreement for the Cornell Unit for a term of thirty-five years. As part of the lease agreement, the University has made a commitment in the form of gap rent for the developer's unit(s) in an amount not to exceed $2,982 annually, or $44,731 over twenty years. The annual amount of gap rent is adjusted based upon the occupancy level in the developer's unit(s). During the years ended June 30, 2019 and June 30, 2020, gap rent payments of $2,982 were made.

Cornell Tech met its first milestone when faculty, staff, and researchers moved into the first academic building (Bloomberg Center) on Roosevelt Island during the summer of 2017, and students, faculty, and researchers moved into the House in advance of the fall semester. In addition, programs, and operations in both the Bloomberg Center and The Tata Innovation Center began during the 2017-2018 academic year, rounding out the University's operational commitments.

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

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

The University's interest in funds held in trust by others is considered Level 3 in the fair-value hierarchy. Trusts in which the University has an income interest are valued annually using estimated cash flows based on average actual income over three years. Remainder interests are determined using present value calculations based on annual valuation reports received from the funds' trustees. The discount rates used to estimate present value are based on the average return of investment-grade corporate bonds, weighted according to a schedule of actuarial estimates.

The following tables summarize the fair values and activity of funds held in trust by others and obligations under split interest agreements.

(DOLLARS IN THOUSANDS)

SPLIT-INTEREST AGREEMENTS AT FAIR VALUE AND LEVEL 3 QUANTITATIVE INFORMATION

	2020 Total	Valuation methodologies	Unobservable inputs	Range (weighted average)
Funds held in trust by others				
Remainder	$ 57,325	Present value calculation	Discount rate	2.43%
			Years to maturity	0-53 (17)
Lead and perpetual	91,708	Discounted cash flows	Discount rate	3.05%
Total funds held in trust by others	$ 149,033			
Obligations under split interest agreements	$ 136,909	Discounted cash flows	Discount rate	2.94%
			Years to maturity	0-65 (16)

	2019 Total	Valuation methodologies	Unobservable inputs	Range (weighted average)
Funds held in trust by others				
Remainder	$ 59,618	Present value calculation	Discount rate	3.00%
			Years to maturity	0-54 (15)
Lead and perpetual	73,562	Discounted cash flows	Discount rate	3.70%
Total funds held in trust by others	$ 133,180			
Obligations under split interest agreements	$ 134,087	Discounted cash flows	Discount rate	3.60%
			Years to maturity	0-62 (16)

SUMMARY OF LEVEL 3 SPLIT-INTEREST AGREEMENT ACTIVITY

	Fair value at June 30, **2019**	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value at June 30, **2020**
Funds held in trust by others							
Remainder	$ 59,618	$ 4,252	$ 2,401	$ -	$ (8,946)	$ -	$ 57,325
Lead and perpetual	73,562	18,317	(171)	-	-	-	91,708
Total funds held in trust by others	$ 133,180	$ 22,569	$ 2,230	$ -	$ (8,946)	$ -	$ 149,033
Obligations under split-interest agreements	$ 134,087	$ -	$ 2,822	$ -	$ -	$ -	$ 136,909

	Fair value at June 30, **2018**	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value at June 30, **2019**
Funds held in trust by others							
Remainder	$ 53,682	$ 1,755	$ 3,528	$ 1,284	$ (631)	$ -	$ 59,618
Lead and perpetual	60,113	(144)	13,593	-	-	-	73,562
Total funds held in trust by others	$ 113,795	$ 1,611	$ 17,121	$ 1,284	$ (631)	$ -	$ 133,180
Obligations under split-interest agreements	$ 135,331	$ -	$ (1,244)	$ -	$ -	$ -	$ 134,087

(DOLLARS IN THOUSANDS)

7. DEFERRED BENEFITS

A. General Information

Accrued employee benefit obligations as of June 30 include:

SUMMARY OF DEFERRED BENEFITS

		2020		2019
Post-employment benefits	$	34,146	$	32,203
Pension and other postretirement benefits		473,283		381,382
Other deferred benefits		196,287		192,156
Total deferred benefits	$	703,716	$	605,741

Accrued postemployment benefits include workers' compensation and medical continuation benefits for those on long-term disability. Other deferred benefits include primarily vacation accruals, deferred compensation, and medical benefit claims incurred-but-not-reported ("IBNR"). Additionally, the University provides various benefits to former or inactive employees after employment, but before retirement, that are recognized when they are earned.

B. Pension and Postretirement Plans

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

The defined contribution plans for endowed colleges and for exempt employees (those not subject to the overtime provisions of the Fair Labor Standards Act) at WCM are funded either by employer contributions based on a percentage of salary or by voluntary employee contributions. The contributions to the defined contribution plans are held on investment platforms with record keeping services performed by the Teachers Insurance and Annuity Association and Fidelity Investments (endowed colleges only). Total contributions of the endowed colleges and WCM plans for the fiscal years ended June 30, 2020 and 2019 amounted to $126,647 and $120,971, respectively.

WCM maintains the University's only defined benefit pension plan. The participants include non-exempt employees at WCM who meet the eligibility requirements for participation. The plan was frozen in 1976 for exempt employees at WCM and the accrued benefits were merged with the active non-exempt retirement plan in 1989. In accordance with the funding requirements applicable to defined benefit plans under the Employee Retirement Income Security Act of 1974 ("ERISA"), the University must contribute to the plan's trust an actuarially determined amount that represents normal costs plus amortization of prior service costs over a forty-year period that began on July 1, 1976.

Additionally, the University provides health and life insurance benefits for eligible retired employees and their dependents, based on the attainment of a set of defined service and age requirements. The cost of providing these benefits is accrued during the service lives of employees.

The WCM postretirement plan was amended on June 28, 2019 with an effective date of January 1, 2020. The amendment implemented a new post-age 65 benefit for both current and future retirees (and their spouses) who have not yet reached that age as of December 31, 2019. The new benefit is an annual health reimbursement arrangement ("HRA") contribution, in a fixed amount, provided to retirees and spouses. The impact of the plan amendment is included in the following table.

C. Obligations and Funded Status

The following table sets forth the defined benefit pension and postretirement plans' obligations and funded status as of June 30:

(DOLLARS IN THOUSANDS)

SUMMARY OF OBLIGATIONS AND FUNDED STATUS

	Pension benefits		Other postretirement	
	2020	**2019**	**2020**	**2019**
Change in plan assets				
Fair value of plan assets at beginning of year	$ 133,732	$ 122,885	$ 302,673	$ 279,934
Actual return on plan assets	5,378	8,916	8,272	17,739
Employer contribution	7,500	7,000	29,815	26,991
Benefits paid	(5,010)	(5,069)	(24,815)	(21,991)
Fair value of plan assets at end of year	$ 141,600	$ 133,732	$ 315,945	$ 302,673
Change in benefit obligation				
Benefit obligation at beginning of year	$ 207,186	$ 188,285	$ 610,601	$ 621,386
Service cost (benefits earned during the period)	12,325	10,221	23,961	26,555
Interest cost	8,715	8,040	23,432	27,569
Actuarial (gain)/loss	20,726	5,709	49,641	23,694
Gross benefits paid	(5,010)	(5,069)	(22,171)	(20,042)
Less: federal subsidy on benefits paid	-	-	1,422	1,195
Plan amendments	-	-	-	(69,756)
Projected benefit obligation at end of year	$ 243,942	$ 207,186	$ 686,886	$ 610,601
Funded status	$ (102,342)	$ (73,454)	$ (370,941)	$ (307,928)
Amounts recognized in the consolidated statement of financial position	$ (102,342)	$ (73,454)	$ (370,941)	$ (307,928)
Amounts recorded in net assets without donor restrictions not yet amortized as components of net periodic benefit cost				
Prior service cost	$ (141)	$ (232)	$ (57,129)	$ (69,756)
Net actuarial (gain)/loss	66,310	43,563	128,909	66,486
Amounts recognized as reduction in net assets without donor restrictions	$ 66,169	$ 43,331	$ 71,780	$ (3,270)
Amounts recorded in non-operating pension and postretirement changes				
Change in amounts not yet amortized as components of net periodic benefit cost	$ (22,838)	$ (4,768)	$ (75,050)	$ 43,827
Other components of net periodic benefit cost	(1,224)	(66)	10,248	(7,594)
Total non-operating pension and postretirement changes	$ (24,062)	$ (4,834)	$ (64,802)	$ 36,233

The accumulated benefit obligation for the pension plans was $216,520 and $181,276 at June 30, 2020 and 2019, respectively. The accumulated benefit obligation differs from the projected benefit obligation in the table above in that it includes no assumptions about future compensation levels. It represents the actuarial present value of future payments to plan participants using current and past compensation levels. For postretirement plans other than pensions, the accumulated benefit obligation is the same as the projected benefit obligations because the liabilities are not compensation related.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (DOLLARS IN THOUSANDS)

D. Net Periodic Benefit Cost

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

NET PERIODIC BENEFIT COST

	Pension benefits		Other postretirement	
	2020	**2019**	**2020**	**2019**
Service cost (benefits earned during the period)	$ 12,325	$ 10,221	$ 23,961	$ 26,555
Interest cost	8,715	8,040	23,432	27,569
Expected return on plan assets	(9,817)	(8,951)	(21,707)	(20,081)
Amortization of prior service cost	(92)	(92)	(12,627)	-
Amortization of net (gain)/loss	2,418	1,069	654	106
Net periodic benefit cost	$ 13,549	$ 10,287	$ 13,713	$ 34,149

The amounts of prior service costs and actuarial gains/losses that will be amortized into net periodic benefit cost for the year ending June 30, 2021 are estimated as follows:

ESTIMATED COMPONENTS OF NET PERIODIC BENEFIT COST

	Pension benefits	Other postretirement
Prior service cost	$ (92)	$ (12,627)
Net actuarial (gain)/loss	3,838	5,178
Total	$ 3,746	$ (7,449)

E. Actuarial Assumptions

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

SUMMARY OF ACTUARIAL ASSUMPTIONS

	Pension benefits		Other postretirement	
	2020	**2019**	**2020**	**2019**
Used to calculate benefit obligations at June 30				
Discount rate	3.49%	3.96%	3.24% / 2.84%	3.83% / 3.62%
Rate of compensation increase	0.00%-3.00%	3.00%		
Used to calculate net periodic cost at July 1				
Discount rate	3.96%	4.31%	3.83% / 3.62%	4.30% / 4.29%
Expected return on plan assets	7.30%	7.30%	7.30%	7.30%
Rate of compensation increase	3.00%	3.00%		
Assumed health care cost trend rates				
Health care cost trend rate assumed for next year	n/a	n/a	5.00% / 6.50%	5.00% / 6.00%
Ultimate trend rate	n/a	n/a	4.50%	4.50%
Years to reach ultimate trend rate	n/a	n/a	1 / 6	2 / 5

The health care cost trend rate assumption has a significant effect on the amounts reported for postretirement health care plans. Increasing the health care cost trend rate by one percent in each future year would increase the benefit obligation by $122,672 and the annual service and interest cost by $10,633.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (DOLLARS IN THOUSANDS)

Decreasing the health care cost trend rate by one percent in each future year would decrease the benefit obligation by $97,551 and the annual service and interest cost by $8,164.

F. Plan Assets

The University's Retirement Plan Oversight Committee ("RPOC") is chaired by the Vice President and Chief Human Resources Officer, with committee members selected from across multiple disciplines at the University. Its primary purpose is to assist the University in fulfilling its fiduciary responsibilities by providing guidance and oversight for the University's retirement plans, including oversight of the custodial bank. The RPOC, in accordance with an Investment Policy Statement, and in conjunction with its outside consultant, regularly reviews the investment strategies, along with evolving institutional objectives, and will make recommendations regarding possible changes to asset allocation and investment managers accordingly.

The University's overall investment objectives for the pension plan and postretirement healthcare plan assets are broadly defined to include an inflation-adjusted rate of return that seeks growth commensurate with a prudent level of risk. To achieve this objective, the University has established fully discretionary trusts with a custodial bank as trustee and investment manager for WCM's defined benefit pension plan and the postretirement medical benefit plan for the University's endowed employees on the Ithaca campus. Under those trust agreements the custodial bank implements investment allocations through various investment funds in order to carry out the investment objectives established by the RPOC.

Risk mitigation is achieved by diversifying investments across multiple asset classes, investing in high quality securities, and permitting flexibility in the balance of investments in the recommended asset classes. Market risk is inherent in any portfolio, but the investment policies and strategies are designed to avoid concentration of risk in any one entity, industry, country, or commodity. The funds in which the plan assets are invested are well-diversified and managed to avoid concentration of risk. The expected rate of return assumptions are based on the expertise provided by investment managers at the custodial bank. The factors that impact the expected rates of return for various asset types includes assumptions about inflation, historically based real returns, anticipated value added by investment managers, and expected average asset allocations.

The fair values of the pension plan assets and postretirement medical benefit plan assets are categorized according to the fair-value hierarchy. Both the pension plan and postretirement medical benefit plans invest in funds to meet their investment objectives. The asset allocation is based on the underlying assets of the various funds. The fair-value level is based upon each fund as the unit of measure. The fair value of the plans' assets as of June 30 and the roll-forward for Level 3 assets are disclosed in the tables below.

SUMMARY OF PLAN ASSETS

	Target allocation	Pension benefits		Other postretirement	
		2020	**2019**	**2020**	**2019**
Percentage of plan assets					
Equity securities	39-85%	66%	62%	74%	69%
Fixed income securities	15-55%	29%	32%	26%	31%
Real estate	0-10%	5%	6%	0%	0%
Total		100%	100%	100%	100%

(DOLLARS IN THOUSANDS)

PENSION PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	**2020** Total
Cash and cash equivalents				
Money market	$ 345	$ -	$ -	$ 345
Equity securities				
U.S. small cap	-	4,986	-	4,986
U.S. large cap	-	25,951	-	25,951
U.S. multi cap	-	20,961	-	20,961
U.S. REITS	-	3,530	-	3,530
Emerging markets	-	10,282	-	10,282
International equity	-	28,193	-	28,193
Fixed income securities				
U.S. high yield bonds	-	9,133	-	9,133
Corporate bonds	-	25,722	-	25,722
Mortgage-backed securities	-	3,632	-	3,632
International fixed income	-	1,777	-	1,777
Other types of investments				
Real estate	-	-	7,088	7,088
Total assets	$ 345	$ 134,167	$ 7,088	$ 141,600

PENSION PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	**2019** Total
Cash and cash equivalents				
Money market	$ 199	$ -	$ -	$ 199
Equity securities				
U.S. small cap	-	2,750	-	2,750
U.S. large cap	-	25,865	-	25,865
U.S. multi cap	-	19,737	-	19,737
U.S. REITS	-	3,272	-	3,272
Emerging markets	-	7,531	-	7,531
International equity	-	23,354	-	23,354
Fixed income securities				
U.S. high yield bonds	-	8,091	-	8,091
Corporate bonds	-	27,942	-	27,942
Mortgage-backed securities	-	3,665	-	3,665
International fixed income	-	3,323	-	3,323
Other types of investments				
Real estate	-	-	7,784	7,784
Receivable for investments sold	16,858	-	-	16,858
Payable for investments purchased	(16,639)	-	-	(16,639)
Total assets	$ 418	$ 125,530	$ 7,784	$ 133,732

SUMMARY OF LEVEL 3 PENSION PLAN ACTIVITY

	Fair value, June 30, **2019**	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value, June 30, **2020**
Real estate	$ 7,784	$ 369	$ (99)	$ -	$ (966)	$ -	$ 7,088
Total Level 3 assets	$ 7,784	$ 369	$ (99)	$ -	$ (966)	$ -	$ 7,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (DOLLARS IN THOUSANDS)

SUMMARY OF LEVEL 3 PENSION PLAN ACTIVITY

	Fair value, June 30, **2018**	Realized gain/(loss)	Unrealized gain/(loss)	Purchases	Sales	Transfers in/(out) of Level 3	Fair value, June 30, **2019**
Real estate	$ 7,278	$ -	$ 396	$ 110	$ -	$ -	$ 7,784
Total Level 3 assets	$ 7,278	$ -	$ 396	$ 110	$ -	$ -	$ 7,784

POSTRETIREMENT PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	**2020** Total
Cash and cash equivalents				
Money market	$ 8,600	$ -	$ -	$ 8,600
Equity securities				
U.S. small cap	-	34,383	-	34,383
U.S. large cap	-	84,031	-	84,031
Emerging markets	-	38,579	-	38,579
International equity	-	71,604	-	71,604
U.S. REITS	-	6,086	-	6,086
Fixed income securities				
U.S. high yield bonds	-	23,176	-	23,176
Corporate bonds	-	48,888	-	48,888
Emerging markets debt	-	473	-	473
Receivable for investments sold	4,305	-	-	4,305
Payable for investments purchased	(4,180)	-	-	(4,180)
Total assets	$ 8,725	$ 307,220	$ -	$ 315,945

POSTRETIREMENT PLAN ASSETS AT FAIR VALUE

	Level 1 fair value	Level 2 fair value	Level 3 fair value	**2019** Total
Cash and cash equivalents				
Money market	$ 8,633	$ -	$ -	$ 8,633
Equity securities				
U.S. small cap	-	26,365	-	26,365
U.S. large cap	-	95,822	-	95,822
Emerging markets	-	30,818	-	30,818
International equity	-	49,782	-	49,782
U.S. REITS	-	5,642	-	5,642
Fixed income securities				
U.S. high yield bonds	-	23,976	-	23,976
Corporate bonds	-	52,592	-	52,592
Emerging markets debt	-	9,014	-	9,014
Receivable for investments sold	2,288	-	-	2,288
Payable for investments purchased	(2,259)	-	-	(2,259)
Total assets	$ 8,662	$ 294,011	$ -	$ 302,673

G. Expected Contributions and Benefit Payments

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

(DOLLARS IN THOUSANDS)

EXPECTED CONTRIBUTIONS AND BENEFIT PAYMENTS

		Other postretirement	
	Pension benefits	Employer paid	Government subsidy
University contributions			
2021	$ 8,000	$ 26,281	n/a
Future benefit payments			
2021	7,498	22,433	1,586
2022	7,860	24,011	1,690
2023	8,839	25,758	1,793
2024	9,222	27,572	1,899
2025	10,631	29,184	2,010
2026-2030	60,540	173,476	11,920

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

H. Contract College Employees

Employees of the Contract Colleges are covered under the New York State pension plans. Contributions to the state retirement system and other fringe benefit costs are paid directly by the state. The amount of the direct payments applicable to the University as revenue and expenditures is not currently determinable and is not included in the consolidated financial statements. The University reimburses the state for fringe benefit costs on certain salaries, principally those associated with externally sponsored programs. The amounts reimbursed to the state during the fiscal years ended June 30, 2020 and 2019 were $19,203 and $18,414, respectively, and are included in operating expenses.

8. FUNDS HELD FOR OTHERS

The University, in limited instances, invests funds on behalf of related parties. Independent trustees are responsible for the designation of income distribution. The value of the funds included on the investment line in the consolidated statement of financial position was $220,127 and $223,932 for the fiscal years ended June 30, 2020 and 2019, respectively. The University recognizes an offsetting liability for funds held for others, with one adjustment described below.

The New York Hospital-Cornell Medical Center Fund, Inc. ("Center Fund"), which benefits WCM and the New York-Presbyterian Hospital, is the major external organization invested in the University's long-term investment portfolio with assets of $180,905 and $185,708 for the fiscal years ended June 30, 2020 and 2019, respectively. WCM holds a significant beneficial interest in the assets of the Center Fund of $119,691 and $123,105, for the fiscal years ended June 30, 2020 and 2019, respectively. The liability related to New York-Presbyterian's interest is $61,214 and $62,603 for the fiscal years ended June 30, 2020 and 2019, respectively.

(DOLLARS IN THOUSANDS)

9. BONDS AND NOTES PAYABLE

A. General Information

Bonds and notes payable are reported at carrying value, which is the par amount net of unamortized issuance costs, premiums, and discounts. Bonds and notes payable as of June 30 are summarized as follows:

SUMMARY OF BONDS AND NOTES PAYABLE

	2020	2019	Interest rates (%)	Final maturity (fiscal year)
Dormitory Authority of the State of New York (DASNY)				
Revenue Bond Series				
1990B-fixed rate	$ 20,825	$ 24,425	4.50 to 5.00	2025
2000A-variable rate/monthly	30,010	32,735	0.71 to 2.49	2029
2000B-variable rate/monthly	42,560	45,895	0.71 to 2.49	2030
2004A&B-variable rate/weekly	56,450	59,700	0.07 to 5.69	2033
2008B&C-fixed rate	-	102,700	5.00	2020
2010A-fixed rate	-	285,000	4.00 to 5.00	2020
2016A-fixed rate	107,105	112,260	3.00 to 5.00	2035
2019A-fixed rate	106,035	114,575	3.00 to 5.00	2029
2019B-variable rate/daily	92,210	92,210	0.01 to 9.00	2039
2019C-variable rate/monthly	79,370	79,370	0.69 to 2.48	2034
2019D-fixed rate	121,415	-	5.00	2036
2020A-fixed rate	233,000	-	4.00 to 5.00	2050
2020A2-fixed rate	77,840	-	5.00	2031
Tax-exempt commercial paper	-	-	-	2037
Tompkins County Industrial Development Agency (TCIDA)				
2002A-variable rate/monthly	26,350	28,400	0.71 to 2.49	2030
2008A-fixed rate	53,410	55,400	3.25 to 5.00	2037
Empire State Development	1,125	1,250	-	2029
2018A-fixed rate	150,000	150,000	3.85	2049
2007A Taxable commercial paper	153,890	153,890	0.25 to 2.25	-
2020B-variable rate/monthly	138,000	-	0.87 to 1.68	2030
2020C-variable rate/monthly	23,000	-	1.25 to 2.06	2026
2020D-variable rate/monthly	150,000	-	1.43 to 2.11	2025
Hudson Cornell Residential JV LLC	97,550	97,550	1.67 to 3.90	2024
Other	7,723	7,948	2.75 to 6.63	2050
Outstanding bonds and notes payable	$ 1,767,868	$ 1,443,308		
Unamortized premium and issuance costs	150,614	43,650		
Total bonds and notes payable	$ 1,918,482	$ 1,486,958		

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

During fiscal year ended June 30, 2020, the University issued $121.4 million tax-exempt fixed-rate debt, to finance capital projects and $310.8 million tax-exempt fixed rate debt to effect a current refunding of DASNY Series 2008B&C and 2010A bonds. In addition, the University issued $311 million of taxable bank loans for working capital purposes, refinancing debt and funding future capital projects.

During the fiscal year ended June 30, 2019, Hudson Cornell Tech LLC, a subsidiary of Hudson Cornell Residential JV LLC (see Note 5B), extended its loan with Wells Fargo Bank, N.A. for a variable-rate building and equipment loan until February 2024. The University has consolidated $97,550 of debt attributable to the subsidiary at June 30, 2020 and 2019, respectively. The loan is secured by a security interest in the building and equipment.

(DOLLARS IN THOUSANDS)

The University maintains tax-exempt and taxable commercial paper programs. Tax-exempt commercial paper is used to finance qualified capital projects and equipment purchases. Taxable commercial paper is also used for these purposes and can also be used to finance short-term working capital needs. During fiscal year ended June 30, 2020, the University increased the taxable commercial paper program maximum authorized amount from $200 million to $300 million. The maximum authorized amount for the tax-exempt commercial paper program is $200 million.

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

ANNUAL DEBT SERVICE REQUIREMENTS

Year		Principal		Interest		Total
2021	$	84,596	$	33,630	$	118,226
2022		38,240		32,394		70,634
2023		39,916		31,143		71,059
2024		139,367		29,272		168,639
2025		193,795		26,148		219,943
Thereafter		1,271,954		309,859		1,581,813
Total	$	1,767,868	$	462,446	$	2,230,314

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

B. Interest-Rate Swaps

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

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

The University's swap agreements contain a credit-rating-contingent feature in which the counterparties can request collateral on agreements in net liability positions. At June 30, 2020 and 2019, the University did not have collateral on deposit with any counterparty.

The University's interest-rate swaps are valued as of June 30 by an independent third party that uses the mid-market levels, as of the close of business, to value each agreement. The valuations provided are derived from proprietary models based upon well-recognized financial principles and estimates about relevant future market conditions and the University's credit worthiness. The University's interest-rate swaps are classified as Level 2 in the fair-value hierarchy.

At June 30, 2020, the University had five interest-rate swap agreements to exchange variable-rate cash flows for fixed-rate cash flows without the exchange of the underlying principal amount. Net payments or receipts of the swap agreements are recorded as adjustments to the swap interest and change in value of interest-rate swaps line in the consolidated statement of activities. In all agreements in effect at June 30, 2020, the counterparty pays a variable interest rate equal to a percentage of the one-month LIBOR.

The following table provides detailed information on the interest-rate swaps at June 30, 2020, with comparative fair values for June 30, 2019. The swaps are reported based on fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (DOLLARS IN THOUSANDS)

FAIR VALUE OF INTEREST-RATE SWAPS IN STATEMENT OF FINANCIAL POSITION

Location	Notional amount	Interest rate	Termination date	Basis	2020 Level 2 fair value	2019 Level 2 fair value
Swap interest and change in value of interest-rate swaps						
	$ 28,400	4.52	July 1, 2030	LIBOR	$ (6,486)	$ (5,651)
	82,532	3.92	July 1, 2038	LIBOR	(28,052)	(20,928)
	275,000	3.88	July 1, 2040	LIBOR	(158,918)	(108,938)
	179,785	3.48	July 1, 2041	LIBOR	(61,313)	(42,352)
	183,366	3.77	July 1, 2044	LIBOR	(77,121)	(54,093)
Total fair value					$ (331,890)	$ (231,962)

C. Standby Bond Purchase Agreements

The University has a standby bond purchase agreement with US Bank for Series 2019B, expiring April 2024, and a standby purchase agreement with BNY Mellon for Series 2004 bonds, expiring January 2022. In the event that the bonds cannot be remarketed, and the agreement is not otherwise renewed, the University will be required to redeem the bonds or refinance the bonds in a different interest rate mode. In the event that the bonds cannot be remarketed, and the University did not redeem, the University will have a current obligation to purchase the bonds tendered.

D. Lines of Credit

The University maintains three lines of credit totaling $200 million: $25 million expiring January 2021, $100 million expiring March 2021, and $75 million expiring April 2021. The lines of credit are used on a limited basis and as of June 30, 2020, the University had $0 outstanding borrowings under these agreements. The University records the working capital lines of credit activity and outstanding balances as other liabilities in the consolidated statement of financial position.

10. LEASES

A. Accounting Policies

The University determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The University determines these assets are leased because the University has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the University determines it does not have the right to control and direct the use of the identified asset. The University's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the University separately identifies lease and non-lease components, such as common area and other maintenance costs, for its office buildings, apartments and vehicles. The University has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The University determines lease classification as operating or finance at the lease commencement date. ROU assets and lease liabilities for operating and finance leases are included in our consolidated statements of financial position and presented separately based on the classification of the underlying lease arrangement.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. For the initial and subsequent measurement of all lease liabilities, the discount rate is based on the rate implied within the lease or is based on the University's incremental borrowing rate using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the University is reasonably certain to exercise. Operating lease expense is generally recognized on a straight-line basis over the lease term.

B. Nature of Leases

The University has entered into the following lease arrangements:

Finance Leases

These leases mainly consist of various equipment leases, a building lease for the Breazzano Family Center for Business Education at Ithaca and the Tata Innovation Center at Cornell Tech. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

Operating Leases

The University has various real estate leases for office and instructional space, housing, land and storage space that expire in various years through 2069. These leases generally contain renewal options for periods ranging from 2 years to 10 years and require the University to pay all executory costs (property taxes, maintenance, and insurance). Some leases have an escalating fee schedule, which range up to a 5 percent increase each year. A portion of the leased space is subleased under leases expiring over the next 24 years. Total operating lease expense for the years ending June 30, 2020 and 2019 was $63,618 and $48,718, respectively.

Short-Term Leases

The University has certain leases that are for a period of 12 months or less or contain renewals for periods of 12 months or less. The University does not include short-term leases within the statements of financial position since it has elected the practical expedient to exclude these leases from operating right of use asset and lease liabilities. Total short-term lease expense included in operating expenses for the year ending June 30, 2020 was $1,050.

(DOLLARS IN THOUSANDS)

C. Quantitative Disclosures

The lease cost and other required information for the year ended June 30, 2020 are:

QUANTITATIVE DISCLOSURES

		2020
Lease cost		
Finance lease cost		
Amortization of right-of-use asset	$	6,987
Interest on lease liabilities		8,327
Operating lease cost		62,712
Short-term lease cost		1,050
Variable lease cost		277
Sublease income		(153)
(Gains) and losses on sale and leaseback transactions, net		-
Total lease cost	$	79,200

		2020
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	$	8,327
Financing cash flows from finance leases		1,906
Operating cash flows from operating leases		58,899
Right-of-use assets obtained in exchange for new finance lease liabilities		4,565
Right-of-use assets obtained in exchange for new operating lease liabilities		56,106
Weighted-average remaining lease term		
Finance leases		28.9 years
Operating leases		14.8 years
Weighted-average discount rate		
Finance leases		6.8%
Operating leases		3.4%

D. Future Minimum Lease Payments

Future minimum lease payments and reconciliation to the consolidated statement of financial position at June 30, 2020, are as follows:

ANNUAL MINIMUM LEASE PAYMENTS

Year		Finance		Operating
2021	$	9,720	$	60,339
2022		9,657		56,965
2023		9,696		50,857
2024		9,472		46,987
2025		9,026		43,904
Thereafter		274,620		343,492
Total minimum lease payments	$	322,191	$	602,544
Less: Amount representing interest		(200,508)		(134,573)
Present value of net minimum lease payments	$	121,683	$	467,971

(DOLLARS IN THOUSANDS)

Future minimum lease payments and reconciliation to the consolidated statement of financial position at June 30, 2019, prior to the University's adoption of Topic 842, are as follows:

ANNUAL MINIMUM LEASE PAYMENTS		
Year	Capital	Operating
2020	$ 8,500	$ 49,365
2021	8,493	48,696
2022	8,402	44,818
2023	8,952	42,835
2024	8,913	41,706
Thereafter	283,493	331,037
Total minimum lease payments	$ 326,753	$ 558,457
Less: Amount representing interest	(207,731)	
Present value of net minimum lease payments	$ 119,022	

11. FUNCTIONAL EXPENSES AND STUDENT AID

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

FUNCTIONAL EXPENSES	Instruction, student services and academic support	Research	Public service	Healthcare services	Institutional support	Enterprises and subsidiaries	**2020** Total
Compensation and benefits	$ 1,030,802	$ 365,449	$ 89,461	$ 1,021,501	$ 369,691	$ 118,201	$ 2,995,105
Other operating expenses	352,252	216,939	35,574	250,482	56,462	126,229	1,037,938
Maintenance and facilities costs	15,499	14,508	7,336	38,973	31,374	25,035	132,725
Interest expense	13,046	10,974	268	24	5,948	7,749	38,009
Depreciation expense	135,364	53,194	5,627	49,939	27,732	40,924	312,780
Total operating expenses	$ 1,546,963	$ 661,064	$ 138,266	$ 1,360,919	$ 491,207	$ 318,138	$ 4,516,557
Net periodic benefit cost	(2,831)	(361)	(43)	(4,347)	(1,147)	(297)	(9,026)
Total	$ 1,544,132	$ 660,703	$ 138,223	$ 1,356,572	$ 490,060	$ 317,841	$ 4,507,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (DOLLARS IN THOUSANDS)

FUNCTIONAL EXPENSES

	Instruction, student services and academic support	Research	Public service	Healthcare services	Institutional support	Enterprises and subsidiaries	**2019** Total
Compensation and benefits	$ 1,011,199	$ 358,723	$ 85,704	$ 978,450	$ 324,628	$ 125,296	$ 2,884,000
Other operating expenses	334,942	230,974	39,059	245,918	97,529	115,203	1,063,625
Maintenance and facilities costs	13,081	7,300	7,347	36,024	50,649	24,861	139,262
Interest expense	25,934	12,654	379	25	6,268	12,078	57,338
Depreciation expense	133,166	53,577	5,334	47,320	27,787	37,634	304,818
Total operating expenses	$ 1,518,322	$ 663,228	$ 137,823	$ 1,307,737	$ 506,861	$ 315,072	$ 4,449,043
Net periodic benefit cost	902	(99)	(10)	5,882	886	99	7,660
Total	$ 1,519,224	$ 663,129	$ 137,813	$ 1,313,619	$ 507,747	$ 315,171	$ 4,456,703

The expenses for operations and maintenance of facilities, depreciation, and interest related to capital projects are allocated to functional categories based on square footage. The amounts allocated for operations and maintenance were approximately $161,828 and $179,062 for the fiscal years ended June 30, 2020 and 2019, respectively.

Student financial assistance is shown as a component of instruction expense unless the assistance is for tuition and mandatory fees. If the assistance is for tuition and mandatory fees, the amounts are recorded as scholarship allowance, which reduces tuition revenue. Total financial assistance amounts classified as instruction expense were $52,838 and $46,908 for the fiscal years ended June 30, 2020 and 2019, respectively.

(DOLLARS IN THOUSANDS)

12. NET ASSETS

A. General Information

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

SUMMARY OF NET ASSETS

	Without donor restrictions	With donor restrictions	**2020** Total	Without donor restrictions	With donor restrictions	**2019** Total
Endowment						
True endowment	$ -	$ 5,017,077	$ 5,017,077	$ -	$ 5,062,037	$ 5,062,037
Funds functioning as endowment (FFE)	1,297,912	363,538	1,661,450	1,367,064	354,033	1,721,097
Total true endowment and FFE	$ 1,297,912	$ 5,380,615	$ 6,678,527	$ 1,367,064	$5,416,070	$ 6,783,134
Funds held by others, perpetual	-	204,181	204,181	-	191,503	191,503
Total University endowment	$ 1,297,912	$ 5,584,796	$ 6,882,708	$ 1,367,064	$ 5,607,573	$ 6,974,637
Other net assets						
Operations	$(151,323)	$ 570,011	$ 418,688	$ (98,414)	$ 455,559	$ 357,145
Student loans	9,747	56,158	65,905	9,419	51,796	61,215
Facilities and equipment	2,801,828	144,865	2,946,693	2,873,518	118,985	2,992,503
Annuity and other split-interest agreements	-	157,218	157,218	-	172,221	172,221
Contributions receivable, net	-	778,599	778,599	-	804,904	804,904
Long-term accruals	(928,979)	-	(928,979)	(728,960)	-	(728,960)
Total net assets	$ 3,029,185	$ 7,291,647	$ 10,320,832	$ 3,422,627	$ 7,211,038	$ 10,633,665

Net asset balances for operations (without donor restrictions) are affected primarily by operating activities and strategic decisions to invest expendable balances in funds functioning as endowment and capital projects. Long-term accruals represent longer-term liabilities including the unfunded amount of pension and postretirement benefits, vacation accruals, conditional asset retirement obligations for asbestos remediation, and fair-value adjustment on interest-rate swaps.

The balance of net assets permanently restricted for the fiscal year ended June 30, 2020 is $4,108,149.

B. Endowment

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

SUMMARY OF ENDOWMENT PURPOSE

	2020	**2019**
Academic programs and research	$ 1,901,365	$ 1,978,914
Financial aid	1,793,548	1,784,316
Professorships	1,484,531	1,475,443
General purpose and facilities support	1,332,500	1,382,125
CU Foundation	166,583	162,336
Total true endowment and FFE, end of year	$ 6,678,527	$ 6,783,134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (DOLLARS IN THOUSANDS)

Of the endowment assets held at the University, 98 percent was invested in the LTIP at June 30, 2020 and 2019. The LTIP is a mutual-fund-like vehicle used for investing the University's true endowments, funds functioning as endowment, and other funds that are not expected to be expended for at least five years. The University employs a unit method of accounting for the LTIP. Each participating fund enters into and withdraws from the pooled investment account based on monthly unit fair values. Participation in the LTIP using unrestricted funds requires a minimum investment of one hundred thousand dollars and a commitment of at least five years.

At June 30, 2020, 1,192 of 7,495 true endowment funds invested in the LTIP had a total historic dollar value of $686,522 and a fair value of $654,447, resulting in these endowments being underwater by a total of $32,075. At June 30, 2019, 306 of 7,317 true endowment funds invested in the LTIP had a total historic dollar value of $153,584 and a fair value of $140,029, resulting in these endowments being underwater by a total of $13,555. The University holds significant appreciation on endowments to offset these temporary decreases in value. The University has maintained these true endowment funds at their historical book value.

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

SUMMARY OF ENDOWMENT ACTIVITY

	Without donor restrictions	With donor restrictions	**2020** Total	Without donor restrictions	With donor restrictions	**2019** Total
True endowment and FFE, beginning of year	$ 1,367,064	$ 5,416,070	$ 6,783,134	$ 1,422,855	$ 5,279,316	$ 6,702,171
Investment return						
Net investment income	8,234	25,873	34,107	7,678	25,889	33,567
Net realized and unrealized gain/(loss)	18,650	59,161	77,811	75,791	233,986	309,777
Total investment return	$ 26,884	$ 85,034	$ 111,918	$ 83,469	$ 259,875	$ 343,344
New gifts	2,861	198,273	201,134	2,342	117,452	119,794
Amounts appropriated for expenditure/reinvestment	(76,183)	(237,882)	(314,065)	(75,883)	(231,790)	(307,673)
Other changes and reclassifications	(22,714)	(80,880)	(103,594)	(65,719)	(8,783)	(74,502)
Total true endowment and FFE, end of year	$ 1,297,912	$ 5,380,615	$ 6,678,527	$ 1,367,064	$ 5,416,070	$ 6,783,134

13. SELF-INSURANCE

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

A. Medical Malpractice

The University obtains medical malpractice insurance through MCIC Vermont ("MCIC"). MCIC is a reciprocal risk retention group that provides medical malpractice insurance coverage and risk management services to its subscribers.

MCIC is owned by the University, New York-Presbyterian Hospital, and four other institutions of higher education and their respective teaching hospitals. All of WCM's faculty physicians are enrolled in MCIC. The medical malpractice incurred but not reported liability is calculated annually on an actuarial basis.

(DOLLARS IN THOUSANDS)

WCM has recorded medical malpractice liabilities of $174,046 and $169,736 at June 30, 2020 and 2019, respectively, as other liabilities in the consolidated statement of financial position. In addition, WCM maintains a reinsurance program with MCIC with anticipated recoveries of $116,010 and $119,955, respectively, recorded as accounts receivable (Note 3A).

B. Student Health Plan

The University has established a self-funded student health plan under Section 1124 of the New York State Insurance Law ("NYSIL"). The Student Health Plan ("SHP") provides health insurance coverage to students at the University's Ithaca-based campuses. The table below presents a summary of SHP operations occurring during the University's fiscal years ended June 30.

SUMMARY OF STUDENT HEALTH PLAN OPERATIONS

	July 1 - July 31 (prior plan year)	August 1 - June 30 (current plan year)	**2020** Fiscal year total	July 1 - July 31 (prior plan year)	August 1 - June 30 (current plan year)	**2019** Fiscal year total
Total premium revenue	$ 3,297	$ 37,870	$ 41,167	$ 3,360	$ 33,804	$ 37,164
Expenses						
Medical and prescription drug expense	3,850	24,563	28,413	3,434	24,554	27,988
Health center capitation	704	7,574	8,278	826	6,885	7,711
Administrative fees	336	3,663	3,999	427	3,184	3,611
Total expenses	$ 4,890	$ 35,800	$ 40,690	$ 4,687	$ 34,623	$ 39,310
Net income from health plan operations	$ (1,593)	$ 2,070	$ 477	$ (1,327)	$ (819)	$(2,146)

The University has established reserves with the amounts necessary to satisfy obligations of the plan. Based on an analysis and recommendation of a qualified actuary, and with the approval of New York State, the reserve for IBNR medical claims and claims reported-but-not-paid ("RBNP") is maintained at an amount not less than 14.5 percent of expected medical claims and 5 percent of expected pharmacy drug claims. In addition, a separate contingency reserve has been established for the purpose of satisfying unexpected obligations in the event of termination of the plan. The contingency reserve is maintained at an amount not less than 5 percent of the total current plan year premiums and is invested in the University's endowment. NYS requires that the assets of the contingency reserve consist of certain investments of the types specified in Section 1404 of NYSIL. The specified types of investments include U.S. government securities categorized in fair-value hierarchy Level 1, of which the University holds $461,471 and $463,300 in its investment portfolio as of June 30, 2020 and 2019, respectively (Note 4B). Premium revenue is billed in advance of the plan year (unearned) and recognized as revenue on a monthly basis as coverage is provided. The changes in the unearned premiums and SHP reserves during the fiscal years ended June 30 are presented below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (DOLLARS IN THOUSANDS)

SUMMARY OF STUDENT HEALTH PLAN UNEARNED PREMIUMS

	2020		2019	
	Unearned premiums		Unearned premiums	
	2018-2019 plan year	2019-2020 plan year	2017-2018 plan year	2018-2019 plan year
Balance as of July 1	$ 2,837	$ -	$ 2,764	$ -
Balance as of June 30	-	3,299	-	2,837
Net change	$ (2,837)	$ 3,299	$ (2,764)	$ 2,837

SUMMARY OF STUDENT HEALTH PLAN RESERVES

	IBNR/RBNP reserve		Contingency reserve	
	2020	2019	2020	2019
Balance as of July 1	$ 3,394	$ 3,275	$ 2,104	$ 1,863
Balance as of June 30	3,268	3,394	2,183	2,104
Net change	$ (126)	$ 119	$ 79	$ 241

14. CONTINGENT LIABILITIES

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

15. SUBSEQUENT EVENTS

In July 2020, the University issued a $75 million taxable seven-year fixed rate note and executed and fully drew down a $100 million five-year line of credit for general corporate purposes. In August 2020, the University redeemed $53.4 million of Tompkins County Industrial Development Agency (TCIDA) Series 2008A bonds. Based on the University's evaluation of subsequent events through October 8, 2020, the date on which the consolidated financial statements were issued, there were no other events with material impact on the University's consolidated financial statements.

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The Division of Financial Affairs
Cornell University
341 Pine Tree Road, Ithaca, New York 14850-2820
dfa@cornell.edu
www.dfa.cornell.edu
607-255-6240

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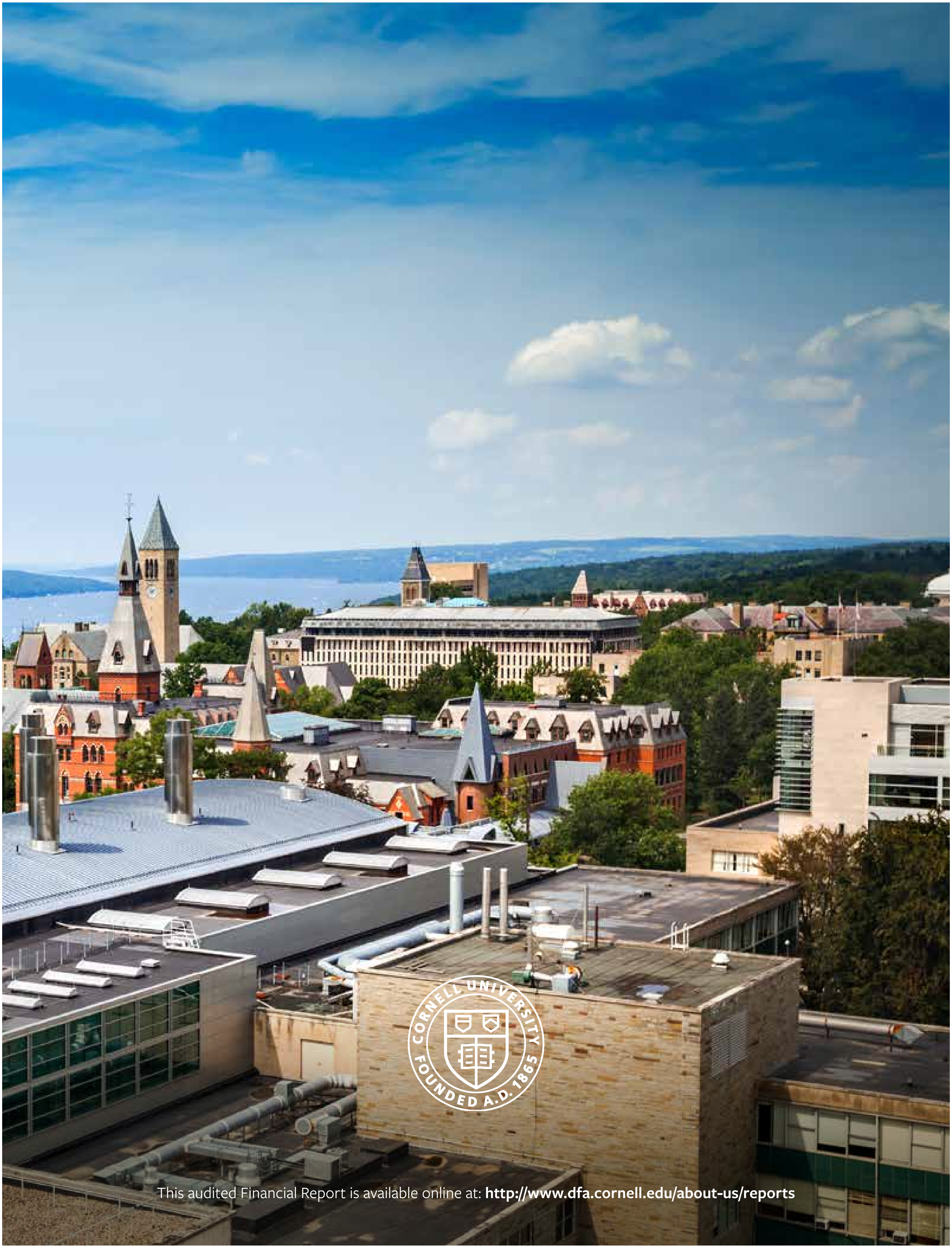

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