

COLUMBIA UNIVERSITY
2001 Financial Report



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Operating Highlights of the Financial Statements

(in thousands of dollars)

Years Ended June 30	2001	2000
Major Sources of Revenues and Support (A)		
Tuition and fees, less financial aid grants	\$343,178	\$326,922
Government grants and contracts	432,319	391,035
Private gifts, grants, and contracts (excludes endowment gifts)	236,479	237,855
Receipts from other educational and research activities	337,787	316,993
Medical faculty practice plans	302,964	269,585
Investment income and gains utilized to fund budgeted operations	210,010	170,282
Major Operating Expenditures (A)		
Instruction, research, and educational administration	1,031,562	914,030
Medical faculty practice plans	281,863	267,959
Library	35,664	35,056
Operation and maintenance of plant	88,918	78,518
University administration	79,610	75,745
Depreciation	104,472	94,719
Interest expense	37,494	36,651
Net Assets (B)		
Unrestricted	4,072,529	3,952,924
Temporarily restricted	680,542	689,987
Permanently restricted	1,120,934	1,047,480
Net Assets by Fund Group		
Current funds	577,566	445,884
Student loan funds	16,119	15,107
Endowment and similar funds	4,323,805	4,263,972
Plant funds	568,270	525,422
Pledges	180,917	201,232
Interest in perpetual trusts held by others	119,330	144,237
CPMC Fund, Inc.	87,998	94,537
Capitalized Construction Costs (C)	156,810	156,231
Students		
Total enrollment	22,425	22,252
Undergraduate	6,721	6,748
Graduate and professional	13,494	13,388
Nondegree	2,210	2,116
Total degrees awarded	7,272	7,040
Undergraduate	1,554	1,577
Graduate and professional	5,718	5,463

(A) See Statement of Activities on page 9.

(B) See Balance Sheet on page 8.

(C) Capitalized construction costs include cash outlays for expenditures on plant and Institutional Real Estate properties, not including equipment. Institutional Real Estate properties are recorded as investments on the Balance Sheet.

2001 Financial Report

The strength of Columbia's finances flows from the excellence of the teaching and research that characterizes the University. This ongoing relationship between academic quality and financial health accounts for Columbia's strong operating results for the year that ended June 30, 2001. Total revenues across the University rose by 8.5 percent, including a 10.6 percent rise in government support for research, while total cash gifts from alumni and other friends of the University, including gifts made to create endowments, increased by 22.7 percent to a new record total of \$358.7 million. Net assets to support current operations continued to grow significantly, increasing by \$116.7 million during the year.

Operating Results

In the 2000–2001 operating year, University revenues grew by \$152.8 million to \$1.943 billion. Expenditures, including depreciation, grew by 9.4 percent to \$1.722 billion, leaving an increase in net assets before nonoperating activities of \$220.5 million. Setting aside from this total increase \$49.5 million in assets invested to support operations and \$54.3 million in plant net assets and funds available for construction, net assets to support operations rose by \$116.7 million. This growth in operating revenues was paralleled by an increase of \$135.3 million in the University's cash and cash equivalents to a total of \$396.0 million.

The vigorous growth in University revenues during the year ended June 30, 2001 reflected strength in all revenue categories. Income from tuition and fees, before deducting financial aid grants, rose by \$26.0 million, or 6.0 percent, to \$461.7 million. Reflecting the competitive strength of the faculty, revenue from governmental grants and contracts to support research at the University continued to grow at a double-digit rate, increasing by 10.6 percent to \$432.3 million. Receipts from other educational and research activities, which include royalty and license income from patents held by the University, increased by 6.6 percent to \$337.8 million. Finally, income from medical faculty practice plans rose sharply, by 12.4 percent, to \$303.0 million.

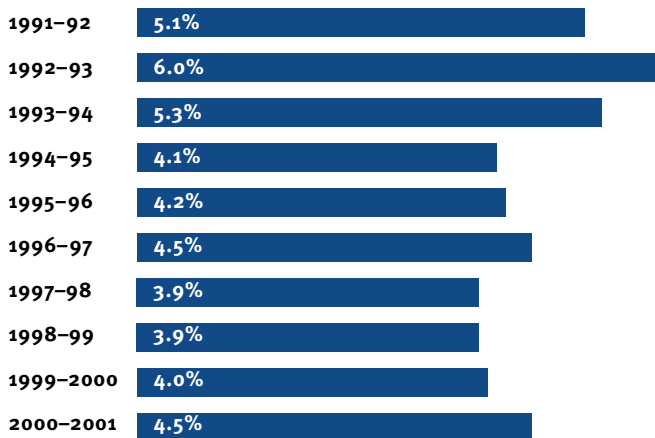
Another record-setting year in fund-raising saw cash receipts jump by 22.7 percent to a University-wide total of \$358.7 million. A \$47.1 million rise in cash gifts to the endowment, to a total of \$130.4 million, helped fuel this surge, but performance in all fund-raising categories remained strong. Corporate and foundation support for University programs grew to \$98.3 million, and cash gifts in support of current operations totaled \$101.8 million. Gifts for capital construc-

tion increased to \$28.1 million. The University's Statement of Activities for the year 2000–2001, recording new pledges and cash not previously pledged, while excluding gifts in kind and gifts to outside trusts, reports \$236.5 million in private gifts, grants, and contracts in support of operations. In the nonoperating section of the Statement of Activities, additional endowment and student loan gifts of \$97.4 million are reported, bringing the Statement's total reported gifts to \$333.9 million.

Spending from the University's endowment is guided by the revised endowment spending policy adopted by the Trustees of the University in advance of the 1998–99 operating year, a policy that moves University-wide annual spending from the endowment toward a target rate of 5 percent of the prior year's beginning endowment value. In the year ended June 30, 2001, budgeted spending from pooled endowment assets totaled \$147.4 million, representing 4.2 percent of the prior year's beginning endowment market value, and a 23.2 percent increase over the amount distributed in the prior operating year. The total amount of investment income and gains used to fund budgeted operations, as indicated in the Statement of Activities, was \$210.0 million, including, in addition to the spending from endowments, a total of \$62.6 million in investment income from interest on current funds, income from separately invested endowment funds, net operating income of the University's real estate operations, and income earned on funds held by the New York State Dormitory Authority. Finally, as in prior years, further distributions from the endowment were made to meet capital construction needs and to reduce overdrafts, totaling \$8.5 million. The resulting overall spending rate from the University's endowment as a percentage of the prior year's beginning market value was 4.5 percent.

University-wide expenditure growth in the year ended June 30, 2001 slowed from the 11.0 percent increase of the prior year to 9.4 percent, as total reported expenses grew to \$1.722 billion. The growth rate for core program areas (instruction, research, educational administration, and libraries) continued at a higher level, at 12.5 percent. Total salary expenditures across the University rose by 10.7 percent, driven equally by increases in head count and in the average wage; however, total fringe benefits spending maintained the prior year's growth rate of 7.4 percent. Reflecting the year's favorable balance between revenues and expenditures, total net fund balances held for operating purposes in the schools and central administration (excluding government grants and student loan funds) grew by 28.2 percent to a total of \$665.1 million.

Trends in Endowment Spending as a Percentage of Prior-Year Beginning Market Value



Capital

Fiscal 2000–2001 was the second year of Columbia University’s current five-year capital improvement program for the Morningside, Health Sciences, and Palisades campuses. The current program, budgeted at \$1.2 billion, continues to restore campus buildings; expand and improve teaching, research, and recreational and residential spaces; upgrade and replace information system software and hardware; purchase major equipment for medical and scientific research; and increase the supply of housing for faculty, graduate, and post-doctoral students.

The capital plan is funded from a variety of sources. Borrowing is the largest source of funds, via the issuance of external debt, primarily bonds issued through the New York State Dormitory Authority, and through internal loans made from University working capital. Operating budget reserves and endowments accumulated by the various schools and departments are the next largest source, followed by gifts and grants. Lastly, the central operating budget contributes funding to support infrastructure renewal on the Morningside campus.

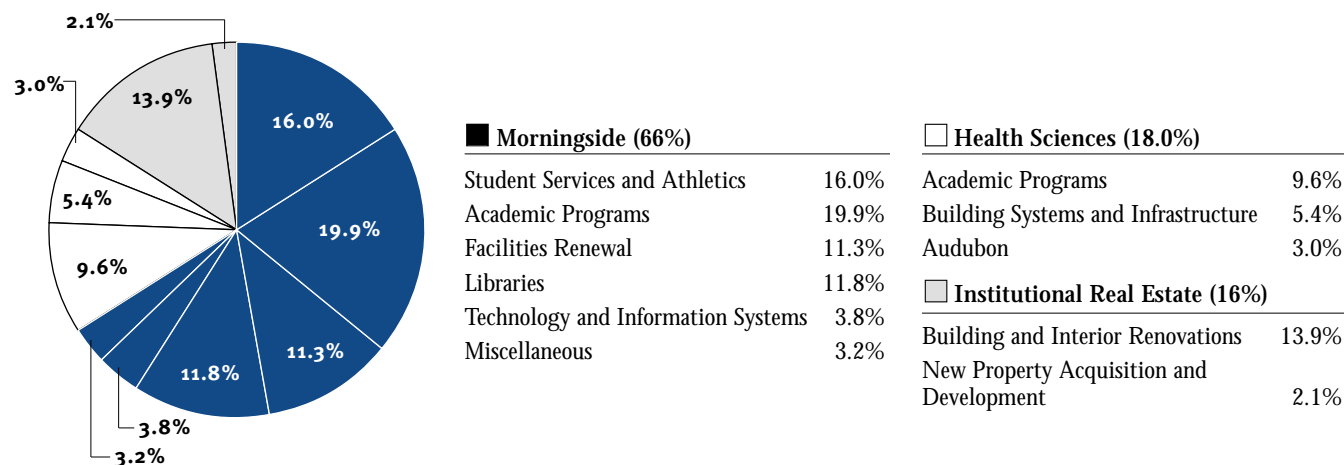
Total capital spending during the 2000–2001 year was \$169 million, a 3.9 percent decrease from the previous year’s spending. Of this total, \$112 million, or 66 percent, was spent on the Morningside and Palisades campuses, with nearly one third of that amount in support of academic programs. Both the Law School and the Business School continued major renovations of their primary buildings. In Jerome Greene Hall, the home of Columbia’s Law School, faculty space on the fifth and sixth floors was renovated, as well as four amphitheatre classrooms on the first floor. Faculty, classroom, and administrative space in the Business School’s Uris Hall was also improved. Two important buildings in the Division of Arts and Sciences

benefited from capital investments in this fiscal year as part of multiyear building-wide renovation projects. Hamilton Hall, the historic center of Columbia College, received major infrastructure improvements, including a new central ventilation system, electrical service and distribution upgrades, and elevator improvements. In the Chandler Laboratory building, which houses Chemistry Department research activities, the heating and cooling system and the domestic water and gas distribution systems were replaced, and laboratories on the ninth floor were refitted. Improvements to student services represented an additional 16 percent of total capital investment, including the complete renovation of River Hall, an undergraduate dormitory.

About 12 percent of capital spending was directed toward the University’s libraries. More than \$8 million was spent on Phase III of the Butler Library renovation, which, when finished, will complete the renovation of the Undergraduate Library on the 400 level and create new graduate reading rooms on the 500 and 600 levels. These floors are also receiving improved HVAC and fire protection systems. Additionally, five stack levels and three passenger elevators were restored. Another \$8 million covered the cost of the construction of a high-density book storage depository at Princeton’s Forrestal campus. This new facility will be managed by a consortium made up of Columbia University, Princeton University, and the New York Public Library, and will have an initial capacity of 7.8 million volumes.

Approximately 18 percent of University-wide capital spending, more than \$30 million, occurred on the Health Sciences campus in Washington Heights, including \$16 million for more than 75 separate projects in support of academic programs. Ownership of the former Psychiatric Institute building is reverting to Columbia University from the State of New

2000–2001 Capital Spending Total \$169 Million



York after the completion of the new New York State Psychiatric Institute. Infrastructure renovations to that building continued in this fiscal year to prepare it for occupancy by the Mailman School of Public Health, which will consolidate its operations from various locations in this building. In addition, approximately \$9 million was spent on campus for various building system improvements, including a sprinkler system upgrade in Bard and Georgian Halls (student residence facilities) and emergency generators in the Black and Hammer buildings. The remaining \$5 million in capital investment at Health Sciences went toward fitting out the Russ Berrie Medical Pavilion (Audubon II) and beginning the construction of Audubon III, which will house Health Sciences research laboratories.

Improvements and additions to the University's housing properties managed by Institutional Real Estate (IRE) accounted for the remaining 16 percent of this year's capital spending. IRE properties provide housing for close to 8,000 graduate and postdoctoral students, faculty, researchers, administrators, and other affiliates. Approximately \$24 million was expended on the continuing program of interior and exterior refurbishment, window replacement, building system upgrades, and other repairs to existing IRE buildings. An additional \$4 million was spent on new housing acquisitions and improvements.

Capital Financing

The University ended fiscal year 2000–2001 with \$789.6 million in outstanding long-term debt, an increase of \$109.8 million or 16.2 percent over the prior year. The University added \$134.2 million in new debt during the year to finance capital construction and an additional \$30.0 million to refinance maturing Medium-Term Notes. During the year, the University retired \$54.3 million in debt, including the Notes.

In October 2000, the University issued \$121.7 million of new tax-exempt bonds through the New York State Dormitory Authority. The bonds were issued and serviced until March 1, 2001, as variable rate debt with a twenty-five year bullet maturity. During those four months, long-term tax-exempt fixed rates declined substantially, and the University opted to reoffer the debt as fixed-rate amortizing bonds. The reoffering, using premium pricing, reduced the outstanding principal to \$119.5 million, at an average rate of 4.97 percent. In addition to the new bonds, Columbia sold \$30.0 million in taxable commercial paper and \$12.5 million in tax-exempt commercial paper during the year.

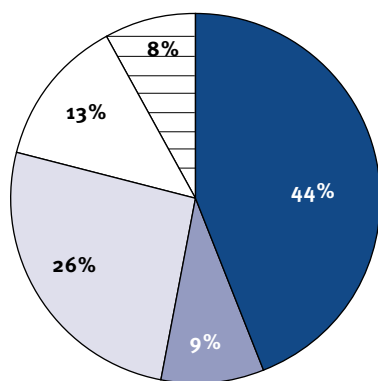
While the University's total debt has been rising, its interest expense has remained relatively flat. Interest expense rose by only 2.3 percent in comparison to the 16.2 percent growth in debt principal last year. The average interest rate on the University's outstanding debt declined from 5.6 percent at the end of fiscal year 1999–2000 to 5.2 percent at the end of fiscal year 2000–2001.

Of the University's \$789.6 million of long-term debt, tax-exempt debt issued to fund construction represents 58.9 percent of the total, and taxable debt for these purposes, 38.4 percent of the total. The remaining 2.7 percent of long-term debt is tax-exempt bonds supporting student loans.

Investments

The net value of the endowment rose by \$60 million to \$4.324 billion in the year ended June 30, 2001. The total return on the managed assets component of the endowment (\$4.032 billion) was 1.4 percent, after deducting outside investment management fees, compared to a –14.8 percent return for the S&P 500 Index, a –23.6 percent return for the EAFE (Europe,

Columbia Investment Pool Asset Allocation



June 30, 2001	
Asset Sector	
Domestic Stocks*	44%
Foreign Stocks	9%
Private Equity	26%
Total Equity	79%
Fixed Income	13%
Cash Reserves	8%
Total Debt	21%

June 30, 2000	
Asset Sector	
Domestic Stocks*	42%
Foreign Stocks	11%
Private Equity	28%
Total Equity	81%
Fixed Income	12%
Cash Reserves	7%
Total Debt	19%

\$4.032 billion at June 30, 2001

*Includes hedge funds

Columbia Investment Pool vs. Market Indices

Annualized Returns for Periods Ended June 30, 2001

	1 Year	3 Years	5 Years	10 Years
Columbia (net)	1.4%	9.2%	12.6%	13.4%
S&P 500 (US stocks)	-14.8%	3.9%	14.5%	15.1%
EAFE (foreign stocks)	-23.6%	-1.2%	2.9%	6.4%
Lehman Bond Index (US bonds)	11.2%	6.3%	7.5%	7.9%

Australia & Far East) Index, and an 11.2 percent return for the Lehman Aggregate Bond Index. For the past five years, as shown in the table above, the University's annualized return on managed assets was 12.6 percent and, for the past ten years, 13.4 percent.

During the 2000–2001 year, the overall allocation of managed assets to equities declined from 81 percent to 79 percent. Within this equity component, domestic stocks increased by two percentage points from 42 percent to 44 percent, while the allocation to foreign stocks and to private equity decreased by two percentage points in each case. Within the debt component, both fixed income and cash reserves increased by one percentage point each. Fixed income increased from 12 percent to 13 percent, and cash reserves increased from 7 percent to 8 percent.

Looking Ahead

The University's financial results for the 2000–2001 year continued the strong revenue growth that began in the mid 1990s. That growth also continued to add to the reserves

available to support operations in future years. Although the investment performance of the University's endowment was favorable relative to the equity markets, its modest absolute return for the year is a reminder that the historically high average annual rates of return that many endowments, including Columbia's, experienced over the past ten years are by no means guaranteed. That reminder resonates even more forcefully as this report is written, in the wake of the World Trade Center attack. Nevertheless, the University faces the financial challenges that may lie ahead from a position of strength that is maintained by prudent fiscal management, by the loyal support of the University's alumni and friends, and, most fundamentally, by the excellence of its faculty and students.

John Masten
Executive Vice President for Finance

2001 Financial Statements

Introduction to the Financial Statements

The University, in common with most not-for-profit institutions, has used “fund accounting” to manage and report on its financial operations. At the core of fund accounting is the need for educational and other not-for-profit institutions to manage and account for gifts and grants from donors and public agencies according to the limitations that exist on their use. The University maintains a large number of funds with separate accounts both to ensure and to demonstrate its compliance with these limitations.

The University’s audited financial statements are prepared in the formats required by the Financial Accounting Standards Board (FASB) in its Statements of Financial Accounting Standards (SFAS) Nos. 116 and 117. These standards are intended to provide a perspective on the financial condition of not-for-profit organizations that is closer to the view offered by for-profit accounting practices, which focus on net assets rather than on the fund balances central to fund accounting. The resources available to each institution are reflected in their classification of net assets into three categories—unrestricted, temporarily restricted, and permanently restricted—each category defined according to the extent to which it is subject to donor-imposed restrictions. Pledges of future contributions are also recognized at their fair value as assets.

The SFAS Nos. 116 and 117 require institutional financial statements to present three reports—the Balance Sheet, the Statement of Activities, and the Statement of Cash Flows. The University’s statements provide 2001 data with comparative 2000 totals for each report. Within the Balance Sheet,

the University has classified its assets, liabilities, and net assets into three groups—University operations, long-term investments, and plant. The category “University operations” reflects the assets and liabilities supporting the day-to-day operations of the University. Many of the resources included here are accounted for in the University’s operating budget. Long-term investments are those assets and liabilities that have traditionally been referred to as endowment and similar funds. Plant assets include, primarily, the physical plant of the University and cash and pledges for support of construction projects, while bonds and notes payable in support of construction are reflected as a liability.

The second financial report, the Statement of Activities, segregates revenues and expenses by net asset category—unrestricted, temporarily restricted, and permanently restricted—and measure the change in net assets for the fiscal year. The changes in net assets are separated into increases before nonoperating activities (reflecting most items of revenue and expense within the University) and increases from nonoperating activities (primarily realized and unrealized capital gains not used to support operations, and capital gifts).

The third and final report is the Statement of Cash Flows, which reconciles the annual change in operating cash and cash equivalents with the total change in net assets, as reported on the Statement of Activities. The Statement of Cash Flows is divided into three sections: net cash provided by operating activities; net cash used by investing activities; and net cash provided by financing activities.

Balance Sheet

at June 30, 2001, with Comparative 2000 Totals (in thousands of dollars)

	University Operations	Long-Term Investments	Plant	Total 2001	Total 2000
Assets					
Cash and cash equivalents	\$391,048	\$4,938		\$395,986	\$260,650
Accounts receivable, net:					
Government agencies	39,858			39,858	47,835
Patient receivables	84,829			84,829	85,090
Other	102,021		\$958	102,979	98,173
Student loans receivable, net	75,589			75,589	74,382
Investment income receivable	10,830			10,830	12,463
Pledges receivable, less allowance	52,950	70,415	57,552	180,917	201,232
Interfund receivable/(payable)	123,275		(123,275)		
Net assets held by CPMC Fund, Inc.		87,998		87,998	94,537
Cash and securities held in trust by others	2,909		154,220	157,129	39,198
Investments, at market	133,577	4,350,786		4,484,363	4,483,361
Due from brokers		89,885		89,885	20,986
Land, buildings, and equipment, net			1,231,397	1,231,397	1,170,117
Interest in perpetual trusts held by others		119,330		119,330	144,237
Other assets	27,264		6,342	33,606	37,952
Total assets	\$1,044,150	\$4,723,352	\$1,327,194	\$7,094,696	\$6,770,213
Liabilities					
Accounts payable and accrued expenses	\$152,173			\$152,173	\$144,024
Prepaid tuition and other deferred credits	41,640			41,640	36,008
Deferred grant revenue	6,658		\$24,108	30,766	31,972
Refundable advances	81,442			81,442	64,775
Postemployment benefits payable	30,514			30,514	27,932
Postretirement benefits payable					
other than pensions	4,871			4,871	6,832
Actuarial liability for annuities payable		\$31,012		31,012	31,078
Federal student loan funds	58,703			58,703	57,473
Bonds and notes payable	21,514	90,792	677,264	789,570	679,728
Total liabilities	397,515	121,804	701,372	1,220,691	1,079,822
Net Assets					
Unrestricted	581,329	2,940,267	550,933	4,072,529	3,952,924
Temporarily restricted	61,364	544,289	74,889	680,542	689,987
Permanently restricted	3,942	1,116,992		1,120,934	1,047,480
Total net assets	646,635	4,601,548	625,822	5,874,005	5,690,391
Total liabilities and net assets	\$1,044,150	\$4,723,352	\$1,327,194	\$7,094,696	\$6,770,213

See accompanying notes to financial statements.

Statement of Activities

Year Ended June 30, 2001, with Comparative 2000 Totals *(in thousands of dollars)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2001	Total 2000
Revenues and Support					
Tuition and fees	\$461,703			\$461,703	\$435,722
Less financial aid grants	(118,525)			(118,525)	(108,800)
Net tuition and fees	343,178			343,178	326,922
Government grants and contracts:					
Direct	329,831			329,831	297,447
Indirect	102,488			102,488	93,588
Private gifts, grants, and contracts:					
Direct	162,009	\$66,196		228,205	230,609
Indirect	8,274			8,274	7,246
Receipts from other educational and research activities	337,787			337,787	316,993
Medical faculty practice plans	302,964			302,964	269,585
Investment income and gains utilized to fund:					
Budgeted operations	209,703	307		210,010	170,282
Additional distributions	8,482			8,482	11,833
Sales and services of auxiliary enterprises	61,807			61,807	56,664
State aid	4,029			4,029	3,837
Other sources	5,635			5,635	4,851
Net assets released from restrictions	52,115	(52,115)			
Total revenues and support	1,928,302	14,388		1,942,690	1,789,857
Expenses					
Instruction, research, and educational administration	1,031,562			1,031,562	914,030
Medical faculty practice plans	281,863			281,863	267,959
Library	35,664			35,664	35,056
Operation and maintenance of plant	88,918			88,918	78,518
University administration	79,610			79,610	75,745
Auxiliary enterprises	51,316			51,316	48,660
Depreciation expense	104,472			104,472	94,719
Interest expense	37,494			37,494	36,651
Other	11,274			11,274	22,488
Total expenses	1,722,173			1,722,173	1,573,826
Change in Net Assets before Nonoperating Activities	206,129	14,388		220,517	216,031
Change in net assets to support current operations	136,614	(19,963)		116,651	135,077
Change in assets invested to support operations	39,882	9,666		49,548	44,759
Change in plant net assets and funds available for construction	29,633	24,685		54,318	36,195
Change in Net Assets from Nonoperating Activities	(86,524)	(23,833)	73,454	(36,903)	618,336
Student loan gifts			\$292	292	303
Endowment gifts			97,133	97,133	70,505
Current year realized and unrealized capital gains (losses)	(18,350)	(12,996)	(115)	(31,461)	557,520
Prior endowment appreciation utilized to fund budgeted operations	(61,245)	(10,242)		(71,487)	(32,493)
Net assets held by CPMC Fund, Inc	(6,929)		390	(6,539)	11,414
Funds held by others in perpetuity			(24,907)	(24,907)	12,145
Present value adjustment to annuities payable		(595)	661	66	(1,058)
Change in net assets	119,605	(9,445)	73,454	183,614	834,367
Net assets at beginning of year	3,952,924	689,987	1,047,480	5,690,391	4,856,024
Net assets at end of year	\$4,072,529	\$680,542	\$1,120,934	\$5,874,005	\$5,690,391

See accompanying notes to financial statements.

Statement of Cash Flows

Year Ended June 30, 2001, with Comparative 2000 Totals *(in thousands of dollars)*

	Total 2001	Total 2000
Cash Flows from Operating Activities		
<i>(Includes adjustments to reconcile change in net assets to net cash provided by operating activities)</i>		
Change in net assets	\$183,614	\$834,367
Depreciation	104,472	94,719
Change in operating assets and liabilities:		
Accounts receivable	3,432	(26,975)
Investment income receivable	1,633	(3,303)
Pledges receivable	20,315	(30,473)
Net assets held by CPMC Fund, Inc.	6,539	(11,414)
Interest in perpetual trusts held by others	24,907	(12,145)
Other assets	4,346	(14,959)
Accounts payable and accrued expenses	8,149	3,541
Prepaid tuition and other deferred credits	5,632	(425)
Deferred grant revenue	(1,206)	389
Refundable advances	16,667	1,685
Postemployment benefits payable	2,582	4,876
Postretirement benefits payable other than pensions	(1,961)	1,424
Present value adjustments to annuities and life income funds	(66)	1,058
Accreted interest on bonds	2,423	2,334
Investment income net of payments on annuity and life income agreements	681	414
Contributions restricted for permanent investment, annuity and life income agreements, and plant	(148,464)	(89,625)
Realized and unrealized capital <gains> losses	31,461	(558,114)
Net cash provided by operating activities	265,156	197,374
Cash Flows from Investing Activities		
Change in cash and securities held in trust by others	(6,553)	(2,031)
Change in due from brokers	(68,899)	(33,825)
Proceeds from sale of investments	2,779,685	2,970,509
Purchase of investments	(2,812,148)	(3,110,821)
Proceeds from note collections	9,475	7,829
Notes issued	(10,682)	(8,670)
Purchases of plant and equipment	(165,752)	(175,482)
Net cash used by investing activities	(274,874)	(352,491)
Cash Flows from Financing Activities		
Proceeds from contributions for:		
Investment in endowment	113,167	63,155
Investment in plant	31,222	22,291
Investment in annuity and life income agreements	4,075	4,179
Investment income on annuity and life income agreements	2,939	3,061
Payments on annuity and life income agreements	(3,620)	(3,475)
Repayment of debt	(12,066)	(62,909)
Proceeds from debt borrowings	8,107	45,702
Change in federal student loan funds	1,230	5,576
Net cash provided by financing activities	145,054	77,580
Net increase/(decrease) in cash and cash equivalents	135,336	(77,537)
Cash and cash equivalents at beginning of year	260,650	338,187
Cash and cash equivalents at end of year	\$395,986	\$260,650
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$41,445	\$40,981

See accompanying notes to financial statements.

Summary of Investments

at June 30, 2001 and 2000 (in thousands of dollars)

	Estimated Market Value	
	2001	2000
Assets		
Domestic		
Cash equivalents	\$340,668	\$337,243
Fixed income	260,720	301,621
Equity	550,143	715,954
Equity REITS	17,742	15,133
Options/warrants		1,222
Limited partnership interests	1,824,431	1,755,816
Mutual funds	514,466	353,593
Mortgage loans	3,052	3,888
Foreign		
Cash equivalents	2,337	66
Fixed income	31,508	27,990
Equity	108,634	175,370
Preferred equity	1,783	1,315
Foreign exchange contracts receivable	87	16
Mutual funds	248,844	257,560
Limited partnership interests	180,805	156,303
<hr/>		
Total investment portfolio	4,085,220	4,103,090
<hr/>		
Institutional real estate	485,135	468,350
<hr/>		
Total investment assets	4,570,355	4,571,440
Liabilities		
Investments held for CPMC	85,951	86,841
Options written on equity		1,222
Foreign exchange contracts payable	41	16
<hr/>		
Total investment liabilities	85,992	88,079
<hr/>		
Total investments, net of related liabilities, at market	\$4,484,363	\$4,483,361

See accompanying notes to financial statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The significant accounting policies of Columbia University in the City of New York (the “University”) are as follows:

Accrual Basis

The accompanying financial statements include the accounts of all the divisions of the University (except Barnard College and Teachers College, corporations for which the University has no financial or administrative responsibilities) and have in all material respects been prepared on an accrual basis.

Basis of Presentation

The University prepares its financial statements in accordance with the Statements of Financial Accounting Standards (SFAS) No. 116, “Accounting for Contributions Received and Made,” and SFAS No. 117, “Financial Statements of Not-for-Profit Organizations.” SFAS No. 116 requires that contributions received, including unconditional promises to give (pledges), be recognized as revenues at their fair values. SFAS No. 117 establishes standards for external financial statements and requires the classification of net assets and the flows of those assets based on the existence or absence of donor-imposed restrictions. SFAS No. 117 further requires the implementation of provisions of SFAS No. 95, “Statement of Cash Flows,” to be extended to not-for-profits.

Three net asset categories have been established by the standards:

Permanently restricted, defined as resources received from an outside donor that must be retained inviolate and in perpetuity. These include gifts to true endowments and gifts for student loans.

Temporarily restricted, defined as resources received from an outside donor that are restricted by purpose or time (future use), or unspent realized and unrealized gains and reinvested income generated by those gifts that are either permanently or temporarily restricted.

Unrestricted, which includes all other assets of the University.

Revenues are reported as increases in unrestricted net assets unless the use of those assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. The expiration of temporary restrictions on net assets (i.e., the stipulated time period has elapsed or the stipulated purpose has been fulfilled) is reported as a reclassification from temporarily restricted to unrestricted net assets.

Contributions, including unconditional promises to give, are recognized as operating revenues in the period received. If donor restrictions are met on contributions within the same reporting period, those contributions are reflected as unrestricted revenues. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the type of restriction. Conditional promises to give are not recorded until the conditions on which they depend have been met. Contributions of securities are recognized at their fair market value. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue to be used in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions is estimated based upon management’s assessment of the anticipated cash yield from outstanding pledges.

In accordance with the AICPA’s “Audit and Accounting Guide for Not-for-Profit Organizations,” expenditures are reported for the University’s primary program activities, e.g., instruction, research and educational administration, medical faculty practice plans, etc. The financial statements also report expenditures that support more than one major program of the University. These expenditures, which include operation and maintenance of plant and depreciation expense, are allocated to the major programs of the University as shown in the following chart (*in thousands of dollars*):

Allocation of Operation and Maintenance (O&M) and Depreciation Expense

Expenses	2001			2000		
	Expense per Statement of Activities	O&M and Depreciation Allocation	Final Allocated Expenses	Expense per Statement of Activities	O&M and Depreciation Allocation	Final Allocated Expenses
Instruction, research, and educational administration	\$1,031,562	\$125,629	\$1,157,191	\$914,030	\$113,365	\$1,027,395
Medical faculty practice plans	281,863	7,778	289,641	267,959	6,883	274,842
Library	35,664	25,089	60,753	35,056	22,745	57,801
Operation and maintenance of plant	88,918	(88,918)		78,518	(78,518)	
University administration	79,610	17,219	96,829	75,745	14,795	90,540
Auxiliary enterprises	51,316	10,305	61,621	48,660	8,554	57,214
Depreciation expense	104,472	(104,472)		94,719	(94,719)	
Interest expense	37,494		37,494	36,651		36,651
Other	11,274	7,370	18,644	22,488	6,895	29,383
Total expense	\$1,722,173		\$1,722,173	\$1,573,826		\$1,573,826

The allocation of operation and maintenance of plant is based on square footage occupancy. Depreciation expense includes depreciation of buildings and building improvements and equipment. The allocation of depreciation on buildings and building improvements is based on square footage occupancy. Depreciation on equipment is allocated to the programs for which the equipment was purchased.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2001 Presentation

Certain 2000 amounts have been reclassified to conform with the 2001 presentation.

2. Investments

Investments are composed of two major groups: the investment portfolio and institutional real estate. The University's endowment and similar funds include the corpus of permanently restricted gifts as well as reinvested gains and income and board-designated endowments. These funds are presented on the balance sheet as the main component of long-term investments. At June 30, 2001 and 2000, the endowment and similar funds amounted to \$4,323.8 million and \$4,264.0 million, respectively. The endowment and similar funds

include assets owned by certain Delaware limited liability companies that are wholly owned by the University.

Cash Equivalents

Cash equivalents included in the portfolio consist primarily of liquid short-term instruments held by the investment pool.

Securities

Securities are carried at market values established by the major securities markets. Purchases and sales of securities are accounted for on a trade-date basis. Realized gains and losses are determined on the basis of average cost of securities sold. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis. Fees paid to investment managers are netted against investment income.

The investment portfolio includes securities traded during the fiscal year but settled in the subsequent reporting period. The offset to these transactions is recorded as either an asset or liability—due from/(to) brokers—on the balance sheet. At June 30, 2001 and 2000, due from brokers amounted to \$89.9 million and \$21.0 million, respectively.

Limited Partnership Interests

Limited partnership interests include investments in investment funds and real estate. The underlying market value of the investment funds is determined by the investment funds' general partner. The market value of the underlying real estate is determined by the partnership's management or an affiliated company. The University's management may, in addition, consider other factors in assessing the fair value of these investments.

The University is obligated under certain limited partnership investment fund agreements to advance additional funding periodically up to specified levels. At June 30, 2001, the University had unfunded commitments of \$680.2 million, which are likely to be called through 2005.

Institutional Real Estate

Institutional real estate consists of properties around the University's Morningside Heights and Washington Heights campuses, the primary purpose of which is to house faculty, staff, and students. The income earned on this investment is used primarily to finance operating expenditures. Capital appreciation is retained within long-term investments, and capital depreciation is a charge against such investments. The market value of institutional real estate is determined by independent appraisals.

Off-Balance Sheet Risks

Investment strategies employed by investment managers incorporate the use of various financial instruments with off-balance sheet risk. These include foreign exchange contracts, futures contracts, options contracts and swap contracts. They are carried in the financial statements at market value. Futures, options, forward contracts and swap contracts are either traded on organized exchanges or entered into with creditworthy financial institutions.

At June 30, 2001, the contract or notional amounts of these financial instruments, as listed below but not included in the Balance Sheet, are indicators of the University's activities:

Futures	Notional Amount <i>(in thousands of dollars)</i>	
	Purchased	Sold
Equity futures	\$75,934	
Interest rate futures	20,169	\$20,169
Bond futures	11,317	28,154
Foreign exchange contracts	Open Value (US\$)	
Foreign exchange payables	\$5,265	
Foreign exchange receivables	5,265	
Swaps	Open Value (US\$)	
Equity swaps	\$0	
Written options	Puts	Calls
Currency	\$0	\$0

Investment Portfolio Return and Investment Income

The net time-weighted rate of return of the investment portfolio, excluding separately invested endowments and annuity and life income funds, was 1.4 percent for the fiscal year ended June 30, 2001. In order to better balance current needs against the preservation of the purchasing power of the merged investment pool, the University adopted a revised spending rule in 1998 that regulates the annual amounts made available from the endowment for support of University operations. The amount budgeted, within the limits of the University's spending rule, is a component of investment income and gains utilized on the Statement of Activities.

A summary of investments at June 30, 2001, appears on page 11.

3. Contributions Receivable

Unconditional promises to give appear as pledges receivable and revenues of the appropriate net asset category. Pledges are recorded after recognizing an allowance for uncollectible contributions and a discount to reflect the net present value based on projected cash flows.

Unconditional promises to give are expected to be received during the following period *(in thousands of dollars)*:

	2001	2000
Less than one year	\$69,081	\$69,659
One to five years	124,228	153,620
More than five years	58,052	51,448
Less: Allowance for uncollectible contributions	(23,405)	(18,130)
Less: Net present-value discount	(47,039)	(55,365)
Total	\$180,917	\$201,232

Pledges receivable at June 30, 2001 and 2000, are intended for the following purposes:

	2001	2000
Endowment for educational and general purposes	\$70,415	\$86,449
New construction and modernization of plant	57,552	46,082
Support of current operations	52,950	68,701
Total	\$180,917	\$201,232

4. Land, Buildings, and Equipment

Investments in land, buildings, and equipment, net, consisted of the following at June 30 (*in thousands of dollars*):

	2001			2000		
	Total Assets	Accumulated Depreciation	Net Assets	Total Assets	Accumulated Depreciation	Net Assets
Land	\$12,743		\$12,743	\$10,661		\$10,661
Buildings and building improvements	1,730,619	\$635,962	1,094,657	1,611,556	\$567,385	1,044,171
Equipment	255,990	131,993	123,997	329,204	213,919	115,285
Total	\$1,999,352	\$767,955	\$1,231,397	\$1,951,421	\$781,304	\$1,170,117

The University uses componentized depreciation to calculate depreciation expense for buildings and building improvements. Under the componentized depreciation method, building costs are segregated into component categories with useful lives ranging from ten to forty years, and depreciated on a straight-line basis.

The University calculates depreciation expense for equipment on an individual item basis, using the straight-line method over useful lives ranging from five to ten years, consistent with the method used for government cost reimbursement purposes.

5. Postemployment Benefits and Compensated Absences

The University complies with the accounting standards set forth in SFAS No. 112, "Employers' Accounting for Postemployment Benefits." Postemployment benefits are those benefits provided to former or inactive employees after employment but before retirement. SFAS No. 112 requires the University to record the costs of such benefits on an accrual basis, if the employee has provided the services from which those benefits are derived. In fiscal 2001 and 2000, the University recognized an actuarially computed liability of \$14.4 million and \$13.4 million, respectively, relating to the following benefits: workers' compensation, short-term disability, and continuation of medical benefits for those on long-term disability.

SFAS No. 43 requires that compensated absences be recorded, if material, on an accrual basis. The actuarially computed liability for compensated absences was recorded at \$16.1 million at June 30, 2001 and \$14.5 million at June 30, 2000.

6. Retirement Benefits

Retirement benefits are provided for full-time faculty and officers under a noncontributory defined contribution plan, through direct payments to Teachers Insurance Annuity Association–College Retirement Equities Fund (TIAA–CREF), Calvert Group, or Vanguard Group of Investment Companies. Contributions are determined as a percentage of each covered employee's salary, taking into account the age and accrued service of each employee. Charges to expenditures under this plan amounted to \$43.8 million and \$40.1 million for the years ended June 30, 2001 and 2000, respectively.

The University has four noncontributory pension plans for supporting staff employees. Two of these plans are defined benefit plans for both past and future service. The other two plans provide defined benefits for service prior to January 1, 1976, in one case, and prior to July 1, 1976, in the other, and defined contributions to TIAA–CREF for service thereafter. The University complies with SFAS No. 87, "Employers' Accounting for Pensions," for its pension plans and, in fiscal 1999, adopted SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits."

All four of these plans are subject to collective bargaining agreements. Charges to expenditures under the four supporting staff pension plans amounted to \$3.8 million for each of the years ended June 30, 2001 and 2000. The components of pension expense for these defined benefit and contribution plans for the years ended June 30, 2001 and 2000 were as follows (in thousands of dollars):

	2001	2000
Service cost—benefit earned during the period	\$1,513	\$1,575
Interest cost on projected benefit obligation	4,068	3,907
Expected return on assets	(5,597)	(5,017)
Net amortization:		
Prior service cost	45	45
Net actuarial cost	(177)	
Transition amount	(319)	(319)
Defined contribution	3,756	3,594
Termination benefit	470	
Total pension expense	\$3,759	\$3,785

The University funds current charges as incurred and is funding the pre-ERISA pension liability under these defined benefit plans over a thirty-year period, which began in 1976. The reconciliation of the funded status of the defined benefit plans at June 30, 2001 and 2000, was as follows (in thousands of dollars):

	2001	2000
Defined benefit		
Projected benefit obligation	(\$57,917)	(\$54,651)
Estimated value of invested plan assets	69,991	76,636
Plan assets in excess of projected benefit obligation	12,074	21,985
Unrecognized net transition asset	(574)	(893)
Unrecognized prior service costs	436	481
Unrecognized net gain	(750)	(13,067)
Termination Benefit	(470)	
Prepaid pension cost	10,716	8,506
Defined contribution		
(Accrued)/prepaid pension cost	(639)	(4)
Prepaid pension cost included in accounts payable and accrued liabilities	\$10,077	\$8,502

The components of prepaid pension cost reported above at June 30, 2001 and 2000, were as follows (in thousands of dollars):

	2001	2000
Total prepaid pension cost	\$10,077	\$8,679
Total accrued pension liability		(177)
Prepaid pension cost	\$10,077	\$8,502

The reconciliation of the projected benefit obligation of the defined benefit plans at June 30, 2001 and 2000, was as follows (in thousands of dollars):

	2001	2000
Benefit obligation, beginning of year	\$54,651	\$54,792
Service cost	1,513	1,575
Interest cost	4,068	3,907
Assumption changes and actuarial loss/<gain>	1,647	(2,283)
Net disbursements and transfers	(3,962)	(3,340)
Benefit obligation, end of year	\$57,917	\$54,651

The reconciliation of the fair value of the defined benefit plans' assets at June 30, 2001 and 2000, was as follows (in thousands of dollars):

	2001	2000
Fair value of assets, beginning of year	\$76,636	\$72,228
Actual return on plan assets	(4,897)	5,446
Employer contributions	2,214	2,302
Net disbursements and transfers	(3,962)	(3,340)
Fair value of assets, end of year	\$69,991	\$76,636

Actuarial Assumptions

	2001	2000
Liability discount rate	7.25%	7.5%
Investments return compounded annually	8.0%	8.0%
Salary increase rate, where applicable	5.5%	5.5%

The University complies with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," for its unfunded postretirement health care and life insurance programs and, in fiscal 1999, adopted SFAS No. 132 for the disclosures under these programs. Under SFAS No. 106, the University accrues the estimated cost of retiree health and life insurance benefits over the years that the employees render service.

The components of postretirement benefits other than pensions for the years ended June 30, 2001 and 2000, were as follows (in thousands of dollars):

	2001	2000
Service cost	\$2,865	\$3,145
Interest cost on projected benefit obligation	7,726	7,228
Expected return on assets	(3,422)	(2,700)
Amortization of transition obligation	2,057	2,057
Amortization of prior service cost	642	642
Amortization of unrecognized net losses	717	1,145
Total postretirement benefit expense	\$10,585	\$11,517

The University funds current charges as incurred and is funding the unrecorded postretirement benefit obligation under the plans over a twenty-year period, which began in 1994. The reconciliation of the funded status of the plans at June 30, 2001 and 2000, was as follows (in thousands of dollars):

	2001	2000
Accumulated postretirement benefit obligation	\$111,096	\$101,336
Fair value of assets	(45,165)	(42,774)
Funded status	65,931	58,562
Unrecognized transition obligation	(24,683)	(26,740)
Prior service cost	(5,018)	(5,660)
Net loss	(31,359)	(19,330)
Postretirement benefits payable recognized on Balance Sheet	\$ 4,871	\$ 6,832

The reconciliation of the accumulated postretirement benefit obligation (APBO) at June 30, 2001 and 2000, was as follows (in thousands of dollars):

	2001	2000
APBO, beginning of year	\$101,336	\$90,813
Service cost	2,865	3,145
Interest cost	7,726	7,228
Plan amendment		4,149
Assumption changes and actuarial loss	4,883	686
Net disbursements	(5,714)	(4,685)
APBO, end of year	\$111,096	\$101,336

The reconciliation of the fair value of plan assets at June 30, 2001 and 2000, was as follows (in thousands of dollars):

	2001	2000
Fair value of assets, beginning of year	\$42,774	\$33,755
Actual return on assets	(4,441)	3,611
Employer contributions	6,832	5,408
Fair value of assets, end of year	\$45,165	\$42,774

The accumulated postretirement benefit obligation was determined using a discount rate of 7.25 percent at June 30, 2001, and 7.5 percent at June 30, 2000. The June 30, 2001, health care cost trend rate was assumed to be 5.0 percent for 2002. The health care cost trend rate assumption has a significant effect on the amounts reported. Increasing the assumed health care cost trend rate by 1 percent in each year would increase the APBO as of June 30, 2001, by \$10.5 million and increase the aggregate of the service cost and interest cost components of the net postretirement benefit costs for 2001 by \$1.2 million. Decreasing the assumed health care cost trend rate by 1 percent in each year would decrease the APBO as of June 30, 2001, by \$8.6 million and decrease the aggregate of service cost and interest cost for 2001 by \$1.0 million.

7. Bonds and Notes Payable

Bonds and notes payable outstanding at June 30 included the following (*in thousands of dollars*):

	2001	2000	2001	2000
Dormitory Authority of the State of New York Revenue Bonds, Columbia University issue, Series 2000A:				
4.00% to 5.25%, due serially to 2021	\$88,525			
5.00% term bonds, due 2025	30,960			
	<u>119,485</u>			
Dormitory Authority of the State of New York Revenue Bonds, Columbia University issue, Series 1998:				
4.25% to 5.50%, due serially to 2016	44,230	\$46,175		
5.00% term bonds, due 2018	8,860	8,860		
5.00% term bonds, due 2022	20,540	20,540		
	<u>73,630</u>	<u>75,575</u>		
Dormitory Authority of the State of New York Revenue Bonds, Columbia University issue, Series 1994A:				
4.00% to 5.75%, due serially to 2012	107,160	117,065		
4.75% term bonds, due 2014	26,855	26,855		
	<u>134,015</u>	<u>143,920</u>		
Dormitory Authority of the State of New York Revenue Bonds, Columbia University issue, Series 1992:				
5.00% to 5.75%, due serially to 2007	24,920	27,465		
6.00% term bonds, due 2010	13,680	13,680		
5.75% term bonds, due 2015	28,700	28,700		
	<u>67,300</u>	<u>69,845</u>		
Dormitory Authority of the State of New York Revenue Bonds, Columbia University issue, Series 1986:				
5.00%, due 2015	14,560	14,560		
Dormitory Authority of the State of New York Tax-exempt Commercial Paper				
2.55% to 3.15%, due from August 1, 2001, through November 8, 2001	55,780			
3.85% to 4.40%, due from July 11, 2000, through September 12, 2000				43,330
Equipment Loan				
7.67%, five-year installment loan, due 2001				1,246
United States Department of Education Housing Program, 1991				
5.50%, 30-year installment loan, due 2021	2,121*	2,178*		
United States Department of Education Housing Program, 1990				
3.00%, 30-year installment loan, due 2020	2,674*	2,777*		
Medium-Term Notes, Taxable Series B				
8.62%, due 2001				25,000
8.65%, due 2003	10,000	10,000		
	<u>10,000</u>	<u>35,000</u>		
Medium-Term Notes, Taxable Series C				
5.89%, due 2000				10,000
6.10%, due 2002	5,500	5,500		
6.25%, due 2005	4,000	4,000		
6.53%, installment note, due 2015	6,000	6,000		
6.875%, due 2015	15,500	15,500		
6.83%, installment note, due 2020	75,000	75,000		
7.19%, installment note, due 2016	47,000	47,000		
7.36%, installment note, due 2021	36,300	36,300		
	<u>189,300</u>	<u>199,300</u>		

	2001	2000
Empire State Development Corporation Interest-free, 40-year installment loan, due 2029	9,347	9,427
Empire State Development Corporation Interest-free loan, due 2010	4,406	4,118
Economic Development Corporation Interest-free loan, due 2010	5,439	5,083
Taxable commercial paper		
4.68%, due July 13, 2001	12,950	
4.73%, due July 20, 2001	25,000	
4.27%, due July 27, 2001	42,050	
6.63%, due August 7, 2000		16,750
6.62%, due August 11, 2000		20,550
6.60%, due August 16, 2000		12,700
	<u>80,000</u>	<u>50,000</u>
Dormitory Authority of the State of New York College and University Education Loan Revenue Bonds, 1993 issue:		
4.60% to 4.90%, due serially to 2003	3,460	4,885
Capital appreciation 5.25% to 5.65%, due serially to 2013	8,703	8,247
	<u>12,163</u>	<u>13,132</u>
Dormitory Authority of the State of New York College and University Education Loan Revenue Bonds, 1992 issue:		
6.10% to 6.30%, due serially to 2002	1,470	2,860
Capital appreciation 6.60% to 6.80%, due serially to 2013	7,881	7,377
	<u>9,351</u>	<u>10,237</u>
Total bonds and notes payable	<u>\$789,571</u>	<u>\$679,728</u>

**Principal fully collateralized by investments.*

Principal payments over the next five years are as follows: 2002, \$40.9 million; 2003, \$33.4 million; 2004, \$22.1 million; 2005, \$26.0 million; 2006, \$25.7 million. Aggregate principal payments thereafter (through 2029) are \$641.5 million.

The University may offer from time to time up to \$400.0 million aggregate principal amount of Medium-Term Notes (the "Notes"). As of June 30, 2001, \$199.3 million was outstanding.

The University also has a \$100.0 million taxable commercial paper program. As of June 30, 2001, \$80.0 million was outstanding.

Pursuant to a lending agreement between the Dormitory Authority of the State of New York and the University, \$121.7 million of revenue bonds was issued in October 2000, for the benefit of the University. These bonds were reoffered on March 1, 2001 (the "Conversion Date"). On the "Conversion Date," the \$121.7 million aggregate principal amount of outstanding Series 2000A Bonds was mandatorily tendered by the Holder thereof for purchase at a price of par, plus accrued interest to the Conversion Date. The Authority reoffered \$119.5 million aggregate principal amount of Series 2000A Bonds. The balance of the Series 2000A Bonds that were tendered on the Conversion Date, but not reoffered, were retired and are no longer outstanding. The proceeds of the Series 2000A bonds will be used to finance various construction and renovation projects throughout the University's campus and to pay certain issuance costs of the Series 2000A bonds.

8. Fair Value of Financial Instruments

SFAS No. 107 and No. 119, "Disclosure about Fair Value of Financial Instruments," and "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments," respectively, require the disclosure of the estimated fair values of financial instruments. Financial instruments are defined as cash, an equity investment in an enterprise or a contract that conveys to one counterparty the right to receive cash (or the equivalent in another financial instrument), while binding the other counterparty to deliver cash or another financial instrument of equivalent value. Fair value is defined as the price at which a financial instrument could be liquidated in an orderly manner over a reasonable time period under present market conditions.

The fair values of financial instruments have been determined based on quoted market prices for identical or similar instruments and discounted cash flow analyses.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents

The carrying amount approximates fair value because of the short maturity of those instruments.

Investment Assets, Net of Related Liabilities

The University accounts for its investments on a market value

basis with the exception of mortgage loans, which are valued at amortized principal. The carrying value of these investments approximates fair value.

Bonds and Notes Payable

At June 30, 2001, the University's bonds and notes payable had a carrying amount of approximately \$789.6 million, compared to an estimated fair value of \$811.7 million. The estimated fair value of bonds and notes payable was calculated using a discounted cash flow method, where the estimated cash flows were based on contractual principal and interest payments. The discount rates used were based on the University's borrowing rate for similar obligations. Fair values represent the lower of the estimated value at call or maturity of each respective issue.

Student Loans Receivable

These loans are primarily federally sponsored with United States Government-mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition. The carrying value of these loans approximates fair value.

9. Related Party Transactions

The University has an alliance dating back to 1921 with Presbyterian Hospital, which merged with New York Hospital effective January 1, 1998. The new corporate entity is called NewYork-Presbyterian Hospital. The University provides medical, professional, and supervisory staff, and various other technical assistance, and is reimbursed by NewYork-Presbyterian Hospital. The revenues pursuant to this reimbursement arrangement for services rendered are reflected in the financial statements as a portion of receipts from other educational and research activities, and medical faculty practice plans. NewYork-Presbyterian Hospital provides the University with the use of certain facilities and certain services and is reimbursed for its cost by the University.

The University records both receivables from and payables to NewYork-Presbyterian Hospital on the Balance Sheet.

The University has no liability for obligations and debt incurred by NewYork-Presbyterian Hospital.

10. Contingencies and Commitments

From time to time, various claims and suits generally incident to the conduct of normal business are pending or may arise against the University.

In the opinion of counsel and management of the University, after taking into account insurance coverage, losses, if any, from the resolution of pending litigation should not have a material effect on the University's financial position or results of operations.

All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from audits of government grants and contracts by government agencies, claims, and suits is presently not determinable, it should not, in the opinion of counsel and management, have a material effect on the University's financial position or results of operations.

On November 9, 1995, a project management agreement was executed by and between Biosphere 2 Center, Inc., a Columbia affiliate ("Manager"), and Decisions Investments Corp. ("Owner") to manage the Biosphere 2 facilities and certain associated properties ("Project"). The management period began on January 1, 1996, and continued for a term of five years ending December 31, 2000 ("Initial Period"). The Manager had an option to purchase the Project at the end of the Initial Period for \$1.0 million; alternatively, the Manager could surrender the Project to the Owner after five years or renew the management agreement for an additional ten years, with the right to exercise the option and purchase the Project at the \$1.0 million purchase price at the end of each year of the renewal term. An amendment to the project management agreement was executed on January 17, 2000, which extended the management period for a term of ten years ending December 31, 2010. During the extended management period, the Owner shall pay to the Manager the amounts per respective management year set forth below. These payments shall be deemed to constitute the management fee and the anticipated deficits for such management years, as well as for the remainder of the management period through December 31, 2010.

Annual Payment	
<u>Management Year</u>	<u>Amount</u>
(1/1/01-12/31/01)	\$4,000,000
(1/1/02-12/31/02)	4,000,000
(1/1/03-12/31/03)	2,000,000

Upon the Manager's receipt of final payment, the Owner shall be deemed to have satisfied all of its payment obligations and the Manager shall not therefore be entitled to terminate this agreement for failure of consideration.

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Independent Auditors' Report

To the Board of Trustees of Columbia University in the City of New York

We have audited the accompanying balance sheets of Columbia University in the City of New York (the "University") as of June 30, 2001 and 2000, the statements of cash flows for the years then ended, and the statement of activities for the year ended June 30, 2001. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the University's June 30, 2000, financial statements; and in our report dated October 13, 2000, we expressed an unqualified opinion on those financial statements.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the University at June 30, 2001 and 2000, the changes in the cash flows for the years then ended, and the changes in net assets for the year ended June 30, 2001, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 22, 2001

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