

**The Trustees of Columbia
University in the City of
New York**

**Consolidated Financial Statements
June 30, 2008 and 2007**

Report of Independent Auditors

To The Trustees of Columbia University in the City of New York:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of The Trustees of Columbia University in the City of New York (the "University") at June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 audit. The prior year summarized comparative information has been derived from the University's June 30, 2007 financial statements, and in our report dated September 21, 2007, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 3 to the consolidated financial statements, in fiscal year 2008 the University changed its accounting for cash distributions from certain investments in the statement of cash flows. Also, as discussed in Note 13, in fiscal year 2007 the University changed the manner in which it accounts for defined benefit and postretirement plans.

PricewaterhouseCoopers LLP

October 10, 2008

The Trustees of Columbia University in the City of New York
Consolidated Balance Sheet
At June 30, 2008, with Comparative Totals at June 30, 2007
(in thousands of dollars)

	June 2008	June 2007
Assets		
Cash and cash equivalents	\$282,713	\$405,060
Accounts receivable, net:		
Government agencies	135,029	69,011
Patient receivables	76,905	83,409
Other	168,298	143,061
Investment income receivable, net	2,479	3,740
Receivable for securities sold	309,343	172,091
Cash and securities held in trust by others	221,264	87,710
Pledges receivable, net	258,938	238,784
Student loans receivable, net	89,556	82,874
Collateral for securities loaned	70,946	58,781
Investments, at fair value	7,083,705	7,244,125
Institutional real estate	682,070	655,249
Land, buildings, and equipment, net	2,108,139	1,915,324
Other assets	66,437	66,320
Net assets held by CPMC Fund, Inc.	127,814	130,749
Interest in perpetual trusts held by others	157,583	148,174
Total assets	\$11,841,219	\$11,504,462
Liabilities		
Accounts payable and accrued expenses	\$498,644	\$447,482
Liabilities for securities purchased	8,544	25,602
Securities loan agreement payable	70,946	58,781
Prepaid tuition and other deferred credits	46,965	47,716
Deferred revenue and unamortized bond premium	71,046	60,814
Refundable advances	88,584	77,143
Capital lease obligations	83,097	84,388
Conditional asset retirement obligations	93,881	57,501
Accrued employee benefit liabilities	164,857	150,260
Federal student loan funds	75,465	70,441
Actuarial liability for split-interest agreements	35,331	28,991
Bonds and notes payable	1,434,728	1,241,900
Total liabilities	2,672,088	2,351,019
Net assets		
Unrestricted	6,496,155	6,695,615
Temporarily restricted	854,310	778,726
Permanently restricted	1,818,666	1,679,102
Total net assets	9,169,131	9,153,443
Total liabilities and net assets	\$11,841,219	\$11,504,462

See accompanying notes to financial statements.

The Trustees of Columbia University in the City of New York
Consolidated Statement of Activities
For the Year Ended June 30, 2008, with Comparative Totals at June 30, 2007
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 2008	June 2007
Operating activities					
Revenues and support					
Tuition and fees	\$772,126			\$772,126	\$728,349
Less financial aid grants	(207,479)			(207,479)	(186,256)
Net tuition and fees	564,647			564,647	542,093
Government grants and contracts:					
Direct	507,035			507,035	463,475
Indirect	160,221			160,221	152,499
Private gifts, grants and contracts:					
Direct	253,181	\$138,041		391,222	343,535
Indirect	10,746			10,746	9,871
Revenue from other educational and research activities	191,744			191,744	195,045
Patient care revenue	703,503			703,503	663,466
Investment income and gains utilized	374,679	5,278		379,957	335,102
Sales and services of auxiliary enterprises	107,920			107,920	102,002
State aid	3,263			3,263	3,447
Other sources	13,744			13,744	11,732
Net assets released from restrictions	62,667	(62,667)			
Total operating revenues and support	2,953,350	80,652		3,034,002	2,822,267
Expenses					
Instruction and educational administration	1,110,579			1,110,579	986,688
Research	393,035			393,035	388,245
Patient care expense	642,342			642,342	606,356
Library	62,073			62,073	60,653
Operation and maintenance of plant	157,636			157,636	147,285
Institutional support	185,226			185,226	157,971
Auxiliary enterprises	97,461			97,461	94,251
Depreciation expense	153,991			153,991	146,310
Interest expense	50,313			50,313	49,633
Other	42,153			42,153	50,963
Total expenses	2,894,809			2,894,809	2,688,355
Change in net assets from operating activities	58,541	80,652		139,193	133,912
Nonoperating activities					
Endowment gifts			\$130,131	130,131	123,756
Current year realized and unrealized capital gains (losses)	(7,591)	28,899	(1,545)	19,763	1,304,158
Endowment appreciation utilized	(226,964)	(25,145)		(252,109)	(214,865)
Change in net assets held by CPMC Fund, Inc.	(2,935)			(2,935)	18,494
Change in funds held by others in perpetuity			9,409	9,409	11,622
Present value adjustment to split-interest agreements	(412)	(8,822)	1,569	(7,665)	(2,969)
Changes in pension and post retirement obligations	(20,099)			(20,099)	
Change in net assets from nonoperating activities	(258,001)	(5,068)	139,564	(123,505)	1,240,196
Change in net assets	(199,460)	75,584	139,564	15,688	1,374,108
Cumulative effect of change in accounting for FAS 158					(48,680)
Change in net assets after cumulative effect of change in accounting	(199,460)	75,584	139,564	15,688	1,325,428
Net assets at beginning of year	6,695,615	778,726	1,679,102	9,153,443	7,828,015
Net assets at end of period	\$6,496,155	\$854,310	\$1,818,666	\$9,169,131	\$9,153,443

See accompanying notes to financial statements.

The Trustees of Columbia University in the City of New York
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2008, with Comparative Totals at June 30, 2007
(in thousands of dollars)

	June 2008	June 2007
Cash flows from operating activities		
(Includes adjustments to reconcile change in net assets to net cash provided by operating activities):		
Change in net assets	\$15,688	\$1,325,428
Cumulative effect of change in accounting for FAS 158		48,680
Depreciation expense	153,991	146,310
Interest on capital lease obligations and CARO	9,421	3,468
Institutional real estate depreciation	15,632	16,505
Realized and unrealized (gains) losses	(19,763)	(1,304,158)
Partnership distributions	448,496	519,108
Contributions restricted for permanent investment, plant, and split-interest agreements	(136,504)	(79,169)
Contributions other than cash	(96,616)	(61,869)
Present value adjustments to split-interest agreements	7,577	3,006
Accreted interest on bonds	2,445	2,476
Change in fair value of net assets held by CPMC Fund, Inc.	2,935	(18,494)
Change in fair value of interest in perpetual trusts held by others	(9,409)	(11,622)
Change in operating assets and liabilities:		
Accounts receivable, net	(84,751)	1,431
Investment income receivable, net	1,261	(2,078)
Pledges receivable, net	(20,154)	(30,981)
Other assets	(117)	2,137
Accounts payable and accrued expenses	68,605	67,888
Prepaid tuition and other deferred credits	(751)	(59)
Deferred revenue and unamortized bond premium	10,232	(5,609)
Refundable advances	11,441	9,087
Accrued employee benefit liabilities	14,597	9,015
Net cash provided by operating activities	394,256	640,500
Cash flows from investing activities		
Proceeds from sales of investments	2,421,902	3,246,054
Purchases of investments	(2,747,912)	(3,840,371)
Collections from student notes	9,224	11,425
Student notes issued	(15,906)	(18,578)
Investment in cash and securities held in trust by others	(133,554)	91,056
Purchases of institutional real estate	(44,694)	(37,282)
Purchases of plant and equipment	(327,344)	(243,732)
Net cash used by investing activities	(838,284)	(791,428)
Cash flows from financing activities		
Proceeds from contributions for:		
Investment in endowment	92,200	63,910
Investment in plant	28,352	11,878
Investment in split-interest agreements	15,952	3,381
Investment income on split-interest agreements	2,508	2,149
Payments on split-interest agreements	(3,741)	(3,298)
Payments on capital lease obligations	(8,996)	(9,468)
Repayment of bonds and notes payable	(140,603)	(46,030)
Proceeds from bond issuance	330,985	39,661
Net change in federal student loan funds	5,024	3,938
Net cash provided by financing activities	321,681	66,121
Net change in cash and cash equivalents	(122,347)	(84,807)
Cash and cash equivalents at beginning of year	405,060	489,867
Cash and cash equivalents at end of year	\$282,713	\$405,060
Supplemental disclosure of cash flow information:		
Equipment and space acquired through capital leases	\$3,938	\$13,580
Cash paid during the year for interest	\$54,188	\$60,767

See accompanying notes to financial statements.

The Trustees of Columbia University in the City of New York
Notes to the Consolidated Financial Statements
June 30, 2008 and 2007
(All amounts are in thousands of dollars, unless otherwise noted)

1. Organization

The Trustees of Columbia University in the City of New York (the “University”) is a private, nonsectarian, nonprofit institution of higher education whose activities are concentrated at two locations in New York City and extend around the globe. The University provides instruction through sixteen undergraduate, graduate, and professional schools. It operates a variety of research institutes and a library system to support its teaching, learning, and research activities. The University performs research, training, and other services under grants and contracts with agencies of the federal government and other sponsoring organizations. The University enrolls approximately 24,900 full-time and part-time students and employs approximately 14,100 full-time employees, including 5,239 full-time faculty members and research staff. Of these, 1,187 hold positions in the arts and sciences; 3,120 hold health science positions; and the remainder hold positions in the other professional schools.

The University is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code.

2. Columbia University Medical Center

Columbia University Medical Center (“CUMC”), a division of the University, located in the Washington Heights section of northern Manhattan, is one of the largest academic medical centers in the United States. It is composed of four schools: College of Physicians and Surgeons, Mailman School of Public Health, College of Dental Medicine, and School of Nursing. CUMC’s activities also include extensive patient care services provided by its faculty members.

CUMC has three primary areas of focus: scientific research, education, and patient care. CUMC offers a wide variety of degrees, certifications, and continuing education in the health care field. Sponsored research, faculty patient care services, tuition, endowment income, patent royalties, and gifts provide the bulk of CUMC’s revenues. Approximately 3,500 students are enrolled at CUMC, with a full-time faculty of 2,162, of whom approximately 245 are tenured. Additionally, CUMC’s staff includes 3,313 part-time faculty instructors, 971 full-time researcher staff members, 1,105 part-time researchers, and 375 post doctoral research trainees. Approximately 69 percent of the full-time faculty and 47 percent of the part-time faculty hold clinical appointments and have admitting privileges at NewYork-Presbyterian Hospital (“NYPH”) or other hospitals.

Patient Care Activities

Patient Care activities include patient visits handled by Columbia part-time and full-time faculty through its medical faculty practice plan, as well as clinical and educational services provided to hospitals and other health care institutions through contractual agreements for services.

CUMC maintains several clinical and education affiliation agreements with other organizations. The most significant affiliation agreements are with NYPH, Harlem Hospital, and St. Luke’s–Roosevelt Hospital Center. In addition, certain faculty physicians provide patient care and supervision of residents at NYPH network hospitals and other affiliates. Through interinstitutional “medical service agreements,” CUMC faculty also provide patient care in specialty and subspecialty areas at hospitals in the tristate area and occasionally in other parts of the country.

The full-time and part-time clinical faculty handled approximately 1.9 million outpatient and emergency room visits and participated in instruction and supervision of 600 University medical students and 800 residents and fellows at NYPH. CUMC physicians generated 63,600 NYPH hospital admissions during the year.

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Payments for patient-care services provided by the full-time faculty in both institutional and private office settings are derived mainly from third-party payers, including managed care companies (64 percent), Medicare (13 percent), commercial insurance (6 percent), Medicaid (2 percent), direct patient payments (12 percent), and other (3 percent).

3. Summary of Significant Accounting Policies

The significant accounting policies of the University are as follows:

Basis of Consolidation

The accompanying consolidated financial statements of the University include the accounts of all academic and administrative departments of the University. Additionally, the consolidated financial statements include the net assets and activities of the following entities, for which the University maintains managerial and financial control:

- Columbia Investment Management Company, LLC—Columbia Investment Management Company, LLC (“CIMC”) is a New York limited liability company formed by the University to manage the University’s investment assets under the supervision of a Board appointed by the Trustees of the University and subject to the oversight of the Committee on Finance of the Trustees.
- Columbia University Press—Columbia University Press is a not-for-profit corporation formed to promote the study of economic, historical, literary, philosophical, scientific, and other subjects and to encourage and promote the publication of literary works embodying original research in such subjects.
- Reid Hall, Inc.—Reid Hall, Inc., located in Paris, France, was donated to the University in 1964. Reid Hall, Inc., a corporation organized under New York membership corporation law as an educational and charitable organization, operates Reid Hall to promote, facilitate, and aid the educational, cultural, and social interests of students studying in France.
- The University holds nine New York limited liability companies, one Delaware not-for-profit corporation, as well as one Swaziland not-for-profit company, which are established to facilitate various program and research objectives in Africa.

The University provides custodial services and manages all of the assets of Columbia Presbyterian Medical Center Fund, Inc. (“CPMC Fund, Inc.”), a not-for-profit corporation that exists to solicit gifts for the University and NYPH. The consolidated financial statements reflect the University’s interest in the net assets of CPMC Fund, Inc. as well as the assets and amounts due NYPH.

The University is also the sole corporate member of two not-for-profit physician private practice entities, Columbia Ophthalmology Consultants, Inc., and Columbia University Healthcare, Inc., and, as such, consolidates these entities into the University’s consolidated financial statements.

All significant intercompany accounts have been eliminated in consolidation.

Accrual Basis

The consolidated financial statements of the University have, in all material respects, been prepared on an accrual basis.

The Trustees of Columbia University in the City of New York
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Basis of Presentation

The University maintains its accounts in accordance with the principles of fund accounting. Under this method of accounting, resources for various purposes are classified into funds that are consistent with activities or objectives specified by donors. Separate accounts are maintained for each fund.

For reporting purposes, the University prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and as such, with the provisions of Statement of Financial Accounting Standards No. 117 (“SFAS No. 117”), *Financial Statements of Not-for-Profit Organizations*. SFAS No. 117 requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into three categories of net assets – unrestricted, temporarily restricted, and permanently restricted. Descriptions of the three net asset categories and the type of transactions affecting each category follow.

Unrestricted—Net assets that are not subject to donor-imposed restrictions. This category includes unrestricted gifts, certain endowment income balances, certain board-designated endowment principal balances, including capital appreciation on such balances, certain plant funds, University-designated loan funds, and other unrestricted designated and undesignated current funds.

Temporarily restricted—Net assets that are subject to legal or donor-imposed stipulations that will be satisfied either by actions of the University, the passage of time, or both. These net assets include gifts donated for a particular purpose, amounts subject to time restrictions such as funds pledged for future payment, or amounts subject to legal restrictions such as portions of otherwise unrestricted capital appreciation, which must be reported as temporarily restricted in accordance with New York law. Once restrictions are satisfied, or have been deemed to have been satisfied, those temporarily restricted net assets are released from restrictions, except for temporarily restricted revenue earned and expended in the same fiscal year, which is recorded as unrestricted revenue.

Permanently restricted—Net assets that are subject to donor-imposed stipulations that will be invested to provide a perpetual source of income to the University. Donors of these assets require the University to maintain and invest the original contribution in perpetuity but permit the use of some or all investment earnings for operating or other purposes.

Revenues and Expenses

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.

Tuition and Fees and Financial Aid

Tuition and fees are derived from degree programs as well as executive and continuing education programs. Tuition and fee revenue is recognized as operating income in the period in which it is earned. Tuition and fee receipts received in advance are recorded as deferred revenue. Net tuition and fees are computed after deducting certain scholarships and fellowships awarded to students. In order to assist students in meeting tuition and other costs of attendance, the University administers a variety of federal, state, institutional, and private programs. Financial aid packages to students may include direct grants, loans, and employment during the academic year.

The Trustees of Columbia University in the City of New York
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Contributions

Contributions, including unconditional promises to give (“pledges”), are recognized as operating revenue in the period earned. Pledges that are expected to be collected within one year are recorded at their net realizable value. Amounts expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those pledges are computed using a risk-free interest rate applicable to the year in which the promise was received. Subsequent years’ accretion of the discount is included in contribution revenue. Conditional promises to give are not recognized as revenue until such time as the conditions are substantially met.

Patient Care Revenue and Expense

Patient care activities relate to three distinct areas: Medical faculty practice plans, affiliation agreements, and medical service agreements.

The University provides medical care to patients via faculty practice at CUMC, primarily under agreements with third-party payors. Agreements with third-party payors, including health maintenance organizations, provide payment for medical services at amounts different from standard rates established by the University. Medical faculty practice plan revenue is reported net of two items: (a) contractual allowances from third-party payors for services rendered and (b) estimates of uncollectible amounts.

The University maintains several clinical and education affiliation agreements with other organizations. The University provides medical, professional, and supervisory staff as well as other technical assistance. Revenues and expenses from these agreements are accounted for in patient care categories of the operating activity in the Consolidated Statement of Activities.

Grant and Contract Income

The University receives grant and contract income from governmental and private sources. The University recognizes revenue associated with the direct costs of sponsored programs as the related costs are incurred. Recovery of facilities and administrative costs of federally sponsored programs are at reimbursement rates negotiated with the University’s cognizant agency, the Department of Health and Human Services. The University and the federal government are currently operating under an agreement that provides for facilities and administrative cost rates under federal grants and contracts through June 30, 2011.

Research and Development

The University engages in numerous research and development projects, partially or fully sponsored by governmental and private funds. These costs are charged to operating expense as incurred. The University periodically funds and develops patents for certain technologies, then licenses the usage of these patents to companies over several years. The revenue, net of payments due to third parties, is recorded in “Revenue from other educational and research activities” in the Consolidated Statement of Activities. Costs incurred with developing and maintaining these patents are expensed as incurred.

Cash and Cash Equivalents

Cash and cash equivalents are recorded at fair value and include several depository accounts, checking accounts, institutional money market funds, and similar temporary investments with maturities of three months or less at the date of purchase.

The Trustees of Columbia University in the City of New York
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Investments

The University's investments, consisting of publicly traded fixed income and equity securities, alternative investments, and cash held for reinvestment, are stated at fair value as of June 30, 2008. Alternative investments include hedge fund investments ("Hedge Funds") and private equity and real estate investments ("Private Equity Funds"). The management of the respective fund provides the fair value of the investment. The University reflects its share of the partnership interest in the consolidated financial statements unless it demonstrates "control" of the partnership, in which case it consolidates the investment.

The University believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2008. Because alternative investments are not marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying consolidated financial statements based on the University's proportionate share in the net assets of these investments.

The University records both the assets and corresponding liabilities generated by securities lending transactions as "Collateral for securities loaned" and "Securities loan agreement payable." The loaned securities are returnable on demand and are collateralized by cash and cash equivalents.

The University records purchases and sales of securities on a trade-date basis. Realized gains and losses are determined on the basis of average cost of securities sold and are reflected in the Consolidated Statement of Activities. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis.

Split-Interest Agreements

The University's split-interest agreements with donors consist primarily of charitable gift annuities, pooled income funds, and irrevocable charitable remainder trusts for which the University serves as custodian and trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.

Contribution revenues for split-interest agreements are recognized at the dates the agreements are established net of the present value of the estimated future payments to be made to the beneficiaries, if applicable, under these agreements. Assets related to these agreements are recorded in "Investments, at fair value," and the liability for the net of the present value of the estimated future payments to be made to the beneficiaries is recorded in "Actuarial liability for split-interest agreements." Adjustments to the fair value of these agreements are recorded in the Consolidated Statement of Activities under "Present value adjustment to split-interest agreements."

Institutional Real Estate

Institutional real estate consists primarily of properties proximate to the University's Morningside and Washington Heights campuses, the primary purpose of which is to house faculty, staff, and graduate students. The income earned on this investment is used primarily to finance operating expenditures. The properties are valued at cost and depreciated over a useful life of fifty years.

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Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost net of accumulated depreciation. Depreciation is calculated on a straight-line basis over useful lives ranging from ten to forty years for buildings and improvements and five to twenty years for equipment, consistent with the method used for government cost reimbursement purposes. Capitalized software costs are amortized over seven years. Upon disposal of assets, the costs and accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

Other Assets

Prepaid expenses, bond issuance costs, and the University's equity in the Medical Center Insurance Company ("MCIC") are categorized within other assets. Bond issuance costs are amortized over the expected holding period of the specific debt issue.

Collections

Collections at the University include works of art, literary works, historical treasures, and artifacts that are maintained in the University's galleries, libraries, and buildings. These collections are protected and preserved for public exhibition, education, research, and the furtherance of public service and, therefore, are not recognized as assets on the Consolidated Balance Sheet. Costs associated with purchasing additions and maintaining these collections are recorded as operating expenses in the period in which the items are acquired.

Interest in Perpetual Trusts Held by Others

The University is the beneficiary of certain perpetual trusts administered by others. These trusts are recognized as permanently restricted contributions upon establishment and adjusted to fair value each year.

Capital Lease Obligations

Capital lease obligations are recognized for equipment and space where substantially all of the risks of ownership have been transferred to the University. The obligations extend up to five years for equipment and up to fifty years for space.

Conditional Asset Retirement Obligations

Conditional asset retirement obligations, as adopted on June 30, 2006, under Financial Accounting Standards Board ("FASB") Interpretation No. 47 ("FIN 47"), *Accounting for Conditional Asset Retirement Obligations* (an interpretation of FASB Statement No. 143), are recognized for remediation or disposal of asbestos, underground storage tanks, soil, and radioactive sources and equipment as required by law. The fair value of the liability for a conditional asset retirement obligation is recognized in the period in which it occurred, provided that it can be reasonably estimated.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include valuation of investments without readily determinable public markets, actuarially determined costs associated with split-interest agreements, pension, postemployment and postretirement benefits, contractual allowances for patient receivables, and allowances for doubtful accounts.

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2007 Presentation

While comparative information is not required under GAAP, the University believes that this information is useful and has included summarized financial information from the consolidated financial statements for 2007. This summarized information is not intended to be a full presentation in conformity with GAAP, which would require certain additional information. Accordingly, such information should be read in conjunction with the University's audited consolidated financial statements for the year ended June 30, 2007. In addition, certain amounts in the summarized consolidated financial statements for fiscal year 2007 have been reclassified to conform to the fiscal year 2008 presentation.

In 2008, the University revised the presentation of revenues and expenses relating to medical faculty practice plan activities and hospital affiliation agreements and reflects these activities on a combined basis as "Patient care revenues" and "Patient care expenses" in the Consolidated Statement of Activities for the year ended June 30, 2008. The Consolidated Statement of Activities for the year ended June 30, 2007, as originally reported, included a separate category for "Medical faculty practice plan income" of \$445,009. The previous presentation also reflected certain hospital affiliation agreements in two categories of revenue – within government grants activity (\$52,013) and within "Revenue from other educational and research activities" (\$166,444). In addition, the Consolidated Statement of Activities for the year ended June 30, 2007, as originally reported, included a separate category for "Medical faculty practice plan expense" (\$378,755) and reflected certain expenses related to hospital affiliation agreements within "Instruction and educational administration" (\$227,449). For purposes of comparability, the presentation of the Consolidated Statement of Activities for the year ended June 30, 2007, has been revised to conform to the combined presentation in "Patient care revenue" (\$663,466) and "Patient care expenses" (\$606,356). This change in presentation had no impact on the change in net assets from operating activities or the total change in net assets as previously reported.

During fiscal 2008, the University determined that securities lending activity should have been reflected on the June 30, 2007 Consolidated Balance Sheet both as an asset, "Collateral for securities loaned" in the amount of \$58,781 and a liability, "Securities loan agreement payable" in the amount of \$58,781. For purposes of comparability, the presentation of the Consolidated Balance Sheet as of June 30, 2007, has been revised to conform to the current year. This change in presentation had no impact on the Consolidated Statement of Activities for fiscal year 2007 as a result of this reclassification.

The presentation of the 2007 Consolidated Statement of Cash Flows has been reclassified to reflect cash activity related to the sale of contributed securities as investing activities. Previously, these amounts were classified primarily as operating and financing activities, depending on the nature of the gift, because the University's practice is to sell these securities immediately upon receipt. This reclassification reduced 2007 operating cash by \$16,279 offset by changes in investing activities and financing activities with no impact on "Cash and cash equivalents" as previously reported at June 30, 2007.

The University reflected its July, 1 2007 debt service payments on its DASNY tax exempt debt as a reduction in cash and securities held in trust by others (\$49,804), accrued liabilities (\$20,874) and bonds and notes payable (\$28,930) at June 30, 2007. In fiscal year 2008, the University changed its presentation and did not reflect its July 1, 2008 payment as a reduction in cash and securities held in trust by others, accrued liabilities and bonds and notes payable at June 30, 2008. The June 30,

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2007 amounts were reclassified for comparability. This reclassification had no impact on net assets or cash and cash equivalents as previously reported at June 30, 2007.

Change in Accounting

The University carries its investments in private equity, venture capital, and hedge funds (i.e., primarily limited liability partnerships, limited liability corporations, and other similarly structured investments) in which it maintains a specific capital ownership or similar account at fair value in accordance with the AICPA Not-for-Profit Audit Guide (the AAG-NFP) (see Footnote 6).

In fiscal 2008, the University revised its presentation of the cash flows for these investments in the Statement of Cash Flows consistent with the accounting for equity method investments under generally accepted accounting principles. The University considers the revised presentation preferable as it better represents the underlying nature of these investments in which the University has a capital account. The revision did not result in changes to the University's fair value method of reporting of such investments on the statement of financial position, and changes in net assets and total net assets of the University.

The result of this revision was an increase in net cash provided by operating activities and a reduction in investing activities of \$519,108 in the University's Statement of Cash Flows in fiscal 2007. This revision was due to realized gain cash distributions (from the investments described above) previously recorded in investing activities, which were reclassified to operating activities. Total cash and cash equivalents as previously reported at June 30, 2007, were not impacted by the revision.

It was determined under the previous method of accounting that \$78,218 reported as dividend income should have been reported as unrealized gains in 2007. As a result, the University has decreased the cash flows from operating activities and increased the cash flows from investing activities by \$78,218 in its revised presentation of the 2007 Statement of Cash Flows.

Total cash and cash equivalents as previously reported at June 30, 2007 were not impacted by these revisions and reclassifications. Furthermore, there was no impact on changes in net assets or net assets of the University as previously reported at June 30, 2007.

New Authoritative Pronouncements

Effective July 1, 2007, the University adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which requires recognizing and measuring tax benefit taken or expected to be taken in an unrelated business activity tax return and disclosures regarding uncertainties in tax positions. No significant adjustments to the financial statements were required in 2008 as a result of the implementation of FIN 48.

A number of recent pronouncements will be adopted in the future in accordance with FASB guidelines on the timing of adoption and are not reflected in the fiscal year 2008 statements. Management is currently assessing the impact of the following pronouncements:

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 establishes a framework for measuring fair value and expands disclosures about its measurement and is effective for financial statements issued for fiscal years beginning after November 15, 2007.

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In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS 159”). SFAS 159 permits entities to choose to measure any financial instruments and certain other items at fair value and is effective for fiscal years beginning after November 15, 2007.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (“SFAS 161”). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities and is effective for financial statements issued for fiscal years beginning after November 15, 2008.

In August 2008, the FASB issued FASB Staff Position FAS 117-1, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act” (“UPMIFA”), and enhanced disclosures for all endowments funds. This FSP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA and is effective for fiscal years ending after December 15, 2008.

4. Operating Measurement

The University divides its Consolidated Statement of Activities into operating and nonoperating activities. The operating activities of the University include all income and expenses related to carrying out its educational and research mission. Operating revenues include investment income and endowment appreciation utilized to fund current operations, the largest portion of which is the distribution of funds budgeted in accordance with the endowment spending rule.

Nonoperating activities include current year realized and unrealized gains and losses on investments including realized gain distributions from Private Equity Funds and Hedge Funds, less amounts withdrawn from endowment appreciation to fund operations. Nonoperating activities also include new gifts to permanently restricted endowments, changes in net assets held by CPMC Fund, Inc., changes in perpetual trusts held by others, present value adjustments to split-interest agreements, and changes in pension and postretirement obligations.

5. Patient Care Revenue

The University’s affiliation agreements with tristate area hospitals generated \$231,402 and \$208,443 of revenue for the years ended June 30, 2008 and 2007, respectively. As of June 30, 2008 and 2007, accounts receivable includes \$64,205 and \$50,014, respectively, relating to these agreements.

Medical faculty practice revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Medical faculty practice revenues are \$447,532 and \$433,698 for the years ended June 30, 2008 and 2007, respectively. As of June 30, 2008 and 2007, patient accounts receivable amounts to \$76,905 and \$83,409, respectively.

Other areas of patient care, such as medical service agreements, generated \$24,569 and \$21,325 of revenue for the years ended June 30, 2008 and 2007, respectively.

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6. Long-Term Investments

The following is a summary of the University's investments as of June 30:

	2008	2007
U.S. public equities and U.S. equity mutual funds	\$ 315,230	\$ 605,251
Foreign public equities and foreign equity mutual funds	672,003	1,205,703
Private equity (limited partnerships)	2,860,793	2,301,502
Hedge funds (limited partnerships and corporations)	2,934,500	2,717,494
Fixed income and fixed income mutual funds	41,062	53,703
Cash held for investment	301,834	485,432
Other	79,208	(815)
Total investment portfolio	<u>\$ 7,204,630</u>	<u>\$ 7,368,270</u>
Investments included above and held for CPMC Fund, Inc.	(120,925)	(124,145)
Investments, at fair value	<u>\$ 7,083,705</u>	<u>\$ 7,244,125</u>

Additional balance sheet information

Receivable for securities sold	\$ 309,343	\$ 172,091
Collateral for securities loaned	70,946	58,781
Liabilities for securities purchased	8,544	25,602
Notes payable	-	39,661
Securities loan agreement payable	70,946	58,781

U.S. Public Equities and Mutual Funds and Foreign Public Equities and Mutual Funds

The fair value of publicly traded fixed income, equity securities, and derivatives investments are based on quoted market prices. Investments that are listed on an exchange are valued, in general, at the last reported sale price (or, if there is no sales price, at the last reported bid price, or, in the absence of reported bid prices, at the mean between the last reported bid and asked prices thereof). If an investment is restricted, the University may discount the price to reflect the nature of the restriction. Fees paid to investment managers are netted against investment income.

Alternative Investments

Alternative investments include interests in Private Equity and Hedge Funds. Since Private Equity and some Hedge Funds do not have readily ascertainable market values and may be subject to withdrawal restrictions, the University values these investments in accordance with valuations provided by the general partners of the underlying partnerships. The University's management may consider other factors in assessing the fair value of these investments.

As a rule, the general partners of Private Equity Funds initially value investments held by the Funds at cost and require that changes in value be established by meaningful third-party transactions or a significant impairment in the financial condition or operating performance of the issuer, unless meaningful developments occur that otherwise warrant a change in the valuation of an investment. Such values usually represent the University's proportionate share of the net assets of the Private Equity Funds as reported by the general partners of the underlying partnerships. The values of the investments in the underlying partnerships are increased by additional contributions to the underlying partnerships and the University's share of net earnings from the underlying partnerships and decreased by distributions from the underlying partnerships and the University's share of net losses from the underlying partnerships.

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Hedge Funds are also valued in accordance with valuations provided by the general partners of the underlying partnerships. Some Hedge Funds do not have readily ascertainable market values and may be subject to withdrawal restrictions. The fair value of the Hedge Funds represents the amount the University expects to receive at June 30, 2008 and 2007, if it had liquidated its investments in the Hedge Funds on these dates.

The University invests in Hedge Funds and Private Equity Funds that are not registered under the Investment Company Act of 1940, as amended, and invests in other financial instruments employing various investment strategies and techniques, including leverage that may involve significant market, credit, and operational risks. These Hedge Funds and Private Equity investments may allocate a high percentage of their assets in specific sectors of the market in order to achieve a potentially greater investment return. As a result, the Hedge Funds and Private Equity investments may be susceptible to economic, political, and regulatory developments in a particular sector of the market, positive or negative, and may experience increased volatility in net asset values.

The University is obligated under certain limited partnership investment fund agreements to advance additional funding periodically up to specified levels. At June 30, 2008, the University had unfunded commitments of \$1,622 million, which are likely to be called through 2012.

Cash Held for Reinvestment

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

Off Balance Sheet Risks

The University employs derivatives primarily to hedge its risks within the endowment portfolio and to rebalance its market exposures. Derivatives used may include futures, swaps, options, and forward contracts and are reflected at fair value. As of June 30, 2008 and 2007, these futures and swaps had a fair value of (\$14.4) million and (\$0.5) million, respectively, which has been reflected in "Investments, at fair value" on the Consolidated Balance Sheet.

Securities Lending

At June 30, 2008 and 2007, investment securities having a fair value of \$67.2 million and \$56.3 million, respectively, were loaned to various brokerage firms through a securities lending agent. The loaned securities are returnable on demand and are collateralized by cash and cash equivalents. The University recorded the value of the collateral received of \$70.9 million and \$58.8 million and an offsetting liability for the return of the collateral on the Consolidated Balance Sheet at June 30, 2008 and 2007, respectively.

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Investment Return

The following schedules summarize the investment return and its reported classification:

	2008			Total
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
Interest and dividend income, net	\$ 84,337	\$ 5,278		\$ 89,615
Institutional real estate income, net	17,041			17,041
Short-term investment income	21,192			21,192
Realized and unrealized gains, net	(7,591)	28,899	\$ (1,545)	19,763
Total return on investments	<u>\$ 114,979</u>	<u>\$ 34,177</u>	<u>\$ (1,545)</u>	<u>\$ 147,611</u>

	2007			Total
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
Interest and dividend income, net	\$ 61,323	\$ 3,890		\$ 65,213
Institutional real estate income, net	17,350			17,350
Short-term investment income	37,674			37,674
Realized and unrealized gains, net	1,173,324	130,202	\$ 632	1,304,158
Total return on investments	<u>\$ 1,289,671</u>	<u>\$ 134,092</u>	<u>\$ 632</u>	<u>\$ 1,424,395</u>

Investment income and gains utilized on the Statement of Activities contains interest, dividend income, dividend distributions from Private Equity Funds, institutional real estate revenue net of operating expenses and depreciation, other investment income, and endowment appreciation utilized to fund the spending rule. Endowment appreciation utilized was \$252.1 million and \$214.9 million during 2008 and 2007, respectively. The nonoperating section of the Statement of Activities contains realized and unrealized gains reduced by endowment appreciation utilized to fund the spending rule.

Long-term investments net assets as of June 30 are summarized as follows:

	2008			2007 Total
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
Endowment funds			\$ 1,477,979	\$ 1,477,979
Funds functioning as endowment:				
Departmental funds	\$ 3,323,459	\$ 693,258		4,016,717
University funds	1,276,915			1,276,915
Institutional real estate	338,585			338,585
Split-interest agreements	2,048	16,348	18,214	36,610
CPMC Fund, Inc.	95,696		32,118	127,814
Pledge balances			127,020	127,020
Interests in perpetual trusts held by others			157,583	157,583
Total net assets of long-term investments	<u>\$ 5,036,703</u>	<u>\$ 709,606</u>	<u>\$ 1,812,914</u>	<u>\$ 7,559,223</u>

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Institutional Real Estate

The University owns institutional real estate consisting of various properties primarily proximate to the University's Morningside Heights and Washington Heights campuses. The properties are held for long-term investment purposes but are used primarily to house faculty, staff, and graduate students. The University's accounting policy is to reflect the properties at depreciated historical cost.

7. Endowment Funds

The University's endowment consists of approximately 4,100 separate funds established over many years for a wide variety of purposes. Endowment fund balances, including funds functioning as endowment, are classified and reported as either permanently restricted, temporarily restricted, or unrestricted net assets, in accordance with legal or donor-imposed stipulations. Net losses on permanently restricted net assets are classified as a reduction to the appreciation recorded in temporarily restricted net assets, to the extent applicable, and then as a reduction to unrestricted net assets.

The University employs a market value unit method of accounting for pooled general investments. Each participating fund enters and withdraws from the pooled investment account based on monthly unit market values. Changes in the market value of investments are distributed proportionately to each fund that participates in the investment pool. Net investment income distributed during the year is allocated on a per unit basis to each participating fund.

Endowment Spending Rule

The endowment spending rule utilized by the University is designed to be directly responsive to both investment returns and the current level of price inflation. Its long-term objectives are:

- To protect the corpus of the endowment by spending no more than the real investment return;
- To cushion spending against market volatility; and
- To provide specific spending instructions and multiyear spending projections based on explicit future investment return assumptions.

The current endowment spending rule is based on two factors: first, the market value multiplied by a 5 percent target spending rate, which provides a response to investment market conditions; and second, the prior year's spending plus inflation, which ties spending increases to operating needs and cushions spending against market volatility.

Each fiscal year's distribution is calculated by adding together the following:

- a. The market value of the endowment at a point twelve months prior to the beginning of the given fiscal year, multiplied by the 5 percent target spending rate, multiplied by a 40 percent weighting; and
- b. Endowment spending in the year immediately preceding the given fiscal year, grown or reduced by an inflation factor, which is defined as the Higher Education Price Index ("HEPI"), multiplied by a 60 percent weighting.

The Trustees will conduct a special review in any year in which either projected endowment distributions are 0.5 percent higher or lower than the 5 percent target spending rate, or if the increase in endowment distributions over the previous year is more than 3 percentage points higher or lower than HEPI.

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8. Accounts Receivable

Accounts receivable, net, consists of the following as of June 30:

	2008	2007
Patient receivables, net of contractual allowances	\$ 237,718	\$ 222,305
Government agencies	139,038	73,016
New York-Presbyterian Hospital	62,316	49,013
Patent and licensing	19,342	18,293
Student receivables	23,358	32,361
Other receivables, gross	71,798	51,677
	<u>553,570</u>	<u>446,665</u>
Less: Allowance for doubtful accounts	(173,338)	(151,184)
Accounts receivable, net	<u>\$ 380,232</u>	<u>\$ 295,481</u>

Patient receivables for medical services are net of an allowance for contractual reserves in the amount of \$133.5 million and \$158.6 million at June 30, 2008 and 2007, respectively.

9. Student Loans Receivable and Financial Aid

The University participates in various federal loan programs, in addition to administering institutional loan programs. Loans receivable from students as of June 30 are as follows:

	2008	2007
Government revolving loans	\$ 74,150	\$ 70,441
Institutional loans	19,136	15,622
Gross student loans	<u>93,286</u>	<u>86,063</u>
Less: Allowance for doubtful collections	(3,730)	(3,189)
Student loans receivable, net	<u>\$ 89,556</u>	<u>\$ 82,874</u>

In addition to the loans identified above, the University processes and authorizes loans to students through the Stafford Loan program and Federal Plus Loan program. These loans are not recorded in the University's consolidated financial statement since the University does not guarantee any federal loan funds related to these programs. The amount of loans issued under these programs was \$220.9 million and \$192.2 million for the years ended June 30, 2008 and 2007, respectively.

Government revolving loans are funded principally with federal advances to the University under the Perkins Loan Program and certain other programs. Advances under the Perkins Loan Program totaled \$62.5 million and \$61.5 million as of June 30, 2008 and 2007, respectively. These advances are classified as liabilities on the Balance Sheet. Interest earned on the revolving and institutional loan programs is reinvested to support additional loans. The repayment and interest rate terms of the institutional loans vary considerably.

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Loans receivable under federally guaranteed student loan programs are subject to significant restrictions. Accordingly, it is not practicable to determine the fair value of such amounts.

Undergraduate financial aid represents packages for all or part of a student's tuition, fees, room, and board. Graduate financial aid represents packages for all or part of a student's tuition and fees. Funding from external sources is obtained through government and private grants and contracts as well as private gifts and endowment return.

	2008			2007		
	University Sources	External Sources	Total Financial Aid	University Sources	External Sources	Total Financial Aid
Undergraduate	\$ 46,006	\$ 30,297	\$ 76,303	\$ 45,862	\$ 21,554	\$ 67,416
Graduate	86,144	45,032	131,176	79,891	38,949	118,840
Total financial aid grants	\$ 132,150	\$ 75,329	\$ 207,479	\$ 125,753	\$ 60,503	\$ 186,256

Agency activities such as tuition aid grants, federal supplemental educational opportunity grants, federal Pell, SMART, and ACG grant program are not included in the University's consolidated financial statements. Receipts from agency transactions were \$9.7 million and \$9.3 million, and disbursements were \$9.7 million and \$9.3 million in fiscal year 2008 and 2007, respectively.

10. Pledges Receivable

Unconditional promises to give appear as pledges receivable and revenue 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.

The June 30 balances of unconditional promises to give are:

	2008	2007
Less than one year	\$ 98,429	\$ 90,127
One to five years	183,738	176,726
More than five years	28,921	21,983
Total unconditional promises	311,088	288,836
Less: Allowance for doubtful contributions	(15,554)	(14,442)
Less: Net present-value discount	(36,596)	(35,610)
Net pledges receivable	\$ 258,938	\$ 238,784

New pledges recorded in 2008 and 2007 were discounted at average annual rates of 4.0 percent and 5.1 percent, respectively.

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Pledges receivable are intended for the following purposes:

	2008	2007
Endowment for educational and general purposes	\$ 127,020	\$ 117,806
New construction and modernization of plant	44,587	35,370
Support of University operations	87,331	85,608
Net pledges receivable	<u>\$ 258,938</u>	<u>\$ 238,784</u>

The University also has other outstanding pledges of \$678.9 million as of June 30, 2008. These pledges represent either conditional gifts for which the probability of meeting the conditions is uncertain, verbal pledges, or other pledges that have not met the requirements for recognition.

11. Land, Buildings, and Equipment

Investments in land, buildings, and equipment, net, consisted of the following at June 30:

	2008			2007		
	Total Assets	Accumulated Depreciation	Net Assets	Total Assets	Accumulated Depreciation	Net Assets
Land	\$ 228,577		\$ 228,577	\$ 160,436		\$ 160,436
Building and building improvements	3,003,394	\$ 1,250,597	1,752,797	2,741,754	\$ 1,139,692	1,602,062
Equipment	275,246	148,481	126,765	294,540	141,714	152,826
	<u>\$ 3,507,217</u>	<u>\$ 1,399,078</u>	<u>\$ 2,108,139</u>	<u>\$ 3,196,730</u>	<u>\$ 1,281,406</u>	<u>\$ 1,915,324</u>

The University uses componentized depreciation to calculate depreciation expense for buildings and building improvements for research facilities included in operations. The costs of research facilities are separated into the building shell, building service systems, and fixed equipment, and each component is separately depreciated.

Equipment includes physical assets owned by the University as well as capitalized software costs and moveable equipment acquired through capitalized leases.

Building and building improvements include physical assets owned by the University as well as leasehold improvements, capitalized space leases, and construction in progress. Capital space leases at June 30, 2008 and 2007, were \$67 million and \$69 million, respectively.

12. Accrued Employee Benefit Liabilities

Accrued employee benefit liabilities arise from employment at the University. These include liabilities for pension, postretirement benefits, postemployment benefits, unused vacation, and deferred compensation.

Postemployment benefits relating to workers' compensation, short-term disability, and continuation of medical benefits for those on long-term disability are provided to former or inactive employees after employment but before retirement. The University records the costs of such benefits on an accrual basis if the employee has provided the services from which those benefits are derived. In

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2008 and 2007, the University recognized actuarially computed liabilities of \$30.7 million and \$30.6 million, respectively.

13. Pension and Other Postretirement Benefit Costs

Pension Plan Benefits

Retirement benefits are provided for full-time faculty and officers under a noncontributory defined contribution plan. Contributions are determined as a percentage of each covered employee's salary, factoring in the age and accrued service of each employee. Charges to expenditures under this plan amounted to \$82.8 million and \$71.6 million for the years ended June 30, 2008 and 2007, respectively.

The University has four noncontributory pension plans (the "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. For the two latter plans, future benefits are provided by a defined contribution plan. All four of these plans are subject to collective bargaining agreements. Charges to expenditures under the Plans amounted to \$4.3 million and \$6 million for the years ended June 30, 2008 and 2007, respectively. The University also maintains a retirement plan for employees of the Arden Conference Center, which closed in 2005.

Postretirement Health Care and Life Insurance Benefits

The University provides postretirement health care and life insurance benefits for certain employees. The University accrues the estimated cost of these benefits over the years employees who are eligible render service.

Obligations and Funded Status

In 2007, the University adopted FAS 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, which requires the recognition on the Balance Sheet of the difference between benefit obligations and any plan assets of the University's defined benefit and postretirement benefit plans. In addition, FAS 158 requires unrecognized amounts (e.g., net actuarial gains or losses and prior service cost or credits) to be recognized as changes to unrestricted net assets and that those amounts be adjusted as they are subsequently recognized as components of net periodic pension cost.

In 2007, the incremental effect of applying the provisions of FAS 158 on individual line items in the Balance Sheet was:

	Before Application of FAS 158	Incremental Effect of of FAS 158	After Application of FAS 158
Assets			
Other assets	\$ 68,115	\$ (5,595)	\$ 62,520
Liabilities and Net assets			
Accrued employee benefit liabilities	\$ 107,175	\$ 43,085	\$ 150,260
Unrestricted net assets	\$ 6,744,295	\$ (48,680)	\$ 6,695,615

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Amounts recognized in unrestricted net assets are as follows:

	Pension Plan Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Net actuarial loss	\$ 19,078	\$ 12,940	\$ 37,170	\$ 21,420
Prior service cost	1,134	200	1,118	1,778
Transition obligation			10,285	12,342
Total amount recognized	<u>\$ 20,212</u>	<u>\$ 13,140</u>	<u>\$ 48,573</u>	<u>\$ 35,540</u>

The components of accrued benefit costs for pension benefits and other postretirement benefits are as follows:

	Pension Plan Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Change in benefit obligation:				
Benefit obligation, beginning of year	\$ 88,819	\$ 85,275	\$ 166,701	\$ 148,428
Service cost	2,880	2,803	5,832	5,451
Interest cost	5,787	5,282	10,804	9,730
Actuarial (gain) loss	(2,917)	(2,936)	(2,262)	11,073
Plan amendments	962			
Net disbursements and transfers	(4,689)	(4,240)	(11,849)	(7,981)
Projected benefit obligation, end of year	<u>\$ 90,842</u>	<u>\$ 86,184</u>	<u>\$ 169,226</u>	<u>\$ 166,701</u>
Change in plan assets:				
Fair value of assets, beginning of year	\$ 85,095	\$ 75,542	\$ 121,449	\$ 105,276
Actual return on plan assets	(3,433)	11,056	(7,885)	19,391
Employer contributions	6,000		11,128	5,450
Net disbursements and transfers	(4,689)	(4,240)	(12,532)	(8,668)
Fair value of assets, end of year	<u>\$ 82,973</u>	<u>\$ 82,358</u>	<u>\$ 112,160</u>	<u>\$ 121,449</u>
Net amount recognized	\$ (7,869)	\$ (3,826)	\$ (57,066)	\$ (45,252)

	2008	2007
Weighted-average assumptions used to determine end of year benefit obligation		
Discount rate	6% to 6.8%	6.15% to 6.4%
Rate of compensation increase	5% to 5.5%	5% to 5.5%

The accumulated benefit obligations for the pension plans at June 30, 2008 and 2007, were \$78.6 million and \$72.7 million, respectively.

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At the end of 2008 and 2007, the projected benefit obligation exceeded pension plan assets for two of the five plans. At the end of 2008 and 2007, the accumulated benefit obligation exceeded pension plan assets for two of the five plans. The projected benefit obligation and the accumulated benefit obligation for the two plans with a benefit obligation in excess of plan assets were as follows:

	2008	2007
End of year		
Projected benefit obligation	\$ 76,662	\$ 73,896
Fair value of plan assets	63,635	63,542

At the end of 2008 and 2007, the accumulated postretirement benefit obligation for the other postretirement benefit plan and the fair value of plan assets with an accumulated postretirement benefit obligation in excess of plan assets was as follows:

	2008	2007
End of year		
Accumulated postretirement benefit obligation	\$ 169,226	\$ 166,701
Fair value of plan assets	112,160	121,449

A 7.5 percent annual rate of increase in the per capita cost of covered health care benefits for the other postretirement benefit plan was assumed for 2009. The rate was assumed to decrease gradually to 5 percent for 2013 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effect:

	1-%-point increase	1-%-point decrease
Effect on accumulated postretirement benefit obligation	\$ 15,775	\$ 13,133

One hundred percent of the pension plans' assets were allocated to the Balanced Growth and Index Fund at June 30, 2008 and 2007. This is also the target allocation for 2008. This fund has guidelines that set targets of 50 percent U.S. equities, 10 percent international equities, and 40 percent debt securities. The expected long-term rate of return on the Plans' assets was 8 percent in both 2008 and 2007.

The expected rate of return on pension plan assets was developed by evaluating input from investment experts and actuaries as well as long-term inflation assumptions and the pension plans' historical compounded return of approximately 7.8 percent. The pension plans' expected long-term rate of return on plan assets is based on target asset allocation assumptions of 50 percent in U.S. equities, with an expected long-term rate of return of 8 percent; 10 percent in non-U.S. equities, with an expected long-term rate of return of 8.2 percent; and 40 percent in fixed income securities, with an expected long-term rate of return of 5 percent. The combination of these target allocations and expected returns result in the overall assumed long-term rate of return of 8 percent for 2008 and 2007. The actual asset allocation at June 30, 2008 and 2007, was close to these target asset allocations. The University's management regularly reviews the actual asset allocations. The University believes that 8 percent is a reasonable long-term rate of return on plan assets for 2008 and 2007 and will continue to evaluate the actuarial assumptions, including the expected rate of return, at least annually, and will adjust the appropriate assumptions as necessary.

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The retirement plan for the employees of Arden Conference Center was invested in equity securities, including mutual funds, 76 percent, and debt securities, 24 percent.

The asset allocation for the other postretirement benefit plan at June 30, 2008 and 2007, and the target allocation for 2009, by asset category, follows:

Asset category	Target allocation	Percentage of plan assets at years end	
	2009	2008	2007
U.S. large cap equity	45%	45.1%	45%
U.S. fixed income	20%	20%	20%
U.S. small cap equity	14%	13.9%	14%
Emerging markets equity	8%	8%	8%
International equity	8%	8%	8%
Real estate	5%	5%	5%
	100%	100%	100%

The expected rate of return on other postretirement benefit plan assets was developed by evaluating input from investment experts and actuaries as well as long-term inflation assumptions and the historical compounded return of approximately 9.5 percent. The other postretirement benefit plan's expected long-term rate of return on plan assets is based on target asset allocation assumptions of 45 percent in U.S. large cap equities, with an expected long-term rate of return of 8 percent; 14 percent in U.S. small cap equities, with an expected long-term rate of return of 8.5 percent; 8 percent in non-U.S. equities, with an expected long-term rate of return of 8.2 percent; 8 percent in emerging market equities, with an expected long-term rate of return of 9.5 percent; 20 percent in fixed income securities, with an expected long-term rate of return of 5 percent; and 5 percent in real estate, with expected long-term rate of return of 6.7 percent. The combination of these target allocations and expected returns result in the overall assumed long-term rate of return of 8 percent for 2008 and 2007. The actual asset allocation at June 30, 2008 and 2007, was close to these target asset allocations. The University's management regularly reviews the actual asset allocations. The University believes that 8 percent is a reasonable long-term rate of return on plan assets for 2008 and 2007 and will continue to evaluate the actuarial assumptions, including the expected rate of return, at least annually, and will adjust the appropriate assumptions as necessary.

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Net Periodic Pension Cost

The components of net periodic benefit cost for pension benefits and other postretirement benefits are as follows:

	Pension Plan Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Components of net periodic benefit cost				
Service cost	\$ 2,886	\$ 2,803	\$ 5,832	\$ 5,451
Interest cost on projected benefit obligation	5,787	5,282	10,804	9,730
Expected return on assets	(6,410)	(5,944)	(9,792)	(8,332)
Amortization of transition obligation	-	-	2,057	2,057
Amortization of prior service cost	28	28	661	747
Amortization of unrecognized net losses	821	908	1,028	747
Net periodic benefit cost	<u>\$ 3,112</u>	<u>\$ 3,077</u>	<u>\$ 10,590</u>	<u>\$ 10,400</u>
Other changes in plan assets and benefit obligations recognized in the Consolidated Statement of Activities				
Current year actuarial (gain)/loss	6,959		16,778	
Amortization of actuarial gain/(loss)	(821)		(1,029)	
Current year prior service (credit)/cost	962		(660)	
Amortization of prior service credit/(cost)	(28)		(2,057)	
Total recognized in nonoperating	<u>\$ 7,072</u>	<u>\$ -</u>	<u>\$ 13,032</u>	<u>\$ -</u>
Total recognized in net periodic benefit cost and nonoperating	<u>\$ 10,184</u>	<u>\$ 3,077</u>	<u>\$ 23,622</u>	<u>\$ 10,400</u>

	Pension Plan Benefits	Other Postretirement Benefits
Amounts in net unrestricted assets expected to be recognized in net periodic pension cost in fiscal 2009		
Actual (gain)/loss	\$ 440	\$ 1,568
Prior service (credit)/cost	92	508
Transition (asset)/obligation		2,057
	<u>\$ 532</u>	<u>\$ 4,133</u>

	2008	2007
Weighted-average assumptions used to determine net periodic pension cost		
Discount rate	6% to 6.4%	6.25%
Expected return on plan assets	8%	8%
Rate of compensation increase	5% to 5.5%	5.5%

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Assumed health care cost trend rates have a significant effect on the amounts reported for the other postretirement benefit plan. A one-percentage-point change in the assumed health care cost trend rates would have had the following effect:

	1-%-point increase	1-%-point decrease
Effect on total service and interest cost	\$ 1,900	\$ 1,538

Expected Cash Flows

Information about the expected cash flows for the Plans is as follows:

	Pension Benefits	Other Postretirement Pension Benefits
University contributions:		
2009 (expected)	\$ 5,600	\$ 15,700
Expected benefit payments:		
2009	\$ 5,045	\$ 10,060
2010	5,238	10,803
2011	5,394	11,438
2012	5,532	12,140
2013	5,695	12,696
2014-2018	31,626	72,067
Total	<u>\$ 58,530</u>	<u>\$ 129,204</u>

Expected contributions to the other postretirement benefit plan include benefits of \$15.7 million from employer assets in 2009. Total benefits expected to be paid include both the University's share of the benefit cost and the participants' share of the cost, which is funded by participant contributions to the other postretirement benefit plan. The University receives a Medicare Part D subsidy from the federal government as reimbursement for certain retiree health benefits paid to plan participants.

14. Lease Obligations

The University is the lessee of various equipment and space under noncancelable operating and capital leases. Capital lease obligations at June 30, 2008 and 2007, were \$83.1 million and \$84.4 million, respectively. Operating lease rental expense for the year ended June 30, 2008, was approximately \$23.8 million. Space leases contained customary escalation clauses, which are included in annual aggregate minimum rentals.

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Future aggregate minimum rental payments under operating and capital leases are as follows:

Future minimum rental payments:	Operating	Capital
2009	\$ 20,725	\$ 8,393
2010	18,253	6,414
2011	16,469	5,288
2012	15,835	4,213
2013	11,650	3,851
Thereafter	97,455	167,071
Less: Interest at 3.95 percent to 5.118 percent		(112,133)
Capital lease obligations at June 30, 2008		<u>\$ 83,097</u>

15. Conditional Asset Retirement Obligations

Financial Accounting Standards Board Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (an interpretation of FASB Statement No. 143), was issued in March 2005. FIN 47 defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability. This interpretation requires that the fair value of a liability for a conditional asset retirement obligation be recognized in the period in which it occurred if a reasonable estimate of fair value can be made.

Conditional asset retirement obligations related to remediation or disposal of asbestos, underground storage tanks, soil, and radioactive sources and equipment were \$93.9 million and \$57.5 million at June 30, 2008 and 2007, respectively. For June 30, 2008, the University increased its obligation for certain environmental remediation that was not reasonably estimatable as to the amount of the potential obligation in prior years.

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16. Bonds and Notes Payable

Bonds and notes payable outstanding at June 30, 2008 and 2007, are as follows:

	2008	2007
Dormitory Authority of the State of New York, tax exempt revenue bonds, Columbia University issues		
Series 2008 A, 4.00% to 5.00%, maturing 2038	\$ 282,715	
Series 2006 A, 4.75% to 5.25%, maturing 2031	225,000	\$ 225,000
Series 2006 B, 3.25% to 5.25%, maturing 2022	156,890	156,890
Series 2004 A1, 4.00%, maturing 2007		9,970
Series 2004 A2, 5.00%, maturing 2014	46,500	46,500
Series 2004 B, 4.00% to 5.125%, maturing 2024	91,315	94,305
Series 2004 C, 5.00%, maturing 2029	48,270	50,000
Series 2003 A, 3.20% to 5.125%, maturing 2024	76,350	79,355
Series 2003 B, variable rate, 1.00% to 3.88%, maturing 2028	30,000	30,000
Series 2002 A, 3.75% to 5.25%, maturing 2014	32,850	33,030
Series 2002 B, 4.50% to 5.25%, maturing 2024	43,890	46,945
Series 2002 C, variable rate, 1.40% to 3.73%, maturing 2027	23,300	23,300
Series 2000 A, 4.10% to 5.25%, maturing 2025	46,325	49,730
Series 1994 A, 5.75%, maturing 2010	31,925	31,925
Series 1992, 5.75%, maturing 2007		4,060
	<u>1,135,330</u>	<u>881,010</u>
Dormitory Authority of the State of New York, tax-exempt commercial paper		
Series 1997, variable rate, 1.30% to 3.75%, final maturity 2015	34,850	39,670
New Jersey Economic Development Corporation		
Series 2002, variable rate, 0.85% to 3.62%, final maturity 2028	9,230	9,230
United States Department of Education Housing Program Issues:		
1991, 5.50%, maturing 2021 *	1,621	1,667
1990, 3.00%, maturing 2020 *	1,859	2,074
Medium-Term Notes, Taxable Series C 6.53% to 7.36%, maturing 2021	152,890	165,420
Empire State Development Corporation Issues:		
Interest-free, maturing 2029	8,538	8,686
Interest-free, maturing 2010	7,075	6,612
Economic Development Corporation		
Interest-free, maturing 2010	8,734	8,163
Taxable commercial paper, variable rate, 2.25% to 5.55%, due 2009	60,880	64,380
Dormitory Authority of the State of New York College and University Education Loan Revenue Bonds		
Series 1993, 5.55% to 5.65%, maturing 2013	4,638	5,619
Series 1992, 6.80%, maturing 2013	3,888	4,671
Promissory Note, 8%, maturing 2010	3,000	3,000
Promissory Note, 11%, maturing 2010	2,195	2,037
Investment Mortgage Payable, 6 mo LIBOR + 5 bps, maturing 2016	-	39,661
	<u>299,398</u>	<u>360,890</u>
Total bonds and notes payable	<u>\$ 1,434,728</u>	<u>\$ 1,241,900</u>

* *Principal fully collateralized by investments.*

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Estimated Principal Payments on bonds and certificates are summarized below:

Year	Principal
2009	\$ 117,260
2010	73,313
2011	64,527
2012	60,498
2013	62,515
Thereafter (through 2031)	<u>1,056,615</u>
Total	<u>\$ 1,434,728</u>

At June 30, 2008, the University's bonds and notes payable had a carrying amount of approximately \$1,434.7 million, compared to an estimated fair value of \$1,468.1 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.

The University may offer from time to time up to \$400 million aggregate principal amount of Medium-Term Notes. As of June 30, 2008, \$152.9 million was outstanding. The University also has a \$100 million taxable commercial paper program. As of June 30, 2008, \$60.9 million was outstanding. Subsequent to June 30, 2008, the taxable commercial paper program was increased to \$150 million.

The University issues most of its tax-exempt debt through the Dormitory Authority of the State of New York ("DASNY"). On April 23, 2008, the University issued \$282.7 million of Series 2008A bonds. The proceeds from Series 2008A were used to finance various construction and renovation projects. Series 2008A was issued at a premium of \$10.9 million, which will be amortized over ten years.

On July 2, 2007, the University reoffered \$48.3 million of its DASNY Series 2004C bonds at an average yield of 4.4 percent and retired \$1.7 million of the original debt.

On June 14, 2007, the University entered into a \$200 million notional value forward starting, fixed payor swap agreement with an effective date of April 1, 2008, to protect against the risk of interest rate changes. This agreement was extended until October 1, 2008. The estimated fair value of the agreement was (\$15.7) million and (\$1.6) million at June 30, 2008 and 2007, respectively. The fair value of the swap is obtained by taking the present value of all future cash flows on the swap implied by the forward curve.

The University has certain financial and administrative covenants with which it was in compliance as of June 30, 2008 and 2007.

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17. Insurance

In connection with managing financial risks through various third-party insurance programs, the University is self-insured in certain areas. Funded self-insurance liabilities primarily cover deductibles on general liability and property insurance claims. Self-insurance liabilities are actuarially calculated on an annual basis. The University has recorded self-insurance liabilities of approximately \$100.8 million and \$93.6 million as of June 30, 2008 and 2007, respectively. The University's core liability coverage is purchased through Pinnacle RRG, a Vermont-based risk retention group with fifteen other universities.

The University obtains medical malpractice insurance through MCIC and MLMIC. MCIC is a group-captive insurance company owned by the University, Johns Hopkins, Yale, Rochester, and Weill Cornell Medical School and their respective major teaching hospitals, including NYPH. MLMIC is a mutual company where policyholders are owners, with full voting rights to elect the company's Board of Directors, thereby having direct input into vital areas of operation. The governing Board is comprised primarily of practicing physicians, dentists, and hospital administrators. More than 900 of the University's faculty physicians and dentists are enrolled in MCIC.

18. Related Party Transactions

The University maintains several clinical and education affiliation agreements with other organizations. Revenues and expenses from these agreements are accounted for in the operating activities segment of the Statement of Activities. The most significant affiliation agreement is with the NYPH.

The University has an alliance dating back to 1921 with Presbyterian Hospital, which merged with New York Hospital effective January 1, 1998, and formed the new corporate entity called NewYork-Presbyterian Hospital. The University provides NYPH with medical, professional, and supervisory staff as well as other technical assistance. These services are reimbursed by NYPH. NYPH provides funding to the clinical departments for several specific purposes, including administration, supervision, and teaching of the NYPH resident staff and salary support for faculty and staff providing services to NYPH. In addition, NYPH provides partial funding for clinical programs that the University and NYPH would like to see developed or expanded. NYPH also provides the departments with certain facilities and services (outpatient faculty practice offices, nursing, telecommunications, etc.) for which the University is invoiced on a monthly basis. Finally, the University and NYPH collaborate and fund joint projects for which specific agreements are negotiated.

The University and NYPH negotiated a joint budget, which forms the basis for the reimbursement agreement. The final fiscal year 2008 joint budget was approximately \$143 million. The payments to NYPH for goods and services were \$70 million. The revenues received pursuant to this reimbursement arrangement for services rendered are reflected in the consolidated financial statements as a portion of "Patient care revenue." The expenses related to this agreement are reflected in "Patient care expense."

The University records both receivables from and payables to NYPH on the Balance Sheet. The University has no liability for obligations and debt incurred by NYPH.

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The University has financial arrangements with several for-profit physician professional corporations (“PCs”), whereby the University provides facilities and other services to these PCs for a negotiated fee. These PCs provide clinical services to patients and are owned and controlled by physicians who are also faculty members of the University. These noncontrolled PCs generated revenue of approximately \$55 million and \$56 million during fiscal year 2008 and 2007, respectively, which has not been consolidated into the University’s consolidated financial statements. The University is also the sole corporate member of two not-for-profit physician private practice entities and, as such, consolidates these entities into the University’s consolidated financial statements.

19. 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 activities.

The University is subject to laws and regulations concerning environmental remediation and will, from time to time, establish reserves for potential obligations that management considers probable and for which reasonable estimates can be made. As of June 30, 2008, the University has recorded \$93.9 million for conditional asset retirement obligations. These estimates may change depending upon the nature and extent of contamination, appropriate remediation technologies, and regulatory approvals. The University is not aware of any existing conditions that it currently believes are likely to have a material adverse effect on the University’s financial position, changes in net assets, or cash flows.

The University has entered into contracts to purchase properties with an aggregate value of \$140.5 million. As of June 30, 2008, approximately \$132.8 million is still outstanding.

20. Expense Allocation by Program

Expenses are reported for the University’s primary program activities. The consolidated financial statements also report certain categories of expenditures that support more than one major program of the University. These expenses include operation and maintenance of plant, depreciation expense, and interest expense.

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These costs are allocated to the applicable program activities as indicated in the following chart:

	2008			2007		
	Expenses per Statement of Activities	Allocation	Final Allocated Expenses	Expenses per Statement of Activities	Allocation	Final Allocated Expenses
Instruction and educational administration	\$ 1,110,579	\$ 192,445	\$ 1,303,024	\$ 986,688	\$ 182,559	\$ 1,169,247
Research	393,035	74,081	467,116	388,245	70,485	458,730
Patient care expense	642,342	4,763	647,105	606,356	5,092	611,448
Library	62,073	51,411	113,484	60,653	47,465	108,118
Operation and maintenance of plant	157,636	(157,636)		147,285	(147,285)	
Institutional support	185,226	26,852	212,078	157,971	25,378	183,349
Auxiliary enterprise	97,461	12,148	109,609	94,251	12,013	106,264
Depreciation expense	153,991	(153,991)		146,310	(146,310)	
Interest expense	50,313	(50,313)		49,633	(49,633)	
Other	42,153	240	42,393	50,963	236	51,199
	<u>\$ 2,894,809</u>		<u>\$ 2,894,809</u>	<u>\$ 2,688,355</u>		<u>\$ 2,688,355</u>

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. Interest expense is allocated according to the same methodologies used for building depreciation.