Columbia University in the City of New York

FINANCIAL REPORT 2007

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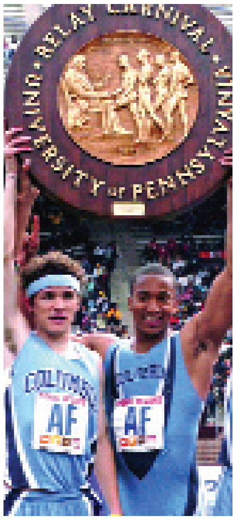
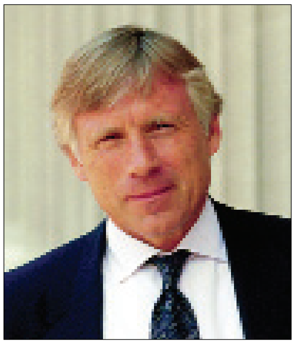
Columbia University in the City of New York


From transforming the physical spaces where we teach, research, and serve, to attracting a multiplicity of human perspectives to our campus, we have envisioned the University's long-term future while bolstering the spirit of humanity necessary to realize it.

—Lee C. Bollinger

LETTER FROM THE PRESIDENT



President Lee C. Bollinger

Each year, it is important for us to pause and reflect on the progress we have made in strengthening our commitment to teaching and research in service of our city, nation, and world.

Igniting the Imagination: the Humanities at Columbia

Indispensable to the University's efforts has been, and remains, a deep and broad-based liberal arts education, particularly in the humanities. For us, the humanities represent the heart and soul of our undergraduate Core Curriculum, whose history we honored this fall in celebrating the 100th birthday of Jacques Barzun, the architect of "Humanities A."

To ensure their continued relevance and vitality, Columbia has expanded its commitment to the humanities while also examining the ways in which they are learned and taught. In the last three years alone, the number of tenured and tenure-track faculty teaching in the humanities has risen by 10 percent; and given the natural blending of their disciplines within the liberal arts tradition, we believe their work can serve as a model for the kinds of interdisciplinary scholarship needed to respond to the pressing moral and intellectual challenges of our time.

Several areas of growth merit attention. In October, the Institute of African Studies celebrated its reopening under the new directorship of Mamadou Diouf, renowned West African scholar and historian. His goal is to transform the Institute into a hub of expertise that draws together a diverse field of scholars while also helping students see and understand the transnational applications to Africa in every class they take.

New leadership has been reinvigorating the Departments of Religion and Middle East and Asian Languages and Cultures (MEALAC). An interdisciplinary spirit is also reshaping the study of language at Columbia. In particular, the French department and the Department of Spanish and Portuguese have remade themselves into burgeoning centers of cultural and comparative study, with faculty members whose expertise spans a number of fields, such as anthropology, art, philosophy, sociology, and history.

As interdisciplinary collaboration binds the Faculty of Arts and Sciences together, it is forging vital links to our graduate and professional schools. For example, at the Law School's new Center for Institutional and Social Change, legal scholars are partnering with policymakers, racial and social justice activists, and Arts and Sciences professors to produce empirical analysis, theory-practice research, and strategic networks that will help solve persistent structural inequalities in our society. In the process, they will train our law students to exercise more vigorous civic and ethical leadership in their professional lives.

By grounding students in the literatures of history, the humanities can inspire citizens to imagine alternative futures to the present. In teaching the languages of the world, they can connect disparate societies to the narratives of living that unite them.

Smart Growth for Our Campuses and Communities

None of these advances will be possible without significantly expanding, upgrading, and reconfiguring the physical spaces of our campuses. As we continue to plan for the University's long-term future in Manhattanville in West Harlem, we also have transformed parts of our current campus to empower academic departments in redefining the boundaries of knowledge.

For example, by using library spaces more efficiently, we have created two new computational biology research laboratories in Fairchild and a new geology teaching lab in Schermerhorn, which in turn will provide spaces for research lab expansion in psychology. In November, I was delighted to drive up the Hudson to take part in the dedication of our new Gary C. Comer Geochemistry Building at the Lamont-Doherty Earth Observatory. Its facilities will be key in helping the University fulfill its goal of serving New York and the world as a hub of expertise that will bring talented minds together to solve the great scientific challenges of our time—none more important than the health and vitality of our planet.

Other ongoing projects at Columbia include the conversion of Knox Hall at Union Theological Seminary into 50,000 square feet of new academic space, including classrooms on the first floor and offices for the sociology and MEALAC departments; the Center for Comparative Literature and Society; and the African, Middle East, and South Asian Institutes. Also, construction has begun on our new 188,000-gross-square-feet Northwest Corner Science Building at Broadway and 120th Street. When it opens in 2010, it will house state-of-the-art facilities that will inspire a new generation of physicists, chemists, biologists, and engineers.

We see the same energy of improvement in our community of professional schools. Uptown, the Trustees have approved a new education center at Columbia University Medical Center, to be housed on the two lower-level floors of the Hammer building. It will include a reconfiguration of the library while creating a central location for all four health science schools for teaching. Here at Morningside, new construction projects have included a new student center on the 100 and 200 levels of Journalism Hall; additional study rooms for Business School students in Uris Hall; and a ninth-floor addition atop Jerome Greene Hall to provide sorely needed office space for Law School faculty.

We can all feel proud that in building Columbia's future, we are seeking to incorporate Columbia research on climate and environment into our plans. In recent months, we joined nine other New York City universities in accepting Mayor Bloomberg's challenge to reduce our greenhouse gas emissions by 30 percent over the next ten years. In addition, the U.S. Green Building Council chose our Manhattanville proposal for a "smart growth" pilot under its Leadership in Energy and Environmental Design (LEED) program. Developed in partnership with the Center for New Urbanism and the Natural Resources Defense Council, this new neighborhood development program recognizes our efforts to design a Manhattanville campus with a sharpened focus on the integration of University and community activity; access to mass transit; mixed uses such as cultural, civic, academic, retail, and residential opportunities; publicly accessible open space and tree-lined, walkable streets; and green construction.

At the same time, we have pledged to construct individual buildings in Manhattanville with a minimum LEED Silver rating while also striving for the same rating at our laboratories there. This expands the University's current LEED efforts, which include McVickar Hall, the Northwest Corner Science Building, and our new Gary C. Comer Geochemistry Building at Lamont-Doherty. Each has been registered as a LEED building, in recognition of such sustainability benchmarks as energy efficiency and indoor environmental air quality, as well as sustainably sourced materials and waste management.

In these and other ways, and with the participation of academic programs across the University, Columbia is challenging itself to make sustainable choices for its campuses and communities that match its long-standing commitment to scholarship at the forefront of environmental change and adaptation.

Investing in the Future: the Diversification of Thought and Experience

For this year's incoming class of College and Engineering students, admission was more competitive than ever before; and having completed another semester of teaching in Schermerhorn, I can attest to the ever-increasing rigor, acuity, and diversity of thinking shared by our undergraduates. We celebrated this in November with the announcement of one Marshall and two Rhodes scholarship winners over the same weekend.

Still, the cost of a university education remains a constant concern for most families. Easing this burden is a central aim of our ambitious Columbia Campaign, which has now passed the $2.5 billion mark. Already more than $260 million has been committed for new financial aid endowment for undergraduates. While much work remains to be done, these gifts build on the initiative we implemented last year to replace loans with grant aid for all students entering the College and SEAS from families earning less than $50,000 per year. We are also working to increase aid to students in the School of General Studies. Not only is this the right thing to do; it is essential in assembling classes with the range of diversity that prepares students to become successful participants in today's world.

Complementing these efforts are the strides we have taken to increase faculty diversity, now under the leadership of Vice Provost Geraldine Downey. Having already invested $27 million in recruitment efforts, we are now committed to raising an additional $20 million in endowed funds as part of The Columbia Campaign, thus yielding $1 million per year for continuous diversity recruitment. As part of our effort to expand the pipeline of minority scholars in science and engineering, we also are developing a "Bridge to Ph.D." program, which will bring postbaccalaureate minority students into the Columbia research community as full-time research assistants. The University is currently working to raise $1.5 million to support the program over a three-year pilot period.

This parallels our efforts to empower tenure-eligible faculty through more proactive mentoring, networking opportunities, and financial support for publications and conferences. We have launched a series of initiatives, including membership in an online job bank supporting academic couples in our region, as well as the establishment of a new Office of Work-Life Balance. Already its extensive support program offers an emergency back-up care program to all faculty members with dependent care responsibilities.

We are especially proud of the Columbia Earth Institute's ADVANCE program, funded by the National Science Foundation, which has dedicated resources to attracting and advancing women scientists and engineers. Not only has ADVANCE enhanced the diversity of our faculty, but it has also strengthened Columbia's ties to emerging and established women scholars across the country through the Marie Tharp Visiting Fellowship Program.

This has been a year of energetic imagination at Columbia. From transforming the physical spaces where we teach, research, and serve, to attracting a multiplicity of human perspectives to our campus, we have envisioned the University's long-term future while bolstering the spirit of humanity necessary to realize it. The result of our bold efforts will be a buzzing academic community whose diversity of talents and experience will extend the historic dynamism of Columbia University in the City of New York at its best.

Lee C. Bollinger

LETTER FROM THE SENIOR EXECUTIVE VICE PRESIDENT

Senior Executive Vice President
Robert Kasdin

Columbia University continues to move forward strongly in a wide number of areas. During the fiscal year ending June 30, 2007, the balance sheet strengthened dramatically and the income statement remains favorable. This financial strength allows Columbia to sustain its academic excellence and improve its operations.

In the course of the fiscal year that just ended, the first public year of The Columbia Campaign, the University's alumni and friends set new records for generosity, with gifts and pledges totaling $913 million. In fact, this year brought the largest gift in Columbia's history, a $400 million commitment to student financial aid from John Kluge (CC'37). By the conclusion of the year, the Campaign total had reached almost $2.326 billion toward an overall goal of $4 billion.

The breadth of participation is also encouraging. A record number of alumni gave to the Columbia College Fund for a highest-ever annual total of $11.8 million, and May 2007 saw 84.5 and 100 percent participation in the senior class gifts at the College and The Fu Foundation School of Engineering and Applied Science, respectively. This is a gratifying affirmation of our undergraduates' appreciation of Columbia.

Among the many gifts received in the course of the year, I would like to highlight donor responses to two magnificent matching gifts that are targeted to endowing faculty positions, a cornerstone of Columbia's greatness.

In September 2006 Columbia announced that University Trustee Gerry Lenfest LAW'58 had pledged $48 million to match faculty endowments: $37.5 million in the Arts and Sciences and $10.5 million at Columbia Law School. The response has been heartening for the future excellence in teaching and scholarship at Columbia. In the course of the year, donors created six Arts and Sciences faculty chairs and five Law School professorships.

During the year, a similar response greeted the $25 million matching gift program established by Arthur J. Samberg BU'67 at the Business School. Five donors established new endowed professorships under Mr. Samberg's matching gift program. In the case of both Mr. Lenfest and Mr. Samberg, their generosity is being leveraged into broadening the pool of benefactors and strengthening Columbia's faculty.

Yet much work remains to be done in key areas of pressing need. For example, one new initiative launched last year is The Columbia Campaign for Undergraduate Education, whose goal is to raise $865 million.

Columbia's efforts to connect with its alumni go far beyond fundraising. In its third year, the Columbia Alumni Association (CAA) continued to build a network connecting alumni of all Columbia schools worldwide. The year saw extensive partnership with European alumni, culminating in September in CAA Paris 2007, the European launch of the CAA. Alumni attended and helped plan joint events by CAA and a number of the University's schools around the world—from the Sundance Film Festival with the School of the Arts to a Morgan Library reception in Manhattan with the Graduate School of Architecture, Planning and Preservation. Through CAA's efforts, alumni increasingly participated in online communities reaching across school lines through University-wide alumni directories, career networks, and discussion groups.

A second major contribution to the University's growing financial health arises from the extraordinary success of our Investment Management Company. During the last four years, Columbia's investment effort, led by Nirmal "Narv" Narvekar, has produced year after year of outstanding investment performance. For the twelve-month period ending June 30, 2007, the University's investment performance was 23 percent. This puts Columbia well into the top quartile of universities. As you know from previous annual reports, this investment success is not just a one-time phenomenon. Columbia University is also in the top quartile of investment performance for colleges and universities for the five years of the Investment Management Company's existence.

The importance of this extraordinary success in fundraising and investing is two-fold: It has direct financial benefit for the University's funding of student financial aid, scholarship, and research.

A second crucial impact of our successful investment performance is that it clearly illustrates that the thousands of Columbia donors are giving to a university that places its financial stewardship among its most significant responsibilities. When a benefactor agrees to support the University, when families pay tuition, when government or foundations sponsor research, we have an important trust to fulfill. With this in mind, I would like to highlight a number of exciting developments under way at Columbia.

The Social Sciences—which include Anthropology, Economics, Political Science, History, and Sociology—have been thriving at Columbia. Our faculty members have received numerous prestigious awards and honors; and each department is ranked among the strongest in the country. Although there is much to report in the Social Sciences, I would like to cite just a few examples in the recent achievements of the Department of Economics, the Department of History, and the Center for the Study of Ethnicity and Race.

The Department of Economics has recently made significant strides to become, once again, one of the leading departments in its field. Although Columbia had one of the top five economics departments in the country as late as the 1960s, it was unable to maintain that position. By 1998, the faculty ranks had shrunk from 32 a decade earlier to only 20, despite the fact that enrollment in the major increased significantly. In the spring of 2003, the University announced its Economics Initiative, with the goal of making the department one of the top five in the world. Since then, the department has succeeded in recruiting preeminent faculty from top tier universities, with its greatest strength in the fields of International Economics, Development Economics, and Industrial Organization. With two recent Nobel Prize winners, the department is again ranked among the best in the country, while it continues to recruit in such fields as microeconomics and econometrics.

The Department of History, our highest ranked department in the Social Sciences, continues to find new ways to maintain its excellence. The department has hired an extraordinary faculty in recent years, including, most recently, Mae Ngai, an expert on the history of immigration to the United States, and Christopher Brown, a leading scholar on the Atlantic slave trade and British abolition. Their work is not only critical for the department's curricular offerings—it further strengthens the breadth of History's disciplinary reach. It is worth noting that the department has been particularly successful in strengthening itself from within by promoting junior faculty emerging as leaders in the field as well as by retaining current faculty despite numerous outside offers. The department has also launched a new program in International History as well as a joint master's degree program with the London School of Economics.

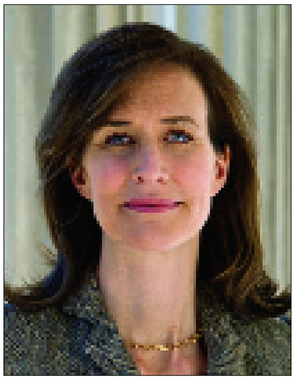
With the appointment of Claudio Lomnitz as director, the Center for the Study of Ethnicity and Race (CSER) has again become a central venue for scholars and students at Columbia. The Center's mission has been refined; its undergraduate and graduate curricula have been revised; and its collaboration with the Intercultural Resource Center and the Office of Multicultural Affairs has resulted in programs attentive to students' concerns with community development. As the Center continues to draw scholars and students together, it also works in close proximity with a number of centers and institutes on campus, including the Institute for Research on African American Studies and the Institute for Research on Women and Gender. In addition, the Center coordinates programs and activities with the American Studies Program; the Institutes for African, Latin American, East Asian, and Middle Eastern Studies; and the Institute for Comparative Literature and Society.

Despite this impressive momentum, the University nevertheless confronts a host of important challenges. University funding must and should be used in ways that donors intend. Consequently, some sectors of the faculty experience financial pressures that reflect the internal distribution of unavoidably limited resources, and not necessarily the importance of their research or quality of their teaching. More important, universities remain unusual institutions in our deliberate refusal to abandon the study and teaching of well-established academic disciplines, even in the face of explosions in the new information that must be explored, understood, and taught. Therefore, a gap remains between Columbia's resources and aspirations for excellence. As knowledge expands so does the University's mission.

Finally, we are living in a world where peer institutions are experiencing important financial success of their own. The competition for the best faculty and students is as intense as ever. To fulfill Columbia's heritage, we can and will succeed in that competitive climate by managing our resources wisely and deploying them effectively.

Robert Kasdin

EXECUTIVE VICE PRESIDENT FOR FINANCE



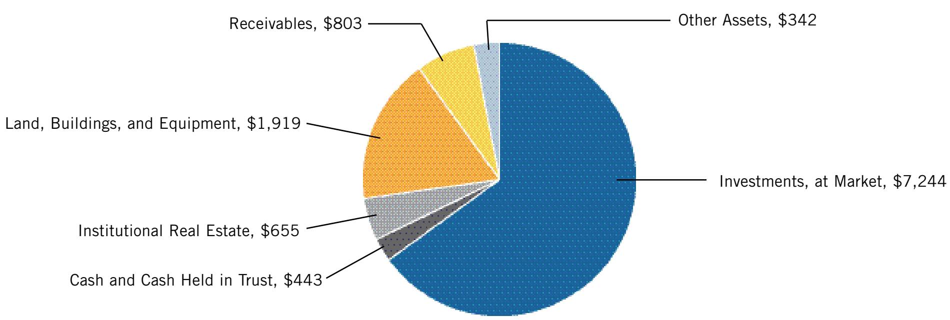
Executive Vice President for Finance
Anne Sullivan

Overview

The financial results for Columbia University for the fiscal year ended June 30, 2007, reflect a strong and substantial base from which to further enhance scholarship, research and teaching activities, programmatic initiatives, and patient care. The balance sheet continues to strengthen, fueled by a change in net assets from operations ("operating income") of $134 million and an overall increase in net assets of $1.3 billion. The rate of growth in all areas of operating revenues was positive after an adjustment for a significant one-time revenue event in fiscal year 2006. The University continues to invest substantially in the renovation and maintenance of its physical assets, while the momentum of Columbia's capital campaign, fueled by the generosity of its alumni and senior class gifts, has seeded the vision for a future Columbia.

Balance Sheet

Assets on the University's balance sheet increased $1.3 billion in fiscal year 2007, for a total at June 30 of $11.4 billion. This total is made up principally by investments, valued at market, and the combination of institutional real estate and land, buildings, and equipment (which are carried at historical cost net of accumulated depreciation). The main driver of asset growth in 2007 was growth in the investment portfolio.

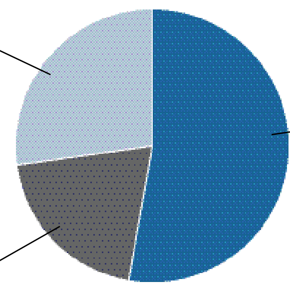


In the twelve-month period ending June 30, 2007, the investment portfolio increased to $7.2 billion, an increase of $1.2 billion over the prior year. Total returns on the managed asset portion of the portfolio were 23.1 percent for the fiscal year. This performance put Columbia at the 84th percentile among its peers for the five-year period since the establishment of the Columbia Investment Management Company.

The year-end cash position, including cash held in trust by others, decreased by $174 million to $443 million. The decrease reflects an investment decision to move $96 million of operating cash to the long-term investment portfolio and a significant increase in capital spending over fiscal 2006. In fiscal 2007, $281 million was spent on construction, renovation, and acquisition, net of draw downs on debt issued on Columbia's behalf by the Dormitory Authority of the State of New York. Fixed assets, including institutional real estate, grew by 6.5 percent, as Columbia continues to focus on long-term growth and campus upkeep.

Liabilities in total showed relatively little change from fiscal year 2006 to 2007. During the period, Columbia paid down $40 million of existing debt and settled payables for securities sold short in the long-term investment portfolio ($171 million). These reductions in liabilities were offset by increases to accounts payable ($91 million), the utilization of nonrecourse debt in a real estate transaction within Columbia's investment portfolio

($40 million), and the recognition of accrued employee benefits obligations as a result of adopting Financial Accounting Standard 158 ($43 million). FAS 158 requires the recognition of the difference between benefit obligations and any plan assets of the University's defined benefit and postretirement benefit plans.



Substantial asset growth and minimal change in total liabilities propelled growth in net assets, Columbia's equivalent of net equity. In 2007, total net assets increased 16.9 percent, to $9.2 billion. The unrestricted component of net assets grew by 18.7 percent to $6.7 billion.

Statement of Activities

Columbia University's Statement of Activities, analogous to a corporate profit and loss statement, is segregated into two major sections: operating and nonoperating activities. The operating section of this statement reflects the results of the funds utilized in the day-to-day activity involved in running the University. The nonoperating section relates to either large, recurring changes in funds that are segregated from the operating budget in the current year (e.g., investment gains in excess of the calculated endowment spending rate) or nonrecurring adjustments (e.g., changes in actuarial estimates or certain accounting changes).

Operating Activity

Net assets from operating activities increased by $134 million for the fiscal year ended June 30, 2007. In order to effectively compare operating performance with fiscal year 2006, it is useful to exclude a one-time $65 million payment of patent and licensing income in 2006. After making this adjustment, fiscal year 2007 net assets from operating activities increased by $29 million, or 28 percent, over fiscal year 2006.

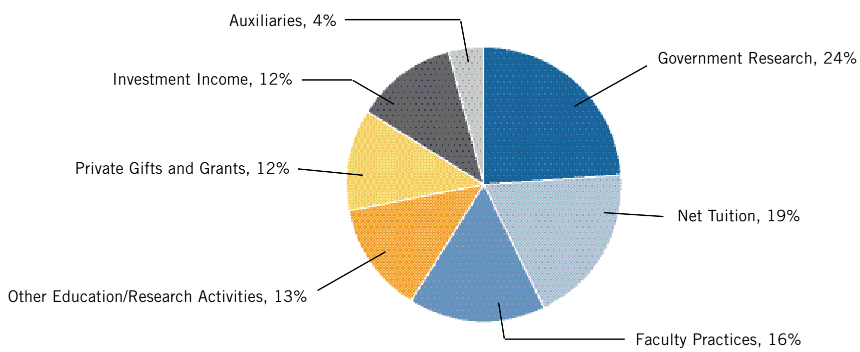
Total operating revenues in fiscal year 2007 increased by 4.1 percent to $2.8 billion (or a 6.7 percent increase excluding one-time license income in fiscal 2006). Tuition and fees, net of financial aid awards, increased to $542 million, or 4.1 percent. Financial aid awards accounted for 25.6 percent of gross tuition income. Growth in financial aid substantially outpaced growth in tuition in 2007, reflecting Columbia's continued commitment to expand the resources available for scholarships and fellowships.

Government grants and contracts increased 3.9 percent to $668 million. This represents approximately 24 percent of our operating revenues, 50 percent of which is from research activity in the College of Physicians and Surgeons. Despite an increasingly challenging funding environment, the schools that comprise Columbia University Medical Center (CUMC) continued to see growth in government grants and contracts.

In a fundraising year that saw the public launch of the University-wide Columbia Campaign, the University set records for cash receipts, pledges, and gifts. The strength of Columbia's campaign was evident in 7 percent growth in private gifts, grants, and contracts in fiscal 2007. In addition, endowment gifts (a component of nonoperating revenues) grew by 10 percent.

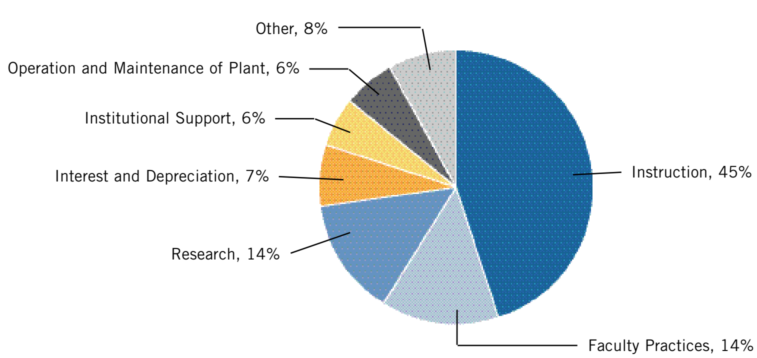
Revenue from other education and research activities decreased by $57 million, or 13.7 percent, primarily due to the nonrecurring license income payment during fiscal year 2006. This decrease was partially offset by increases in Hospital Affiliation revenues and the sale of the Arden House conference facility.

Revenues from Columbia's medical faculty practice plan grew more than 12 percent in 2007. The revenue from clinical care revenues is a significant component of University operating revenues, approximately 16 percent, or $445 million.



Total operating expenses increased 5.8 percent, to $2.7 billion. Instruction and educational administration represents 45.2 percent of total expenses. Expenses related to instruction and educational administration grew by 8.3 percent in 2007, reflecting investments in domestic and international programs at CUMC, the Faculty of Arts and Sciences, and other academic initiatives. Research and medical faculty practice each account for approximately 14 percent of total expense and saw modest expense growth in fiscal 2007. Operations and maintenance of plant and institutional support each account for 6 percent of the total expense base. Increases in operations and maintenance reflect higher utility costs as well as increases in the noncapitalized portion of the University's annual facilities maintenance program. Institutional support in 2007 reflects additional investment in outreach through the campaign and community involvement, as well as investment in administrative infrastructure to support our research activities.

Operating expenses by function are provided below:



Nonoperating Change in Net Assets

Nonoperating activity during the 2007 fiscal year resulted in an increase to net assets of $1.2 billion. The primary driver was the return on long-term investments of $1.2 billion, an increase of 64.6 percent over 2006. (Note: This is not analogous to the total return calculated on the managed assets portion of the investment portfolio.) Gifts to the endowment were $124 million, an increase of 10.1 percent over the prior year. The utilization of endowment appreciation under the University's spending rule increased in fiscal 2007 by $45 million.

Statement of Cash Flows

The University's June 30, 2007 cash flows reflect a period of increased capital investment in plant and additional investment of $96 million of operating cash in the long-term investment portfolio. Overall, the cash balance decreased by $84.8 million as compared to the previous year. Operating activities provided $216 million of cash as compared to $224 million in 2006. As noted above, 2006 operations include a one-time payment of $65 million for patent and license income; adjusting for this one-time event would indicate an increase of cash from operating activities in 2007 of $28.9 million.

Cash flow related to capital expenditures totaled $281 million in fiscal 2007, an increase of $110 million from the prior year. Notable projects in fiscal 2007 include the final stages of the Herbert Irving Cancer Center, the initial design of a new science building on the Morningside campus, and the renovation of a historic building to house a significant portion of the University's administrative functions. Cash from financing activities provided positive flows, although less than the prior year in which the University completed a new bond offering.

Summary

This continues to be an exciting time of financial growth at Columbia University. Columbia's diversified sources of support and expansion of its asset base reflect the strength in our operations and in investment management at the University. The generosity of our donors continues to enable the University's increased investment in financial aid, academic programs, service, and infrastructure. We look forward to the future with increased financial strength and ongoing commitment to our mission and our global community.

Anne Sullivan
Executive Vice President for Finance

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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, 2007, 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, 2006 financial statements, and in our report dated September 13, 2006, 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 12 to the consolidated financial statements, in fiscal year 2007 the University recognized the funded status of its benefit plans in accordance with the provisions of FASB Statement No.158. Also, as discussed in Note 14, in fiscal year 2006 the University recognized conditional asset retirement obligations in accordance with the provisions of FASB Interpretation No. 47.

PricewaterhouseCoopers LLP

September 21, 2007

The Trustees of Columbia University in the City of New York
Consolidated Balance Sheet

At June 30, 2007, with Comparative Totals at June 30, 2006 (in thousands of dollars)

	Total 2007	Total 2006
Assets		
Cash and cash equivalents	$405,060	$489,867
Accounts receivable, net:		
Government agencies	68,647	75,070
Patient receivables	83,409	73,132
Other	153,754	155,239
Investment income receivable, net	3,740	1,662
Receivable for securities sold	172,091	55,490
Pledges receivable, net	238,784	207,803
Student loans receivable, net	82,874	75,721
Investments, at market	7,244,125	6,089,965
Institutional real estate	655,249	629,368
Cash and securities held in trust by others	37,906	127,039
Land, buildings, and equipment, net	1,918,738	1,787,087
Other assets	62,520	68,457
Net assets held by CPMC Fund, Inc.	130,749	112,255
Interest in perpetual trusts held by others	148,174	136,552
Total assets	**$11,405,820**	**$10,084,707**
Liabilities		
Accounts payable and accrued expenses	$427,220	$335,868
Liabilities for securities purchased	25,602	24,799
Liabilities for securities sold, but not yet purchased		171,276
Prepaid tuition and other deferred credits	53,633	54,304
Deferred revenue and unamortized bond premium	60,814	66,423
Refundable advances	77,143	68,056
Capital lease obligations	87,802	76,809
Conditional asset retirement obligations	57,501	58,204
Accrued employee benefit liabilities	150,260	92,565
Federal student loan funds	70,441	66,503
Actuarial liability for split-interest agreements	28,991	27,137
Bonds and notes payable	1,212,970	1,214,748
Total liabilities	**2,252,377**	**2,256,692**
Net assets		
Unrestricted	6,695,615	5,642,682
Temporarily restricted	778,726	640,869
Permanently restricted	1,679,102	1,544,464
Total net assets	**9,153,443**	**7,828,015**
Total liabilities and net assets	**$11,405,820**	**$10,084,707**

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, 2007, with Comparative Totals at June 30, 2006 (in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2007	Total 2006
Operating activities					
Revenues and support					
Tuition and fees	$728,349			$728,349	$693,843
Less financial aid grants	(186,256)			(186,256)	(173,328)
Net tuition and fees	542,093			542,093	520,515
Government grants and contracts:					
Direct	514,488			514,488	497,351
Indirect	153,499			153,499	145,266
Private gifts, grants, and contracts:					
Direct	261,070	$83,216		344,286	320,763
Indirect	9,120			9,120	7,994
Revenue from other educational and research activities	361,489			361,489	418,919
Medical faculty practice plan income	445,009			445,009	395,315
Investment income and gains utilized	331,212	3,890		335,102	296,149
Sales and services of auxiliary enterprises	102,002			102,002	95,116
State aid	3,447			3,447	3,076
Other sources	11,732			11,732	9,401
Net assets released from restrictions	55,399	(55,399)			
Total operating revenues and support	**2,790,560**	**31,707**		**2,822,267**	**2,709,865**
Expenses					
Instruction and educational administration	1,215,688			1,215,688	1,122,671
Research	387,806			387,806	376,635
Medical faculty practice plan expense	378,755			378,755	368,494
Library	60,653			60,653	57,748
Operation and maintenance of plant	147,285			147,285	130,343
Institutional support	157,011			157,011	141,022
Auxiliary enterprises	94,251			94,251	85,586
Depreciation expense	146,310			146,310	131,847
Interest expense	49,633			49,633	46,335
Other	50,963			50,963	79,352
Total expenses	**2,688,355**			**2,688,355**	**2,540,033**
Change in net assets from operating activities	**102,205**	**31,707**		**133,912**	**169,832**
Nonoperating activities					
Endowment gifts			$123,756	123,756	112,454
Current year realized and unrealized capital gains (losses)	1,103,139	122,169	632	1,225,940	744,630
Endowment appreciation utilized	(122,825)	(13,822)		(136,647)	(91,444)
Change in net assets held by CPMC Fund, Inc.	18,494			18,494	12,805
Change in funds held by others in perpetuity			11,622	11,622	2,655
Present value adjustment to split-interest agreements	600	(2,197)	(1,372)	(2,969)	(49)
Additional minimum pension liability					10,236
Other					(8,688)
Change in net assets from nonoperating activities	**999,408**	**106,150**	**134,638**	**1,240,196**	**782,599**
Change in net assets	**1,101,613**	**137,857**	**134,638**	**1,374,108**	**952,431**
Cumulative effect of change in accounting for FAS 158	**(48,680)**			**(48,680)**	
Cumulative effect of change in accounting for FIN 47					**(50,743)**
Change in net assets after cumulative effect of change in accounting	**1,052,933**	**137,857**	**134,638**	**1,325,428**	**901,688**
Net assets at beginning of year	**5,642,682**	**640,869**	**1,544,464**	**7,828,015**	**6,926,327**
Net assets at end of year	**$6,695,615**	**$778,726**	**$1,679,102**	**$9,153,443**	**$7,828,015**

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, 2007, with Comparative Totals at June 30, 2006 (in thousands of dollars)

	Total 2007	Total 2006
Cash flows from operating activities		
(Includes adjustments to reconcile change in net assets to net cash provided by operating activities):		
Change in net assets	$1,325,428	$901,688
Cumulative effect of change in accounting for FAS 158	48,680	
Cumulative effect of change in accounting for FIN 47		50,743
Depreciation expense	146,310	131,847
Interest on capital lease obligations	3,468	2,949
Institutional real estate depreciation	16,505	13,877
Realized and unrealized (gains) losses	(1,225,940)	(744,630)
Contributions restricted for permanent investment, plant, and split interest agreements	(124,741)	(129,454)
Present value adjustments to split-interest agreements	3,006	949
Accreted interest on bonds	2,476	2,420
Change in fair value of net assets held by CPMC Fund, Inc.	(18,494)	(12,805)
Change in fair value of interest in perpetual trusts held by others	(11,622)	(2,655)
Change in operating assets and liabilities:		
Accounts receivable, net	(2,369)	14,994
Investment income receivable, net	(2,078)	2,715
Pledges receivable, net	(30,981)	(31,844)
Other assets	5,937	(6,126)
Accounts payable and accrued expenses	68,308	16,664
Prepaid tuition and other deferred credits	(671)	(13,616)
Deferred revenue and unamortized bond premium	(5,609)	24,841
Refundable advances	9,087	(2,404)
Accrued employee benefit liabilities	9,015	3,988
Net cash provided by operating activities	**215,715**	**224,141**
Cash flows from investing activities		
Proceeds from sale of investments	3,625,075	3,774,191
Purchases of investments	(3,840,371)	(3,887,892)
Collections from student notes	11,425	16,153
Student notes issued	(18,578)	(17,688)
Investment in cash and securities held in trust by others	89,133	(122,499)
Purchases of institutional real estate	(37,282)	(33,471)
Purchases of plant and equipment	(243,946)	(137,314)
Net cash used by investing activities	**(414,544)**	**(408,520)**
Cash flows from financing activities		
Proceeds from contributions for:		
Investment in endowment	104,199	95,820
Investment in plant	17,161	31,989
Investment in split-interest agreements	3,381	1,645
Investment income on split-interest agreements	2,149	1,956
Payments on split-interest agreements	(3,298)	(2,856)
Payment on capital lease obligations	(9,468)	(9,332)
Payments on conditional asset retirement obligations	214	
Repayment of bonds and notes payable	(43,915)	(203,921)
Proceeds from bond issuance	39,661	384,325
Net change in federal student loan funds	3,938	270
Net cash provided by financing activities	**114,022**	**299,896**
Net change in cash and cash equivalents	(84,807)	115,517
Cash and cash equivalents at beginning of year	489,867	374,350
Cash and cash equivalents at end of year	**$405,060**	**$489,867**
Supplemental disclosure of cash flow information:		
Equipment and space acquired through capital leases	$16,993	$1,854
Cash paid during the year for interest	$60,767	$57,396

See accompanying notes to financial statements.

The Trustees of Columbia University in the City of New York
Notes to the Consolidated Financial Statements for the Year Ended June 30, 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 24,600 full-time and part-time students and employs approximately 13,900 full-time employees, including 5,100 full-time faculty members. Of the full-time faculty members, 1,023 hold positions in the arts and sciences; 3,141 hold medical-faculty 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, medical service agreements, tuition, endowment income, patent royalties, and gifts provide the bulk of CUMC's revenues. Approximately 3,400 students are enrolled at CUMC, with a full-time faculty of 2,162, of whom approximately 244 are tenured. Additionally, CUMC's staff includes 3,507 part-time faculty instructors, 1,382 full time researchers, and 1,113 part-time researchers. Approximately 70 percent of the full-time faculty and 52 percent of the part-time faculty hold clinical appointments and have admitting privileges at NewYork-Presbyterian Hospital ("NYPH") or other hospitals.

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. Revenues and expenses from these agreements are accounted for in the operating activities segment of the Statement of Activities.

Medical Faculty Practice

During the year, the full-time and part-time clinical faculty handled more than 1.4 million outpatient and emergency room visits and participated in instruction and supervision for 600 University medical students and 800 residents and fellows at NYPH. Most hospital residents and fellows are not enrolled University students. CUMC physicians generated 63,000 NYPH hospital admissions during the year. In addition, certain faculty physicians provide patient care and supervision of residents at other local hospitals. Payments for patient-care services provided by the full-time faculty are derived mainly from third-party payers, including managed care companies (66 percent), Medicare (18 percent), commercial insurance (5 percent), Medicaid (2 percent), direct patient payments (6 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. The University also consolidates CIM XIII, LLC, a single-member Delaware limited liability company, and its subsidiaries.
- 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, and one Swaziland not-for-profit company 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.

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.

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.

Medical Faculty Practice Plan Income

The University provides medical care to patients via faculty in 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.

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, 2007. This rate continues to be in effect as a provisional rate until a new agreement is in place.

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 is recorded in "Revenue from other educational and research activities" in the 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.

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, 2007. 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, 2007. 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.

Securities sold, but not yet purchased, represent obligations of the University to deliver specified securities at contracted prices and thereby create a liability to repurchase the securities at prevailing future market prices. Accordingly, these transactions result in off-balance-sheet risk, as the University's ultimate obligation to satisfy the sale of securities sold, but not yet purchased, may exceed the amount recognized in the consolidated financial statements.

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 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 market," 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 Statement of Activities under "Present value adjustment to split-interest agreements."

Institutional Real Estate

Institutional real estate consists 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.

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 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, 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.

2006 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 2006. 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, 2006. In addition, certain amounts in the summarized consolidated financial statements for fiscal year 2006 have been reclassified to conform to the fiscal year 2007 presentation.

(All amounts are in thousands of dollars, unless otherwise noted.)

4. Operating Measurement

The University divides its 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 on investments 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, changes in additional minimum pension liability, and present value adjustments to split-interest agreements.

5. Long-Term Investments

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

	Fair Value	
	2007	**2006**
U.S. public equities and U.S. equity mutual funds	$605,251	$541,494
Foreign public equities and foreign equity mutual funds	1,205,703	763,108
Private equity (limited partnerships)	2,301,502	1,635,273
Hedge funds (limited partnerships and corporations)	2,717,494	2,731,938
Fixed income and fixed income mutual funds	53,703	294,834
Cash held for investment	485,432	228,659
Other	(815)	897
Total investment portfolio	**7,368,270**	**6,196,203**
Investments included above and held for CPMC Fund, Inc.	(124,145)	(106,238)
Investments, at market	**$7,244,125**	**$6,089,965**
Additional balance sheet information		
Receivable for securities sold	$172,091	$55,490
Liabilities for securities purchased	(25,602)	(24,799)
Liabilities for securities sold, not yet purchased		(171,276)
Notes payable	39,661	

Other investments of ($815) include mortgages of $817 and swap contracts of ($1.6) million, which represent a liability to the University as of June 30, 2007.

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.

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, 2007 and 2006, 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, 2007, the University had unfunded commitments of $1,720 million, which are likely to be called through 2011.

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

At June 30, 2007 and 2006, the notional amounts of long equity futures and swaps held were $237.1 million and $240.9 million, respectively. At June 30, 2007 and 2006, the University also held short equity futures with notional amounts of $64.8 and $25.2 million, respectively. As of June 30, 2007 and 2006, these futures and swaps had a fair value of $1.1 million and ($10.6) million, respectively, which has been reflected in "Investments, at market" on the Balance Sheet.

(All amounts are in thousands of dollars, unless otherwise noted.)

Investment Return

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

	2007			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Interest and dividend income, net	$139,541	$3,890		$143,431
Institutional real estate income, net	17,350			17,350
Short-term investment income	37,674			37,674
Realized and unrealized gains, net	1,103,139	122,169	$632	1,225,940
Total return on investments	**$1,297,704**	**$126,059**	**$632**	**$1,424,395**

	2006			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Interest and dividend income, net	$153,834	$717		$154,551
Institutional real estate income, net	13,727			13,727
Short-term investment income	36,427			36,427
Realized and unrealized gains, net	684,546	56,376	$3,708	744,630
Total return on investments	**$888,534**	**$57,093**	**$3,708**	**$949,335**

Investment income and gains utilized on the Statement of Activities contains interest and dividend income, 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 $136.6 million and $91.4 million during 2007 and 2006, 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:

	2007				
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total	2006 Total
Endowment funds			$1,356,379	$1,356,379	$1,251,642
Funds functioning as endowment:					
Departmental funds	$3,465,378	$632,597		4,097,975	3,213,302
University funds	1,333,322			1,333,322	1,119,610
Institutional real estate	328,844			328,844	319,054
Split-interest agreements	2,080	12,142	19,061	33,283	34,206
CPMC Fund, Inc.	98,631		32,118	130,749	112,255
Pledge balances			117,806	117,806	98,249
Interests in perpetual trusts held by others			148,174	148,174	136,552
Total net assets of long-term investments	**$5,228,255**	**$644,739**	**$1,673,538**	**$7,546,532**	**$6,284,870**

Institutional Real Estate

The University owns institutional real estate consisting of various properties 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.

6. Endowment Funds

The University's endowment consists of approximately 3,900 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.

(All amounts are in thousands of dollars, unless otherwise noted.)

7. Accounts Receivable

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

	2007	2006
Patient receivables, net of contractual allowances	$222,305	$221,502
Government agencies	72,652	79,070
NewYork-Presbyterian Hospital	49,013	56,539
Patent and licensing	18,293	26,622
Student receivables	32,361	25,409
Other receivables, gross	62,370	55,068
	456,994	**464,210**
Less: Allowance for doubtful accounts	(151,184)	(160,769)
Accounts receivable, net	**$305,810**	**$303,441**

Patient receivables for medical services are net of an allowance for contractual reserves in the amount of $158.6 million and $155.4 million at June 30, 2007 and 2006, respectively.

8. 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:

	2007	2006
Government revolving loans	$70,441	$66,503
Institutional loans	15,622	12,944
Gross student loans	86,063	79,447
Less: Allowance for doubtful collections	(3,189)	(3,726)
Student loans receivable, net	**$82,874**	**$75,721**

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 $192.2 million and $159.8 million for the years ended June 30, 2007 and 2006, 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 $61.5 million and $60.4 million as of June 30, 2007 and 2006, 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.

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.

(All amounts are in thousands of dollars, unless otherwise noted.)

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.

	2007			2006		
	University Sources	External Sources	Total Financial Aid	University Sources	External Sources	Total Financial Aid
Undergraduate	$45,862	$21,554	$67,416	$38,638	$20,475	$59,113
Graduate	79,891	38,949	118,840	80,654	33,561	114,215
Total financial aid grants	**$125,753**	**$60,503**	**$186,256**	**$119,292**	**$54,036**	**$173,328**

Agency activities such as tuition aid grants, federal supplemental educational opportunity grants, and the federal Pell grant program are not included in the University's consolidated financial statements. Receipts from agency transactions were $9.3 million and $8.6 million, and disbursements were $9.3 million and $8.7 million in fiscal year 2007 and 2006, respectively.

9. 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:

	2007	2006
Less than one year	$90,127	$81,304
One to five years	176,726	149,409
More than five years	21,983	20,855
Total unconditional promises	288,836	251,568
Less: Allowance for doubtful contributions	(14,442)	(12,578)
Less: Net present-value discount	(35,610)	(31,187)
Net pledges receivable	**$238,784**	**$207,803**

New pledges recorded in 2007 and 2006 were discounted at average annual rates of 5.1 percent and 5.2 percent, respectively.

Pledges receivable are intended for the following purposes:

	2007	2006
Endowment for educational and general purposes	$117,806	$98,249
New construction and modernization of plant	35,370	39,260
Support of University operations	85,608	70,294
Net pledges receivable	**$238,784**	**$207,803**

The University also has other outstanding pledges of $714 million as of June 30, 2007. These pledges represent either conditional gifts for which the probability of meeting the conditions are uncertain, verbal pledges, or other pledges that have not met the requirements for recognition.

(All amounts are in thousands of dollars, unless otherwise noted.)

10. Land, Buildings, and Equipment

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

	2007			2006		
	Total Assets	Accumulated Depreciation	Net Assets	Total Assets	Accumulated Depreciation	Net Assets
Land	$160,436		$160,436	$104,459		$104,459
Building and building improvements	2,741,754	$1,136,278	1,605,476	2,570,038	$1,043,520	1,526,518
Equipment	294,540	141,714	152,826	276,936	120,826	156,110
	$3,196,730	**$1,277,992**	**$1,918,738**	**$2,951,433**	**$1,164,346**	**$1,787,087**

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 and capitalized space leases. In 2006, the University undertook an assessment of the classification of leases that were entered into in prior years and were originally treated as operating leases. Certain space leases were determined to be more appropriately classified as capital leases based on their terms and conditions. Capital space leases at June 30, 2007 and 2006, were $70.4 million and $62.0 million, respectively.

11. 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 2007 and 2006, the University recognized actuarially computed liabilities of $30.6 million and $28.5 million, respectively.

(All amounts are in thousands of dollars, unless otherwise noted.)

12. 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 $71.6 million and $65.5 million for the years ended June 30, 2007 and 2006, 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, and defined contributions for service thereafter.

All four of these plans are subject to collective bargaining agreements. Charges to expenditures under the Plans amounted to $9.6 million and $9.9 million for the years ended June 30, 2007 and 2006, respectively.

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 that the employees 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.

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 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	$6,646,935	($48,680)	$6,695,615

The incremental effect of applying FAS 158 reflects amounts not previously recognized in periodic benefit costs as follows:

	Pension Benefits	Other Postretirement Pension Benefits
Net actuarial loss	$12,940	$21,420
Prior service cost	200	1,778
Transition obligation		12,342
Total amount recognized	**$13,140**	**$35,540**

(All amounts are in thousands of dollars, unless otherwise noted.)

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

	Pension Plan Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006
Change in benefit obligation:				
Benefit obligation, beginning of year	$85,275	$90,375	$148,428	$163,716
Service cost	2,803	3,259	5,451	6,192
Interest cost	5,282	4,823	9,730	8,533
Actuarial (gain) loss	(2,936)	(9,165)	11,073	(22,612)
Net disbursements and transfers	(4,240)	(4,017)	(7,981)	(7,401)
Projected benefit obligation, end of year	**$86,184**	**$85,275**	**$166,701**	**$148,428**
Change in plan assets:				
Fair value of assets, beginning of year	$75,542	$71,217	$105,276	$89,956
Actual return on plan assets	11,056	4,781	19,391	10,464
Employer contributions		3,561	5,450	4,856
Net disbursements and transfers	(4,240)	(4,017)	(8,668)	
Fair value of assets, end of year	**$82,358**	**$75,542**	**$121,449**	**$105,276**
Reconciliation of funded status:				
Unfunded status	($3,826)	($9,733)	($45,252)	($43,152)
Amounts not yet recognized:				
Unrecognized net loss		21,896		21,465
Unrecognized prior service cost		227		2,525
Unrecognized transition obligation				14,399
Net amount recognized	**($3,826)**	**$12,390**	**($45,252)**	**($4,763)**

Weighted-average assumptions used to determine end-of-year benefit obligation	2007	2006
Discount rate	6.15% to 6.4%	6.25%
Rate of compensation increase	5.0% to 5.5%	5.5%

The accumulated benefit obligations for the pension plans at June 30, 2007 and 2006, were $72.7 million and $71.4 million, respectively.

At the end of 2007 and 2006, the projected benefit obligation exceeded pension plan assets for two of the four plans. At the end of 2007, the accumulated benefit obligation exceeded pension plan assets for two of the four plans; in 2006, the accumulated benefit obligation did not exceed plan assets for any of the pension 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:

End of year	2007	2006
Projected benefit obligation	$73,896	$71,714
Fair value of plan assets	63,542	58,033

(All amounts are in thousands of dollars, unless otherwise noted.)

At the end of 2007 and 2006, 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 were as follows:

End of year	2007	2006
Accumulated postretirement benefit obligation	$166,701	$148,428
Fair value of plan assets	121,449	105,276

An 8 percent annual rate of increase in the per capita cost of covered health care benefits for the other postretirement benefit plan was assumed for 2007. 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	$15,079	$12,474

One hundred percent of the pension plans' assets were allocated to the Balanced Growth and Index Fund at June 30, 2007 and 2006. 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 2007 and 2006.

The asset allocation for the other postretirement benefit plan at June 30, 2007 and 2006, and the target allocation for 2008, by asset category, follows:

	Target allocation	Percentage of plan assets at year's end	
	2008	2007	2006
Asset category			
U.S. large cap equity	45%	45%	45%
U.S. fixed income	20%	20%	20%
U.S. small cap equity	14%	14%	14%
Emerging markets equity	8%	8%	8%
International equity	8%	8%	8%
Real estate	5%	5%	5%
	100%	**100%**	**100%**

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	
	2007	2006	2007	2006
Components of net periodic benefit cost				
Service cost	$2,803	$3,259	$5,451	$6,192
Interest cost on projected benefit obligation	5,282	4,823	9,730	8,533
Expected return on assets	(5,944)	(5,754)	(8,332)	(7,385)
Amortization of transition obligation			2,057	2,057
Amortization of prior service cost	28	30	747	747
Amortization of unrecognized net losses	908	1,603	747	2,021
Defined contribution	6,561	5,969		
Net periodic benefit cost	**$9,638**	**$9,930**	**$10,400**	**$12,165**

(All amounts are in thousands of dollars, unless otherwise noted.)

	Pension Plan Benefits	Other Postretirement Benefits
Amounts in net unrestricted assets expected to be recognized in net periodic pension cost in fiscal 2008		
Actual (gain)/loss	$652	$411
Prior service (credit)/cost	28	661
Transition (asset)/obligation		2,057
	$680	**$3,129**

Weighted-average assumptions used to determine net periodic pension cost	2007	2006
Discount rate	6.25%	5.25%
Expected return on plan assets	8.0%	8.0%
Rate of compensation increase	5.5%	5.5%

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 8.8 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 11.9 percent; 10 percent in non-U.S. equities, with an expected long-term rate of return of 4.1 percent; and 40 percent in fixed income securities, with an expected long-term rate of return of 7.4 percent. The combination of these target allocations and expected returns results in the overall assumed long-term rate of return of 8 percent for 2007 and 2006. The actual asset allocation at June 30, 2007 and 2006, 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 2007 and 2006 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.

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 11 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 11.9 percent; 14 percent in U.S. small cap equities, with an expected long-term rate of return of 11.1 percent; 8 percent in non-U.S. equities, with an expected long-term rate of return of 4.1 percent; 8 percent in emerging market equities, with an expected long-term rate of return of 1.6 percent; 20 percent in fixed income securities, with an expected long-term rate of return of 7.4 percent; and 5 percent in real estate, with expected long-term rate of return of 12.4 percent. The combination of these target allocations and expected returns results in the overall assumed long-term rate of return of 8 percent for 2007 and 2006. The actual asset allocation at June 30, 2007 and 2006, 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 2007 and 2006 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.

(All amounts are in thousands of dollars, unless otherwise noted.)

Assumed health care cost trend rates have a significant effect on the amounts reported for the other post-retirement 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	$1,608	$1,295

Expected Cash Flows

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

	Pension Benefits	Other Postretirement Pension Benefits
University contributions:		
2008 (expected)	$7,338	$10,400
Expected benefit payments:		
2008	$4,597	$8,489
2009	4,771	9,234
2010	4,916	9,981
2011	5,034	10,605
2012	5,145	11,328
2013–2017	28,182	65,820
Total	**$52,645**	**$115,457**

Expected contributions to the other postretirement benefit plan include benefits of $10.4 million from employer assets in 2008. 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.

13. Lease Obligations

The University is the lessee of various equipment and space under noncancelable operating and capital leases. In 2006, the University undertook an assessment of the classification of leases that were entered into in prior years and were originally treated as operating leases. Certain space leases were determined to be more appropriately classified as capital leases based on their terms and conditions. Capital lease obligations at June 30, 2007 and 2006, were $87.8 million and $76.8 million, respectively.

Operating lease rental expense for the year ended June 30, 2007, was approximately $29.6 million. Space leases contained customary escalation clauses, which are included in annual aggregate minimum rentals.

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

Future minimum rental payments	Operating	Capital
2008	$23,099	$8,802
2009	18,488	7,503
2010	16,233	5,527
2011	14,698	4,411
2012	14,074	3,340
Thereafter	107,239	170,241
Less: Interest at 4.21 to 5.118 percent		(112,022)
Capital lease obligations at June 30, 2007		**$87,802**

(All amounts are in thousands of dollars, unless otherwise noted.)

14. 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. Based on the guidance in FIN 47, management of the University determined that sufficient information was available to reasonably estimate the fair value of retirement obligations. Upon adoption of FIN 47 on June 30, 2006, the University recognized a liability for conditional asset retirement obligations related to remediation or disposal of asbestos, underground storage tanks, and radioactive sources and equipment. Conditional asset retirement obligations at June 30, 2007 and 2006, were $57.5 million and $58.2 million, respectively.

The transition provisions of FIN 47 required the University to apply this measurement back to the historical periods in which the obligations were incurred (on a net present value basis). This is capitalized as land, buildings, and equipment and then depreciated over the estimated remaining useful life of the associated assets. The 2006 ending result was a net increase in land, building, and equipment of approximately $7.5 million. The difference was reported as a cumulative effect of a change in accounting principle in 2006 of approximately $50.7 million.

15. Bonds and Notes Payable

Bonds and notes payable outstanding at June 30, 2007 and 2006, are as follows:

	2007	2006
Dormitory Authority of the State of New York, tax exempt		
revenue bonds, Columbia University issues		
Series 2006A, 4.75% to 5.25%, maturing 2031	$225,000	$225,000
Series 2006B, 3.25% to 5.25%, maturing 2022	156,890	156,890
Series 2004A1, 4.00%, maturing 2007		9,970
Series 2004A2, 5.00%, maturing 2014	46,500	46,500
Series 2004B, 4.00% to 5.125%, maturing 2024	91,315	94,305
Series 2004C, 5.00%, maturing 2029	50,000	50,000
Series 2003A, 3.20% to 5.125%, maturing 2024	76,350	79,355
Series 2003B, variable rate, 3.30% to 3.92%, maturing 2028	30,000	30,000
Series 2002A, 3.75% to 5.25%, maturing 2014	32,850	33,030
Series 2002B, 4.50% to 5.25%, maturing 2024	43,890	46,945
Series 2002C, variable rate, 3.45% to 3.81%, maturing 2027	23,300	23,300
Series 2000A, 4.10% to 5.25%, maturing 2025	46,325	49,730
Series 1994A, 5.75%, maturing 2010	31,925	31,925
Series 1992, 5.75%, maturing 2007		4,060
	854,345	881,010

(All amounts are in thousands of dollars, unless otherwise noted.)

Bonds and notes payable outstanding at June 30, 2007 and 2006, continued:

	2007	2006
Dormitory Authority of the State of New York, tax-exempt		
commercial paper		
Series 1997, variable rate, 3.45% to 3.81%, final maturity 2015	39,670	44,295
New Jersey Economic Development Corporation		
Series 2002, variable rate, 3.43% to 3.72%, final maturity 2028	9,230	9,545
United States Department of Education Housing Program Issues:		
1991, 5.50%, maturing 2021 *	1,667	1,747
1990, 3.00%, maturing 2020 *	2,074	2,170
Medium-Term Notes, Taxable Series C 6.53% to 7.36%,		
maturing 2021	165,420	174,390
Empire State Development Corporation Issues:		
Interest-free, maturing 2029	8,686	8,821
Interest-free, maturing 2010	6,612	6,179
Economic Development Corporation		
Interest-free, maturing 2010	8,163	7,629
Taxable commercial paper, variable rate, 5.30% to 5.37%,		
due 2007	64,380	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	4,389	5,318
Series 1992, 6.75% to 6.80%, maturing 2013	3,636	4,369
Promissory Note, 8%, maturing 2010	3,000	3,000
Promissory Note, 11%, maturing 2010	2,037	1,895
Investment Mortgage Payable, 6 mo LIBOR + 5 bps,		
maturing 2016	39,661	
	358,625	333,738
Total bonds and notes payable	**$1,212,970**	**$1,214,748**

**Principal fully collateralized by investments*

Estimated Principal Payments on bonds and certificates are summarized below:

Year	Principal
2008	$63,577
2009	63,532
2010	83,519
2011	69,578
2012	65,945
Thereafter (through 2031)	866,819
Total	**$1,212,970**

The University's debt service payments on its Dormitory Authority of the State of New York ("DASNY") tax exempt debt due July 1 are reflected as a reduction in cash and bonds and notes payable at June 30, 2007 and 2006. These amounts were $29.2 million and $31.4 million at such dates, respectively.

At June 30, 2007, the University's bonds and notes payable had a carrying amount of approximately $1,213 million, compared to an estimated fair value of $1,268.1 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, 2007, $165.4 million was outstanding. The University also has a $100 million taxable commercial paper program. As of June 30, 2007, $64.4 million was outstanding.

The University issues most of its tax-exempt debt through the DASNY. On January 18, 2006, the University issued $225.0 million of Series 2006A bonds and $156.9 million of Series 2006B bonds. The proceeds from Series 2006A were used to finance various construction and renovation projects. The proceeds from Series 2006B were used to advance refund a portion of DASNY's Columbia University Revenue Bonds, Series 1998, Columbia University Revenue Bonds, Series 2000A, and Columbia University Revenue Bonds, Series 2002B. The refunded bonds were legally defeased and, as such, are not reflected in "Bonds and notes payable" at June 30, 2007 and 2006. Advance refunding these issues resulted in additional bond principal of $540 thousand and an accounting charge of $8.7 million. The accounting charge represents the prepayment of interest and the expensing of deferred bond premiums on the extinguished issues. Series 2006A and Series 2006B were issued at a premium of $25.0 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. The estimated fair value of the agreement is ($1.6) million at June 30, 2007. The market 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, 2007 and 2006.

16. 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 $93.6 million and $86.9 million as of June 30, 2007 and 2006, 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, in part, through MCIC. 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. More than 800 of the University's faculty physicians and dentists are enrolled in MCIC.

17. 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 2007 joint budget was approximately $128 million. The payments to NYPH for goods and services were $74 million. The revenues received pursuant to this reimbursement arrangement for services rendered are reflected in the consolidated financial statements as a portion of revenue from other educational and research activities and medical faculty practice plan income. NYPH provides the University with the use of certain facilities and certain services and is reimbursed for its costs by the University.

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.

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 $56 million and $47 million during fiscal year 2007 and 2006, 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.

18. 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.

(All amounts are in thousands of dollars, unless otherwise noted.)

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. 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 $71.8 million. As of June 30, 2007, approximately $60.8 million is still outstanding.

19. 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.

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

	2007			2006		
	Expenses per Statement of Activities	Allocation	Final Allocated Expenses	Expenses per Statement of Activities	Allocation	Final Allocated Expenses
Instruction and educational administration	$1,215,688	$182,559	$1,398,247	$1,122,671	$167,002	$1,289,673
Research	387,806	70,485	458,291	376,635	55,835	432,470
Medical faculty practice plans	378,755	5,092	383,847	368,494	10,854	379,348
Library	60,653	47,465	108,118	57,748	44,992	102,740
Operation and maintenance of plant	147,285	(147,285)		130,343	(130,343)	
Institutional support	157,011	25,378	182,389	141,022	16,843	157,865
Auxiliary enterprises	94,251	12,013	106,264	85,586	12,697	98,283
Depreciation expense	146,310	(146,310)		131,847	(131,847)	
Interest expense	49,633	(49,633)		46,335	(46,335)	
Other	50,963	236	51,199	79,352	302	79,654
	$2,688,355		**$2,688,355**	**$2,540,033**		**$2,540,033**

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.

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