

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

**Consolidated Financial Statements
June 30, 2011 and 2010**



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, 2011, 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, 2010 financial statements, and in our report dated October 12, 2010, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 3 to the consolidated financial statements, the University changed the manner in which it classifies accumulated total investment returns within net assets as a result of the adoption of authoritative guidance, ASC 958, Not-for-Profit Entities (formerly FASB Staff Position No. 117-1).

PricewaterhouseCoopers LLP

October 21, 2011

The Trustees of Columbia University in the City of New York
Consolidated Balance Sheets
At June 30, 2011, with Comparative Totals at June 30, 2010
(in thousands of dollars)

	June 2011	June 2010
Assets		
Cash and cash equivalents	\$254,444	\$202,824
Accounts receivable, net:		
Government agencies	116,054	133,089
Patient receivables	67,999	72,783
Other	183,354	185,596
Investment income receivable, net	3,035	3,022
Receivable for securities sold	56,759	59,705
Cash and securities held in trust by others	119,415	2,825
Pledges receivable, net	882,704	263,657
Student loans receivable, net	87,959	88,515
Collateral for securities loaned	9,681	4,597
Investments, at fair value	7,901,194	6,511,927
Institutional real estate	800,023	785,894
Land, buildings, and equipment, net	2,710,218	2,522,270
Other assets	63,483	60,729
Net assets held by CPMC Fund, Inc.	89,860	73,576
Interest in perpetual trusts held by others	161,256	136,045
Total assets	\$13,507,438	\$11,107,054
Liabilities		
Accounts payable and accrued expenses	\$544,172	\$469,043
Liabilities for securities purchased	29,022	16,702
Securities loan agreement payable	9,681	4,597
Prepaid tuition and other deferred credits	42,248	35,115
Deferred revenue and unamortized bond premium	63,742	55,727
Refundable advances	90,908	97,541
Capital lease obligations	114,756	116,109
Conditional asset retirement obligations	105,291	105,039
Accrued employee benefit liabilities	182,253	251,921
Federal student loan funds	78,889	78,305
Actuarial liability for split-interest agreements	45,010	44,527
Bonds and notes payable	1,539,160	1,333,133
Total liabilities	2,845,132	2,607,759
Net assets		
Unrestricted	4,763,715	5,747,265
Temporarily restricted	3,726,513	730,964
Permanently restricted	2,172,078	2,021,066
Total net assets	10,662,306	8,499,295
Total liabilities and net assets	\$13,507,438	\$11,107,054

See accompanying notes to consolidated financial statements.

The Trustees of Columbia University in the City of New York
Consolidated Statements of Activities
For the Year ended June 30, 2011, with Comparative Totals at June 30, 2010
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 2011	June 2010
Operating activities					
Revenues and support					
Tuition and fees	\$ 1,006,538			\$ 1,006,538	\$ 930,751
Less financial aid grants	(282,102)			(282,102)	(260,410)
Net tuition and fees	724,436			724,436	670,341
Government grants and contracts:					
Direct	675,320			675,320	628,206
Indirect	207,661			207,661	190,790
Private gifts, grants and contracts:					
Direct	290,139	687,702		977,841	314,939
Indirect	12,275			12,275	12,143
Revenue from other educational and research activities	193,924			193,924	176,401
Patient care revenue	807,092			807,092	785,506
Investment income and gains utilized	287,451	105,408		392,859	412,284
Sales and services of auxiliary enterprises	115,878			115,878	109,359
Other sources	7,810			7,810	8,140
Net assets released from restrictions	235,083	(235,083)			
Total operating revenues and support	3,557,069	558,027		4,115,096	3,308,109
Expenses					
Instruction and educational administration	1,188,959			1,188,959	1,131,676
Research	559,431			559,431	522,668
Patient care expense	719,723			719,723	704,363
Library	61,284			61,284	60,307
Operation and maintenance of plant	214,109			214,109	187,857
Institutional support	213,015			213,015	203,575
Auxiliary enterprises	93,914			93,914	89,382
Depreciation expense	175,248			175,248	165,794
Interest expense	59,086			59,086	54,790
Other	30,046			30,046	38,076
Total expenses	3,314,815			3,314,815	3,158,488
Change in net assets from operating activities	242,254	558,027		800,281	149,621
Nonoperating activities					
Endowment gifts			97,965	97,965	75,819
Current year realized and unrealized capital gains (losses)	560,877	882,112	2,879	1,445,868	878,572
Endowment appreciation utilized	(115,488)	(172,940)		(288,428)	(319,063)
Change in net assets held by CPMC Fund, Inc.	1,170	14,136	978	16,284	(1,549)
Change in funds held by others in perpetuity			25,211	25,211	6,227
Present value adjustment to split-interest agreements	1,210	(3,949)	1,970	(769)	(3,534)
Changes in pension and post retirement obligations	66,599			66,599	(24,981)
Other					8,609
Reclassification	(10,716)	(11,293)	22,009		
Change in net assets from nonoperating activities	503,652	708,066	151,012	1,362,730	620,100
Change in net assets	745,906	1,266,093	151,012	2,163,011	769,721
Net assets at beginning of year	5,747,265	730,964	2,021,066	8,499,295	7,729,574
Cumulative effect of change in accounting for NYPMIFA	(1,729,456)	1,729,456			
Net assets at end of period	\$ 4,763,715	\$ 3,726,513	\$ 2,172,078	\$ 10,662,306	\$ 8,499,295

See accompanying notes to consolidated financial statements.

The Trustees of Columbia University in the City of New York
Consolidated Statements of Cash Flows
For the Years ended June 30, 2011 and 2010
(in thousands of dollars)

	June 2011	June 2010
Cash flows from operating activities		
(Includes adjustments to reconcile change in net assets to net cash provided by operating activities):		
Change in net assets	\$2,163,011	\$769,721
Depreciation expense	175,248	165,794
Interest on capital lease obligations and CARO	11,008	11,408
Institutional real estate depreciation	19,406	18,456
Realized and unrealized (gains) losses	(1,445,868)	(878,572)
Partnership distributions	307,087	213,294
Contributions restricted for permanent investment, plant, and split-interest agreements	(99,707)	(97,006)
Contributions other than cash	(45,022)	(24,987)
Present value adjustments to split-interest agreements	229	3,100
Accreted interest on bonds	976	2,396
Change in fair value of net assets held by CPMC Fund, Inc.	(16,284)	(11,180)
Change in fair value of interest in perpetual trusts held by others	(25,211)	(6,227)
Change in operating assets and liabilities:		
Accounts receivable, net	24,061	(32,549)
Investment income receivable, net	(13)	(834)
Pledges receivable, net	(619,047)	26,586
Other assets	(2,754)	10,079
Accounts payable and accrued expenses	14,712	(40,055)
Prepaid tuition and other deferred credits	7,133	(23,819)
Deferred revenue and unamortized bond premium	8,015	(10,530)
Refundable advances	(6,633)	(3,620)
Accrued employee benefit liabilities	(69,668)	31,363
Net cash provided by operating activities	400,679	122,818
Cash flows from investing activities		
Proceeds from sales of investments	4,360,484	4,391,186
Purchases of investments	(4,561,067)	(4,360,154)
Collections from student notes	11,714	10,436
Student notes issued	(11,158)	(9,683)
Investment in cash and securities held in trust by others	(116,590)	80,852
Purchases of institutional real estate	(34,051)	(37,727)
Purchases of plant and equipment	(295,286)	(280,939)
Net cash used by investing activities	(645,954)	(206,029)
Cash flows from financing activities		
Proceeds from contributions for:		
Investment in endowment	82,123	70,737
Investment in plant	15,865	24,004
Investment in split-interest agreements	1,719	2,265
Investment income on split-interest agreements	6,126	3,673
Payments on split-interest agreements	(5,871)	(5,657)
Payments on capital lease obligations	(8,702)	(9,323)
Repayment of bonds and notes payable	(194,949)	(63,163)
Proceeds from bond issuance and taxable commercial paper	400,000	0
Net change in federal student loan funds	584	1,523
Net cash provided by financing activities	296,895	24,059
Net change in cash and cash equivalents	51,620	(59,152)
Cash and cash equivalents at beginning of year	202,824	261,976
Cash and cash equivalents at end of year	\$254,444	\$202,824
Supplemental disclosure of cash flow information:		
Equipment and space acquired through capital leases	\$1,992	\$855
Cash paid during the year for interest	\$66,095	\$69,231

See accompanying notes to consolidated financial statements.

The Trustees of Columbia University in the City of New York
Notes to the Consolidated Financial Statements
For the Years ended June 30, 2011 and 2010
(in thousands of dollars)

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 27,606 full-time and part-time students and employs approximately 14,754 full-time employees, including 5,503 full-time faculty members and research staff. Of these, 1,391 hold positions in the arts and sciences; 3,323 hold health science positions; and the remainder hold positions in the other professional schools.

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

2. Columbia University Medical Center

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

CUMC has three primary areas of focus: scientific research, education, and patient care. CUMC offers a wide variety of degrees, certifications, and continuing education in health services. Sponsored research, faculty patient care services, tuition, endowment income, patent royalties, and gifts provide the bulk of CUMC’s revenues. Approximately 3,882 students are enrolled at CUMC, with a full-time faculty of 2,244, of whom approximately 316 are tenured. Additionally, CUMC’s staff includes 3,056 part-time faculty instructors, 1,079 full-time researcher staff members, 1,118 part-time researchers, and 247 post doctoral research trainees. Approximately 61 percent of the full-time faculty and 29 percent of the part-time faculty hold clinical appointments and have admitting privileges at NewYork-Presbyterian Hospital (“NYPH”) or other hospitals.

Patient Care Activities

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

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

On December 31, 2010 the agreement between the New York City Health and Hospital Corporation (HHC) and the University ended and a new academic only affiliation was signed with Harlem Hospital.

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In fiscal 2011, the clinical faculty handled approximately 1.7 million outpatient and emergency room visits and participated in instruction and supervision of 600 University medical students and 900 residents and fellows at NYPH. CUMC physicians generated 65,800 NYPH hospital admissions during the year.

Payments for patient-care services provided by the full-time faculty in both institutional and private office settings are derived mainly from third-party payers, including managed care companies (57 percent), Medicare (15 percent), Medicaid (11 percent), commercial insurance (5 percent), and other (1 percent). Direct patient payments comprise 11 percent of total payments.

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 is a New York limited liability company formed by the University to manage the University's investment assets under the supervision of a Board appointed by the Trustees of the University and subject to the oversight of the Committee on Finance of the Trustees.
- Columbia University Press—Columbia University Press is a not-for-profit corporation formed to promote the study of economic, historical, literary, philosophical, scientific, and other subjects and to encourage and promote the publication of literary works embodying original research in such subjects.
- Reid Hall, Inc.—Reid Hall, 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 a number of New York limited liability companies, Delaware not-for-profit corporations, and international organizations, which are established to facilitate various program and research objectives.

The University provides investment 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 hold and receive 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 a for-profit professional corporation, Columbia Doctors of New Jersey, and as such, consolidates these entities into the University's consolidated financial statements.

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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”) that requires 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, certain other balances with donor-imposed restrictions, amounts subject to time restrictions such as funds pledged for future payment, or amounts subject to legal restrictions, such as the portion of a donor-restricted permanent endowment fund that is not classified as permanently restricted net assets, as required by the New York Prudent Management of Institutional Funds Act (“NYPMIFA”), adopted on September 17, 2010. Once the time and purpose restriction are satisfied, or have been deemed to have been satisfied, those temporarily restricted net assets are released from restrictions.

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 an endowment fund in perpetuity. The University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) realized and unrealized gains and losses to the permanent endowment when stipulated by the donor gift instrument.

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.

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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.

Contributions

Contributions for university operations and plant, including unconditional promises to give (“pledges”), are recognized as operating revenue in the period earned. Contributions to endowment are recognized as nonoperating revenue in the period earned. Pledges that are expected to be collected within one year are recorded net of an allowance for uncollectable pledges. 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 an interest rate for the year in which the promise was received and considers market and credit risk as applicable. Subsequent years’ accretion of the discount is included in contribution revenue. Conditional promises to give are not recognized as revenue until such time as the conditions are substantially met.

Patient Care Revenue and Expense

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

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

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

Grant and Contract Income

The University receives grant and contract income from governmental and private sources. The University recognizes revenue associated with the direct costs of sponsored programs as the related costs are incurred. Recovery of facilities and administrative costs of federally sponsored programs are at reimbursement rates negotiated with the University’s cognizant agency, the Department of Health and Human Services. The University and the federal government are currently operating under an agreement that provides for facilities and administrative cost rates under federal grants and contracts through June 30, 2014.

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

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(in thousands of dollars)

incurred. The University periodically funds and develops patents for certain technologies, then licenses the usage of these patents to companies over several years. The revenue, net of payments due to third parties, is recorded in "Revenue from other educational and research activities" in the Consolidated Statement of Activities. Costs incurred with developing and maintaining these patents are expensed as incurred.

Cash and Cash Equivalents

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

Investments

The University's investments, consisting primarily of publicly traded fixed income and equity securities, alternative investments, and cash held for reinvestment, are stated at fair value as of June 30, 2011. Alternative investments include investments in absolute return strategy funds, private equity funds, and real asset funds (collectively, the 'funds'). The management of the respective fund provides the fair value of the investment. The University reflects its share of the partnerships or corporations in the consolidated financial statements.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The University believes that the net asset value of its alternative investments is a reasonable estimate of fair value as of June 30, 2011. Because alternative investments are not marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying consolidated financial statements based on the University's proportionate share in the net assets of these investments.

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

The University's presentation in the Consolidated Statement of Cash Flows for limited liability partnerships, limited liability corporations, and other similarly structured investments is consistent with the accounting for equity method investments as it represents the underlying nature of these investments in which the University has a capital account.

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

Split-Interest Agreements

The University's split-interest agreements with donors consist primarily of charitable gift annuities, pooled income funds, and irrevocable charitable remainder trusts for which the University serves as custodian and trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. In the case of irrevocable split-interest agreements whose assets are held in trusts not administered by the University (third-party charitable

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trusts), the University will recognize its beneficial interest when it is provided sufficient reliable information and documentation that establishes the trust's existence.

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. The discounts on those agreements are computed using an interest rate for the year in which the promise was received and considers market and credit risk as applicable. Assets related to these agreements are recorded in "Investments, at fair value," and the liability for the present value of the estimated future payments to be made to the beneficiaries is recorded in "Actuarial liability for split-interest agreements." Adjustments to the fair value of these agreements are recorded in the Consolidated Statement of Activities under "Present value adjustment to split-interest agreements."

Institutional Real Estate

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

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 investment in the Medical Center Insurance Company ("MCIC") are categorized within other assets. Bond issuance costs are amortized over the expected holding period of the specific debt issue.

Collections

Collections at the University include works of art, literary works, historical treasures, and artifacts that are maintained in the University's galleries, libraries, and buildings. These collections are protected and preserved for public exhibition, education, research, and the furtherance of public service and, therefore, are not recognized as assets on the Consolidated Balance Sheet. Costs associated with purchasing additions to 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 receipt of documentation evidencing that the trust has been established and adjusted to fair value each year. The fair value of the interest in the perpetual trust is based on the University's share of the income generated by the trust, ascribed to the fair value of assets reported by the trust. Gains and losses resulting from the change in fair value of trust assets are reported as nonoperating activity in the Consolidated Statement of Activities.

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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 are recognized for remediation or disposal of asbestos, underground storage tanks, soil, and radioactive sources and equipment as required by law. The fair value of the liability for a conditional asset retirement obligation is recognized in the period in which it occurred, provided that it can be reasonably estimated.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include valuation of investments without readily determinable public markets, estimated useful life of land, buildings and equipment, actuarially determined costs associated with split-interest agreements, pension, postemployment and postretirement benefits, contractual allowances for patient receivables, allowances for doubtful accounts, insurance obligations and conditional asset retirement obligations.

2010 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 2010. 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, 2010. In addition, certain amounts in the summarized consolidated financial statements for fiscal year 2010 have been reclassified to conform to the fiscal year 2011 presentation.

New Authoritative Pronouncements

On September 17, 2010, New York adopted a version of the Uniform Prudent Management of Institutional Funds Act. New York's version of the law is known as the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). In accordance with NYPMIFA and the authoritative guidance, the University has reclassified \$1.7 billion of unrestricted net assets to temporarily restricted net assets. Such amounts relate to accumulated earnings on endowment funds and other funds, including distributions from the endowment unspent due to timing. The full amount of \$1.7 billion is reflected in the consolidated statement of activities as a cumulative effect of a change in accounting principles as of July 1, 2010. The University adopted the enhanced disclosures required under the authoritative guidance in the year ended June 30, 2009.

Effective for the fiscal year ended June 30, 2011, the University adopted additional disclosures related to the fair value measurements of investments disclosed for all transfers to and from Level's 1 and 2. This standard requires that information, such as description of and reasoning for transfers

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be disclosed. There were no significant transfers in and out of Level 1 and Level 2 fair value measurements in 2011.

In addition, the University adopted the accounting standard, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, requiring disclosure on the credit quality of financing receivables and the related allowance.

4. Operating Measurement

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

Nonoperating activities include current year realized and unrealized gains and losses on investments, including realized gain distributions from fund 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, present value adjustments to split-interest agreements, changes in pension and postretirement obligations, and certain reclassifications.

5. Patient Care Revenue

The University's affiliation agreements with tristate area hospitals generated \$242,710 and \$256,040 of revenue for the years ended June 30, 2011 and 2010, respectively. As of June 30, 2011 and 2010, accounts receivable includes \$75,492 and \$71,817, respectively, relating to these agreements.

Medical faculty practice revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Medical faculty practice revenues are \$531,623 and \$497,588 for the years ended June 30, 2011 and 2010, respectively. As of June 30, 2011 and 2010, patient accounts receivable amounts to \$67,999 and \$72,783, respectively.

Other areas of patient care, such as medical service agreements, generated \$18,779 and \$18,941 of revenue for the years ended June 30, 2011 and 2010, respectively.

6. Long-Term Investments and Fair Value

The University values its investments in accordance with GAAP and consistent with the FASB official pronouncement on *Fair Value Measurements* for financial assets and liabilities. The pronouncement defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation

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techniques used to measure fair value utilize relevant observable inputs and minimize the use of unobservable inputs.

The University follows a fair value hierarchy based on three levels of inputs, described below:

Fair value for Level 1 is based upon quoted prices in active markets that the University has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The University does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or inputs other than quoted prices that are observable.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they are not actively traded.

Investments categorized as Level 2 and Level 3 include the University's ownership in funds that invest in alternative assets (i.e. absolute return strategy funds, private equity funds, and real asset funds) and funds that invest in equity and fixed income strategies. The value of the University's investments in these funds represents the University's ownership interest in the net asset value (NAV) of the respective fund. The University is permitted under GAAP to estimate the fair value of an investment at the measurement date using the NAV reported by the fund without further adjustment, provided the NAV has been calculated in accordance with or in a manner consistent with GAAP, and provided further that the University does not expect to sell the investment at a value other than NAV. The University performs due diligence procedures of its investments including an assessment of applicable accounting policies, a review of the valuation procedures employed, and consideration of redemption features and price transparency.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining the categorization of the University's investments within the fair value hierarchy, the University has considered market information, including observable net asset values, and the length of time until the investment will become redeemable. Investments which can be redeemed at NAV by the University up to 180 days beyond the measurement date are classified as Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of that instrument and does not necessarily correspond to the University's perceived risk of that instrument.

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The following tables presents assets and liabilities measured at fair value at June 30, 2011 and at June 30, 2010.

<u>Assets</u>	2011			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	\$ 66,297	\$ 280,157		\$ 346,454
Global equities	1,064,826	259,743	\$ 233,854	1,558,423
Fixed income	25,075	541,120	435	566,630
Absolute return strategies		1,258,294	1,026,265	2,284,559
Private equity	43,746		1,877,965	1,921,711
Real assets	5,505		1,217,912	1,223,417
Investments, at fair value	<u>1,205,449</u>	<u>2,339,314</u>	<u>4,356,431</u>	<u>7,901,194</u>
Interest in perpetual trusts held by others			161,256	161,256
Total assets at fair value	<u>\$ 1,205,449</u>	<u>\$ 2,339,314</u>	<u>\$ 4,517,687</u>	<u>\$ 8,062,450</u>
Liabilities				
Swaps payable		39,167		39,167
Total liabilities at fair value		<u>\$ 39,167</u>		<u>\$ 39,167</u>

<u>Assets</u>	2010			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	\$ 33,842	\$ 475,348		\$ 509,190
Global equities	790,718	181,733	\$ 207,310	1,179,761
Fixed income	25,511	347,270	523	373,304
Absolute return strategies		844,010	978,375	1,822,385
Private equity	12,877		1,555,071	1,567,948
Real assets	1,543		1,057,796	1,059,339
Investments, at fair value	<u>864,491</u>	<u>1,848,361</u>	<u>3,799,075</u>	<u>6,511,927</u>
Interest in perpetual trusts held by others			136,045	136,045
Total assets at fair value	<u>\$ 864,491</u>	<u>\$ 1,848,361</u>	<u>\$ 3,935,120</u>	<u>\$ 6,647,972</u>
Liabilities				
Swaps payable		48,961		48,961
Total liabilities at fair value		<u>\$ 48,961</u>		<u>\$ 48,961</u>

Cash and cash equivalents

Cash and cash equivalents includes government securities and money market instruments and are valued at amortized cost which approximates fair value.

Global Equities and Fixed Income

Global equities and fixed income consists of investments in publicly traded U.S. and foreign common and preferred equities, funds that invest in equity and fixed income based strategies, and cash held in separate accounts committed to these strategies. The fair value of these investments is

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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). Fund investments in equity and fixed income based strategies are valued in accordance with valuations provided by the investment managers of the underlying funds. If the University has the ability to redeem from a fund up to 180 days beyond the measurement date at NAV, the investment is categorized as Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3.

Alternative Investments

Alternative investments include interests in absolute return strategy funds, private equity funds, and real asset funds. These private equity funds include large market, leveraged buyout and venture capital based strategies. The University values these investments in accordance with valuations provided by the investment managers of the underlying funds. These funds may make investments in securities that are publicly traded, which are generally valued based on observable market prices, unless a restriction exists. In addition, interests in a private equity fund may be publicly traded and valued based on observable market prices. As a general rule, managers of funds invested in alternative investments value those investments based upon the best information available for a given circumstance and may incorporate assumptions that are the investment manager's best estimates after consideration of a variety of internal and external factors. If no public market exists for the investments, the fair value is determined by the investment manager taking into consideration, among other things, the cost of the investment, prices of recent significant placements of similar investments of the same issuer, and subsequent developments concerning the companies to which the investments relate. The University's management may consider other factors in assessing the fair value of these investments. If the University has the ability to redeem from an absolute return strategy fund up to 180 days beyond the measurement date at NAV, the investment is categorized as Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3. All private equity funds and real asset funds, with the exception of directly-held public securities, are categorized as Level 3 given that the University does not have discretion for timing of withdrawal.

The fair value of the alternative investment funds in the table above represents the amount the University expects to receive at June 30, 2011 and 2010, if it had liquidated its investments in the funds on these dates. The University has performed due diligence around these investments and believes that the NAV of its alternative investments is a reasonable estimate of fair value as of June 30, 2011 and 2010. Alternative 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 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.

Absolute return strategies also include separate accounts with direct investments in fixed income (which include mortgage back securities and convertible bonds) and cash committed to these strategies. The fair value of these investments is based on quoted market prices and is categorized as Level 2.

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Perpetual Trusts

The fair value of interest in perpetual trust held by third parties is based on the University's share of the income generated by the trust, ascribed to the fair value of the assets reported by the trust.

Derivatives

Investment fund managers may invest in derivatives, and the value of these positions is reflected in the NAV of the respective funds. Separately, the University employs derivatives primarily to hedge its risks and to rebalance its market exposures. Derivatives used may include futures, swaps, options, and forward contracts and are reflected at fair value following the definition of Level 1 and Level 2 assets as described above. The equity derivatives held directly by the University within the endowment portfolio had a fair value of \$1.6 million and (\$4.3) million at June 30, 2011 and 2010, respectively. As of June 30, 2011 and 2010, the notional amounts of long equity derivative contracts were \$583.9 million and \$446.2 million, respectively, and the notional amounts of short equity derivative contracts were \$434.5 million and \$326.8 million, respectively. The fair value of the equity swaps was \$1.0 million and (\$6.1) million at June 30, 2011 and 2010, respectively. Outside of the endowment portfolio, the University entered into a fixed payor interest rate swap as described in Footnote 16. The estimated fair value of the agreement was (\$39.2) million and (\$49.0) million at June 30, 2011 and 2010, respectively, and is included in "Swaps payable" in the tables above. The derivatives are reflected as a receivable or payable, as appropriate, on the Consolidated Balance Sheet. Unrealized gain or loss from derivative investments is a component of the current year realized and unrealized capital gains (losses) in the Consolidated Statement of Activities.

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

The following table is a rollforward of the Consolidated Balance Sheet amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above at June 30, 2011 and 2010.

	June 30, 2010	Transfers In/Out	Purchases & Sales, net	Realized gain/loss	Unrealized gain/loss	June 30, 2011
Global equities	\$ 207,310	\$ 416	\$ (1,795)	\$ (3,365)	\$ 31,287	\$ 233,853
Fixed income	523	-	(88)		1	436
Absolute return strategies	978,375	(57,599)	(58,090)	18,454	145,125	1,026,265
Private equity	1,555,071		(159,131)	201,545	280,480	1,877,965
Real assets	1,057,797		(15,413)	93,371	82,157	1,217,912
Total level 3 investments	<u>3,799,076</u>	<u>\$ (57,183)</u>	<u>\$ (234,517)</u>	<u>\$ 310,005</u>	<u>539,050</u>	<u>\$ 4,356,431</u>
	June 30, 2010	Disburse- ments	Realized/ Unrealized gain/loss, net	June 30, 2011		
Interest in perpetual trusts held by others	\$ 136,045	\$ (5,137)	\$ 30,348	161,256		

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	June 30, 2009	Transfers In/Out	Purchases & Sales, net	Realized gain/loss	Unrealized gain/loss	June 30, 2010
Global equities	\$ 447,771	\$ (161,201)	\$ (159,484)	\$ (3,615)	\$ 83,839	\$ 207,310
Fixed income	247,778	(298,878)	(11,475)		63,098	523
Absolute return strategies	1,447,387	(527,406)	(213,322)	78,842	192,874	978,375
Private equity	1,419,429		(78,089)	65,762	147,969	1,555,071
Real assets	919,519		72,662	22,413	43,202	1,057,796
Total level 3 investments	<u>\$ 4,481,884</u>	<u>\$ (987,485)</u>	<u>\$ (389,708)</u>	<u>\$ 163,402</u>	<u>\$ 530,982</u>	<u>\$ 3,799,075</u>

	June 30, 2009	Disburse- ments	Realized/ Unrealized gain/loss, net	June 30, 2010
Interest in perpetual trusts held by others	\$ 129,818	\$ (6,426)	\$ 12,653	\$ 136,045

All net realized and unrealized gains/(losses) in the tables above are reflected in the Consolidated Statement of Activities. Net unrealized gains/(losses) relate to those financial instruments held by the University at June 30, 2011 and 2010. The University's policy is to recognize transfers in and transfers out as of the end of the period. During the year ended June 30, 2011, there was a transfer of approximately \$(61,733) million from Level 3 to Level 2, due to the criteria described above. During the year ended June 30, 2011, there were no significant transfers between Level 1 and Level 2.

Certain investments in global equities and alternative investments may be subject to restrictions that i) limit the University's ability to withdrawal capital after such investment and ii) limit the amount that may be withdrawn as of a given redemption date. The redemption terms of the University's investments in absolute return strategy funds vary from daily to triennial, with a portion of these investments designated as "illiquid" in "sidepockets" and that portion may not be available for withdrawal until liquidated by the investing fund and redemption notice periods range from 0 days to 180 days. Generally, as noted above, the University has no discretion as to withdrawal with respect to its investment in private equity and real asset funds; distributions are made when sales of assets are made with the funds. The remaining life of these private equity and real asset funds is up to 12 years.

The University is obligated under certain investment fund agreements to advance additional funding up to specified levels over a period several years. These commitments have fixed expiration dates and other termination clauses. At June 30, 2011, the University had unfunded commitments of approximately \$1.2 billion as displayed in the table below.

Asset class \$ in millions	Remaining life	Unfunded Commitments	Timing to draw commitments
Global equities	N/A	\$ 44	1 to 8 years
Absolute return strategies	N/A	91	1 to 5 years
Private equity	1 to 12 years	592	1 to 12 years
Real assets	1 to 12 years	<u>511</u>	1 to 12 years
Total		\$ 1,238	

Management's estimate of the lives of the funds could vary significantly depending on the investment decisions of the external fund managers, changes in the University's portfolio, and other

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circumstances. Furthermore, the University's obligation to fund the commitments noted above may be waived by the fund manager for a variety of reasons including market conditions and/or changes in investment strategy.

The University does have various sources of internal liquidity at its disposal, including cash, cash equivalents, marketable debt and equity securities and lines of credit.

Securities Lending

At June 30, 2011 and 2010, investment securities having a fair value of \$9.4 million and \$4.5 million, respectively, were loaned to various brokerage firms through a securities lending agent. The loaned securities are returnable on demand and are collateralized by cash and cash equivalents. The University recorded the value of the collateral received of \$9.7 million and \$4.6 million and an offsetting liability for the return of the collateral on the Consolidated Balance Sheet at June 30, 2011 and 2010, respectively.

Investment Return

Investment income and gains utilized on the Consolidated Statement of Activities contains interest and dividend income net of fees, 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 \$288.4 million and \$319.1 million during 2011 and 2010, respectively. The nonoperating section of the Consolidated Statement of Activities contains realized and unrealized gains reduced by endowment appreciation utilized to fund the spending rule.

7. Endowment Funds

The University's endowment consists of approximately 4,500 separate funds established over many years for a wide variety of purposes. The endowment includes permanent endowments, term endowments, and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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.

Relevant Law

Under NYPMIFA, the University may appropriate so much of an endowment fund as it deems prudent, considering the specific factors set forth in NYPMIFA and subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the earnings in an endowment fund are donor-restricted assets until appropriated.

The University continues to classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) realized and unrealized gains and losses to the permanent

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endowment when stipulated by the donor gift instrument. In accordance with NYPMIFA and authoritative guidance, the remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets which had previously been classified as unrestricted net assets is now classified as temporarily restricted net assets. As a result the University has reclassified \$1.7 billion of unrestricted net assets to temporarily restricted net assets. Such amounts relate to accumulated earnings on endowment funds and other funds, including distributions from the endowment unspent due to timing. The full amount of \$1.7 billion is reflected in the consolidated statement of activities as a cumulative effect of a change in accounting principles as of July 1, 2010.

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The composition and changes in the University's endowment net assets as of June 30, 2011 and 2010, are as follows:

	2011			Total
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
Changes in University endowment net assets				
Opening balance - June 30, 2010	\$ 4,124,063	\$ 543,658	\$ 1,848,791	\$ 6,516,512
Cumulative Balance Reclass	(1,651,515)	1,651,515		
Investment return:				
Investment income	57,560	363	5,137	63,060
Net appreciation	513,686	869,324	26,189	1,409,199
Total investment return	571,246	869,687	31,326	1,472,259
New gifts	27,108	210	124,177	151,495
Appropriation for expenditure	(374,734)	(21,497)	(5,137)	(401,368)
Other Changes:				
Transfers to create endowments	22,888	12,602	17,109	52,599
Other / Reclassifications	17,883	(17,220)	(2,582)	(1,919)
Release from restriction	179,425	(179,425)	-	-
	<u>220,196</u>	<u>(184,043)</u>	<u>14,527</u>	<u>50,680</u>
Closing balance - June 30, 2011	<u>\$ 2,916,364</u>	<u>\$ 2,859,530</u>	<u>\$ 2,013,684</u>	<u>\$ 7,789,578</u>
University endowment composition				
Endowment funds	\$ -	\$ 2,611,498	\$ 1,823,093	\$ 4,434,591
Funds functioning as endowment:				
Departmental funds	1,253,815	202,630		1,456,445
University funds	1,288,264			1,288,264
Institutional real estate, net	359,162			359,162
CPMC Fund, Inc.	15,123	45,403	29,334	89,860
Interests in perpetual trusts held by others			161,256	161,256
University's endowment value	<u>\$ 2,916,364</u>	<u>\$ 2,859,531</u>	<u>\$ 2,013,683</u>	<u>\$ 7,789,578</u>
Note: The tables above do not include split-interest agreements, net of \$53,304 and pledges receivable, net of \$132,749.				
Reconciliation to Investments, at fair value				
Investments, at fair value				\$ 7,901,194
Add:				
Interests in perpetual trusts held by others			161,256	
CPMC Fund, Inc.			89,860	
Institutional real estate, net			359,162	
Investment receivables and payables			<u>61,181</u>	671,459
Subtract:				
Other long-term investments			(626,725)	
Split-interest agreements, net			(107,636)	
Funds held on behalf of others			<u>(48,714)</u>	<u>(783,075)</u>
University's endowment value				<u>\$ 7,789,578</u>

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	2010			Total
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
Changes in University endowment net assets				
Opening balance - June 30, 2009	\$ 3,666,487	\$ 491,171	\$ 1,735,140	\$ 5,892,798
Investment return:				
Investment income	50,222	482	6,426	57,130
Net appreciation	778,287	83,070	6,227	867,584
Total investment return	828,509	83,552	12,653	924,714
New gifts	23,239	3,129	85,415	111,783
Appropriation for expenditure	(444,781)	(9,128)	(6,426)	(460,335)
Other Changes:				
Transfers to create endowments	46,561	2,419	-	48,980
Other / Reclassifications	(25,026)	1,589	22,009	(1,428)
Release from restriction	29,074	(29,074)	-	-
	50,609	(25,066)	22,009	47,552
Closing balance - June 30, 2010	<u>\$ 4,124,063</u>	<u>\$ 543,658</u>	<u>\$ 1,848,791</u>	<u>\$ 6,516,512</u>
University endowment composition				
Endowment funds	\$ 1,573,241	\$ 326,631	\$ 1,684,390	\$ 3,584,262
Funds functioning as endowment:				
Departmental funds	1,055,560	217,027		1,272,587
University funds	1,099,132			1,099,132
Institutional real estate, net	350,910			350,910
CPMC Fund, Inc.	45,220		28,356	73,576
Interests in perpetual trusts held by others			136,045	136,045
University's endowment value	<u>\$ 4,124,063</u>	<u>\$ 543,658</u>	<u>\$ 1,848,791</u>	<u>\$ 6,516,512</u>

Note: The tables above do not include split-interest agreements, net of \$89,853 and pledges receivable, net of \$147,423.

Reconciliation to *Investments, at fair value*

Investments, at fair value	\$ 6,511,927
Add:	
Interests in perpetual trusts held by others	136,045
CPMC Fund, Inc.	73,576
Institutional real estate, net	350,910
Investment receivables and payables	74,042
	634,573
Subtract:	
Other long-term investments	(451,803)
Split-interest agreements, net	(141,826)
Funds held on behalf of others	(36,359)
University's endowment value	<u>\$ 6,516,512</u>

Return Objectives and Risk Parameters

Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under the

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University's investment policies, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce performance which exceeds that of relevant indices for each asset class while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

The University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

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. This allows the University to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

As a general policy, 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 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.

For fiscal 2010 and 2011, the Trustees approved a decision to temporarily override the spending rule formula described above in order to begin to absorb the endowment losses experienced in fiscal 2009 earlier than the spending rule formula would allow, given the market lag effect inherent in the formula. The approved plan prescribed an 8 percent decrease of the per share spending rate in fiscal 2010, and a subsequent 5 percent decrease in fiscal 2011.

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In addition to the base spending rate described above, two additional payout components were approved as temporary measures by the Trustees in 2008. The first is an increase in annual spending of up to 1.75 percent of the prior year beginning market value of endowments that are designated for undergraduate financial aid support. This increase began in fiscal 2009 and will be phased out as new endowments substitute for this funding source. The amount of the incremental payout for the coming year is approved annually by the Trustees' Committee on Finance as part of the budget process. The second component is 0.70 percent of the prior year beginning market value for certain endowments in categories key to the University's current development efforts, primarily unrestricted endowment and endowments for financial aid and faculty support.

The appropriation process for fiscal year 2011 occurred prior to the enactment of NYPMIFA on September 17, 2010. Beginning in fiscal year 2012, appropriations under the spending rule will be governed by NYPMIFA, which permits the University to appropriate so much of an endowment fund as it deems prudent following consideration of certain specific factors set forth in NYPMIFA.

8. Accounts Receivable

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

	2011	2010
Patient receivables, net of contractual allowances	\$ 106,413	\$ 151,607
Government agencies	121,590	137,089
NewYork-Presbyterian Hospital	67,530	68,015
Patent and licensing	24,799	20,401
Student receivables	15,589	19,642
Other receivables, gross	84,990	87,201
	<u>420,911</u>	<u>483,955</u>
Less: Allowance for doubtful accounts	(53,504)	(92,487)
Accounts receivable, net	<u>\$ 367,407</u>	<u>\$ 391,468</u>

Patient receivables for medical services are net of an allowance for contractual reserves in the amount of \$92.2 million and \$127.4 million at June 30, 2011 and 2010, respectively.

9. Student Loans Receivable and Financial Aid

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

	2011	2010
Government revolving loans	\$ 67,720	\$ 69,108
Institutional loans	23,911	23,016
Gross student loans	91,631	92,124
Less: Allowance for doubtful collections	(3,672)	(3,609)
Student loans receivable, net	<u>\$ 87,959</u>	<u>\$ 88,515</u>

In addition to the loans identified above, the University processes and authorizes loans to students through the Stafford Loan program and Federal Plus Loan program. These loans are not recorded in the University's consolidated financial statement since the University does not guarantee any

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federal loan funds related to these programs. The amount of loans issued under these programs was \$303.5 million and \$268.1 million for the years ended June 30, 2011 and 2010, 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 \$65.5 million and \$64.8 million and advances under the other federally sponsored loan programs are \$13.4 million and \$13.5 million as of June 30, 2011 and 2010, 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.

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluation of the student loan and student accounts receivable portfolios.

Loans receivable under federally guaranteed student loan programs are subject to significant restrictions.

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

	2011			2010		
	University Sources	External Sources	Total Financial Aid	University Sources	External Sources	Total Financial Aid
Undergraduate	\$ 78,911	\$ 42,606	\$ 121,517	\$ 63,870	\$ 46,216	\$ 110,086
Graduate	104,773	55,812	160,585	95,868	54,456	150,324
Total financial aid grants	\$ 183,684	\$ 98,418	\$ 282,102	\$ 159,738	\$ 100,672	\$ 260,410

Agency activities such as tuition aid grants, federal supplemental educational opportunity grants, federal Pell, SMART, and ACG grant program are not included in the University's consolidated financial statements. Receipts from agency transactions were \$13.9 million and \$12.7 million, and disbursements were \$13.9 million and \$12.7 million in fiscal year 2011 and 2010, respectively.

10. Pledges Receivable

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

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The June 30 balances of unconditional promises to give are:

	2011	2010
Less than one year	\$ 415,825	\$ 102,027
One to five years	386,175	186,781
More than five years	<u>176,551</u>	<u>11,264</u>
Total unconditional promises	978,551	300,072
Less: Allowance for doubtful contributions	(30,156)	(11,350)
Less: Net present-value discount	<u>(65,691)</u>	<u>(25,065)</u>
Net pledges receivable	<u>\$ 882,704</u>	<u>\$ 263,657</u>

New pledges recorded in 2011 and 2010 were discounted at an average annual rate of 2.7 percent and 2.6 percent, respectively, using a rate that considers market and credit risk. Credit risk is also considered in the allowance for doubtful contributions.

Pledges receivable are intended for the following purposes:

	2011	2010
Endowment for educational and general purposes	\$ 132,751	\$ 147,423
New construction and modernization of plant	339,448	22,141
Support of University operations	<u>410,505</u>	<u>94,093</u>
Net pledges receivable	<u>\$ 882,704</u>	<u>\$ 263,657</u>

The University also has other outstanding pledges of \$131.7 million as of June 30, 2011. These pledges represent either conditional gifts for which the probability of meeting the conditions is uncertain, verbal pledges, or other pledges that have not met the requirements for recognition.

11. Land, Buildings, and Equipment

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

	2011			2010		
	Total Assets	Accumulated Depreciation	Net Assets	Total Assets	Accumulated Depreciation	Net Assets
Land	\$ 373,791		\$ 373,791	\$ 317,293		\$ 317,293
Building and building improvements	3,816,927	\$ 1,631,119	2,185,808	3,566,917	\$ 1,495,467	2,071,450
Equipment	<u>326,298</u>	<u>175,679</u>	<u>150,619</u>	<u>305,777</u>	<u>172,250</u>	<u>133,527</u>
	<u>\$ 4,517,016</u>	<u>\$ 1,806,798</u>	<u>\$ 2,710,218</u>	<u>\$ 4,189,987</u>	<u>\$ 1,667,717</u>	<u>\$ 2,522,270</u>

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

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

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Building and building improvements include physical assets owned by the University as well as leasehold improvements, capitalized space leases, and construction in progress. Capital space leases at June 30, 2011 and 2010, were \$91.3 million and \$93.8 million, respectively.

12. Accrued Employee Benefit Liabilities

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

Postemployment benefits relating to workers' compensation, short-term disability, and continuation of medical benefits for those on long-term disability are provided to former or inactive employees after employment but before retirement. The University records the costs of such benefits on an accrual basis if the employee has provided the services from which those benefits are derived. In 2011 and 2010, the University recognized actuarially computed liabilities of \$29.0 million and \$27.0 million, respectively.

13. Pension and Other Postretirement Benefit Costs

Pension Plan Benefits

The University has five non-contributory pension plans (the "pension plans") for supporting staff employees. These plans include defined benefits plans for past service, and in the case of two plans, defined benefit for future service. Four of these pension plans are subject to collective bargaining agreements. The fifth pension plan covers former employees of the Arden Conference Center, which closed in 2005. Two of the non-Arden House pension plans provide defined benefits for service prior to January 1, 1976, in one case, and prior to July 1, 1976, in the other. For these two pension plans, future benefits are provided by defined contribution plans. Charges to expenditures for these defined contribution plans amounted to \$14.3 million and \$8.7 million for the years ended June 30, 2011 and 2010, respectively.

In addition, the University provides retirement benefits for full-time faculty, officers, and certain other employees under a separate defined contribution plan. Charges to expenditures under this pension plan amounted to \$90.1 million and \$86.7 million for the years ended June 30, 2011 and 2010, 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 employees who are eligible render service.

Obligations and Funded Status

The University adopted authoritative guidance, 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 other postretirement benefit plans. In addition, the authoritative guidance 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.

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Amounts recognized in unrestricted net assets are as follows:

	Pension Plan Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Net actuarial loss	\$ 38,082	\$ 48,802	\$ 78,091	\$ 117,305
Prior service cost	856	948	(48,020)	(31,447)
Transition obligation				
Total amount recognized	<u>\$ 38,938</u>	<u>\$ 49,750</u>	<u>\$ 30,071</u>	<u>\$ 85,858</u>

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

	Pension Plan Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Change in benefit obligation:				
Benefit obligation, beginning of year	\$ 115,968	\$ 94,543	\$ 202,146	\$ 171,807
Service cost	3,718	2,784	7,004	7,143
Interest cost	6,330	6,188	10,239	11,640
Plan participants' Contributions	-	-	4,054	3,573
Actuarial (gain) loss	(3,027)	16,935	(16,030)	45,117
Plan amendments	-	-	(23,149)	(26,848)
Assumption Changes	(119)	380	-	-
Net disbursements and transfers	(5,268)	(4,862)	(11,810)	(10,286)
Benefit obligation, end of year	<u>\$ 117,602</u>	<u>\$ 115,968</u>	<u>\$ 172,454</u>	<u>\$ 202,146</u>
Change in plan assets:				
Fair value of assets, beginning of year	\$ 77,000	\$ 67,844	\$ 92,963	\$ 78,796
Actual return on plan assets	10,605	10,944	21,982	9,115
Employer contributions	8,237	3,074	15,096	12,404
Plan participants' contributions	-	-	4,054	3,573
Net disbursements and transfers	(5,019)	(4,862)	(12,187)	(10,925)
Fair value of assets, end of year	<u>\$ 90,823</u>	<u>\$ 77,000</u>	<u>\$ 121,908</u>	<u>\$ 92,963</u>
Net amount recognized	\$ (26,779)	\$ (38,968)	\$ (50,546)	\$ (109,183)

	2011	2010
Weighted-average assumptions used to determine end of year benefit obligation		
Discount rate	4.75% to 5.7%	4.6% to 5.5%
Rate of compensation increase	1.9% to 4.25%	3.5% to 4.25%

The accumulated benefit obligations for the pension plans at June 30, 2011 and 2010 were \$105.8 and \$103.7 million, respectively.

At the end of 2011 and 2010, the projected benefit obligation and accumulated benefit obligation exceeded pension plan assets for three of the five plans.

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The projected benefit obligation for the pension plans with a benefit obligation in excess of plan assets were as follows:

	2011	2010
End of year		
Projected benefit obligation	\$ 105,338	\$ 112,426
Fair value of plan assets	77,293	72,791

The accumulated postretirement benefit obligation for the other postretirement benefit plan and the fair value of plan assets with an accumulated postretirement benefit obligation in excess of plan assets was as follows:

	2011	2010
End of year		
Accumulated postretirement benefit obligation	\$ 172,454	\$ 202,146
Fair value of plan assets	121,908	92,963

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 2012. The rate was assumed to decrease gradually to 5 percent for 2017 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:

	increase	decrease
Effect on accumulated postretirement benefit obligation	\$ 20,715	\$ (16,825)

The asset allocation for the two defined benefit plans for both past and future service at June 30, 2011 and 2010, and the target allocation for 2012, by asset category, follows:

Asset category	Target allocation	Percentage of plan assets at year's end	
	2012	2011	2010
U.S. large cap equity	20%	22%	20%
International equities	15%	15%	15%
High yield fixed income securities	15%	15%	16%
U.S. core fixed income	50%	48%	49%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The asset allocation for the two defined benefit plans for prior service only at June 30, 2011 and 2010, and the target allocation for 2012, by asset category, follows:

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Asset category	Target allocation	Percentage of plan assets at year's end	
	2012	2011	2010
U.S. large cap equity	10%	10%	10%
International equities	5%	5%	5%
High yield fixed income securities	5%	5%	5%
U.S. core fixed income	80%	80%	80%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The retirement plan for the employees of Arden Conference Center was invested in equity securities, including mutual funds, 26 percent, and debt securities, 74 percent.

The following presents investments of the pension plan as of June 30, 2011. The Plans' investments in common collective trusts and mutual funds are included as Level 2 because fair value is based on quoted prices for similar instruments or other observable inputs. Level 3 assets represent fixed income related investment contracts with a major life insurance company.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common collective trust funds				
Global equity		29,547		29,547
Fixed income		58,455		58,455
Mutual funds		733		733
Fixed income investment contracts			2,088	2,088
Investments, at fair value	<u>\$ -</u>	<u>\$ 88,735</u>	<u>\$ 2,088</u>	<u>\$ 90,823</u>

The following table is a rollforward of the amounts for investments classified within Level 3 as described above.

	<u>June 30, 2010</u>	<u>Purchases & Sales, net</u>	<u>Investment gain/(loss)</u>	<u>June 30, 2011</u>
Investment contracts	\$ 1,962	\$ -	\$ 126	\$ 2,088
Total level 3 investments	<u>\$ 1,962</u>	<u>\$ -</u>	<u>\$ 126</u>	<u>\$ 2,088</u>

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The following presents investments of the pension plans as of June 30, 2010.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common collective trust funds				
Global equity		23,494		23,494
Fixed income		50,934		50,934
Mutual funds		610		610
Fixed income investment contracts			1,962	1,962
Investments, at fair value	\$ -	\$ 75,038	\$ 1,962	\$ 77,000

The following table is a rollforward of the amounts for investments classified within Level 3 as described above.

	<u>June 30, 2009</u>	<u>Purchases & Sales, net</u>	<u>Investment gain/(loss)</u>	<u>June 30, 2010</u>
Investment contracts	\$ 1,967	\$ (139)	\$ 134	\$ 1,962
Total level 3 investments	\$ 1,967	\$ (139)	\$ 134	\$ 1,962

The asset allocation for the other postretirement benefit plan at June 30, 2011 and 2010, and the target allocation for 2012, by asset category, follows:

Asset category	Target allocation 2012	Percentage of plan assets at year's end	
		2011	2010
U.S. large cap equity	60%	59%	58%
International equity	15%	16%	16%
U.S. fixed income	25%	25%	26%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The following presents investments of the other postretirement benefit plan as of June 30, 2011. The Plans' investments in common collective trusts are included as Level 2 because the fair value is based on quoted prices for similar instruments or other observable inputs.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common collective trust funds				
Global Equity	\$ -	\$ 91,966	\$ -	\$ 91,966
Fixed Income		29,942		29,942
Investments, at fair value	\$ -	\$ 121,908	\$ -	\$ 121,908

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The following presents investments of the other postretirement benefit plan as of June 30, 2010.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common collective trust funds				
Global Equity	\$ -	\$ 68,987	\$ -	\$ 68,987
Fixed Income		23,976		23,976
Investments, at fair value	<u>\$ -</u>	<u>\$ 92,963</u>	<u>\$ -</u>	<u>\$ 92,963</u>

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	
	2011	2010	2011	2010
Components of net periodic benefit cost				
Service cost	\$ 3,718	\$ 2,784	\$ 7,004	\$ 7,143
Interest cost on projected benefit obligation	6,330	6,188	10,239	11,640
Expected return on assets	(5,514)	(6,222)	(7,177)	(6,956)
Amortization of transition obligation	-	-	-	-
Amortization of prior service cost	93	93	(6,577)	(4,160)
Amortization of unrecognized net losses	2,234	741	7,706	7,429
Net periodic benefit cost	<u>6,861</u>	<u>3,584</u>	<u>11,195</u>	<u>15,096</u>
Other changes in plan assets and benefit obligations recognized in the Consolidated Statement of Activities				
Current year actuarial (gain)/loss	(8,485)	12,593	(31,509)	43,339
Amortization of actuarial gain/(loss)	(2,234)	(741)	(7,706)	(7,429)
Current year prior service (credit)/cost	-	-	(23,149)	(26,848)
Amortization of prior service credit/(cost)	(93)	(93)	6,577	4,160
Amortization of transition asset/(obligation)	-	-	-	-
Total recognized in nonoperating	<u>(10,812)</u>	<u>11,759</u>	<u>(55,787)</u>	<u>13,222</u>
Total recognized in net periodic benefit cost and nonoperating	<u>\$ (3,951)</u>	<u>\$ 15,343</u>	<u>\$ (44,592)</u>	<u>\$ 28,318</u>

	Pension Plan Benefits	Other Postretirement Benefits
Amounts in net unrestricted assets expected to be recognized in net periodic pension cost in fiscal 2012		
Actuarial (gain)/loss	\$ 2,002	\$ 5,435
Prior service (credit)/cost	93	(10,824)
	<u>\$ 2,095</u>	<u>\$ (5,389)</u>

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	2011	2010
Weighted-average assumptions used to determine net periodic pension cost		
Discount rate	4.6% to 5.5%	6.0% to 6.55%
Expected return on plan assets	5% to 6.5%	6.25% to 7.5%
Rate of compensation increase	1.9% to 4.25%	3.5% to 4.25%

To arrive at assumptions for expected long term rates of return on asset in the pension plan and the postretirement benefit plan, the University considered historical returns and future expectations for returns in each asset class in the asset allocation for the previously described pension and postretirement benefit portfolios.

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

	1%-point increase	1%-point decrease
Effect on total service and interest cost	\$ 2,445	\$ (1,901)

Expected Cash Flows

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

	Pension Benefits	Other Postretirement Pension Benefits
University contributions:		
2012 (expected)	\$ 12,342	\$ 11,195
Expected benefit payments:		
2012	5,392	9,038
2013	5,599	9,495
2014	5,827	9,841
2015	6,069	10,034
2016	6,317	10,110
2017-2021	36,187	48,741
Total	<u>\$ 65,391</u>	<u>\$ 97,259</u>

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

14. Lease Obligations

The University is the lessee of various equipment and space under noncancelable operating and capital leases. Capital lease obligations at June 30, 2011 and 2010, were \$114.8 million and \$116.1 million, respectively. Operating lease rental expense for the years ended June 30, 2011 and 2010, were approximately \$33.0 million and \$26.7 million, respectively. Space leases contained

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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
2012	\$ 30,762	\$ 7,335
2013	20,544	6,643
2014	14,292	5,552
2015	12,524	4,836
2016	7,760	4,742
Thereafter	71,572	259,079
Less: Interest at 2.54 percent to 5.31 percent		(173,431)
Capital lease obligations at June 30, 2011		<u>\$ 114,756</u>

15. Conditional Asset Retirement Obligations

Conditional asset retirement obligations are 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. GAAP requires that the fair value of a liability for a conditional asset retirement obligation be recognized in the period in which it occurred if a reasonable estimate of fair value can be made.

Conditional asset retirement obligations related to remediation or disposal of asbestos, underground storage tanks, soil, and radioactive sources and equipment were \$105.3 million and \$105.0 million at June 30, 2011 and 2010, respectively.

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16. Bonds and Notes Payable

Bonds and notes payable outstanding at June 30, 2011 and 2010, are as follows:

	2011	2010
Dormitory Authority of the State of New York, tax exempt revenue bonds, Columbia University issues		
Series 2011 A, 3.00% to 5.00%, maturing 2042	\$ 300,000	\$ -
Series 2009 A, variable rate, 0.04% to 0.27%, maturing 2039	117,000	117,000
Series 2008 A, 4.00% to 5.00%, maturing 2038	282,715	282,715
Series 2006 A, 4.75% to 5.25%, maturing 2031	203,220	209,070
Series 2006 B, 3.50% to 5.25%, maturing 2022	143,265	146,735
Series 2004 A2, 5.00%, maturing 2014	35,380	46,500
Series 2004 B, 4.75% to 5.125%, maturing 2024	75,345	79,625
Series 2004 C, 5.00%, maturing 2029	48,270	48,270
Series 2003 A, 3.50% to 5.125%, maturing 2024	63,120	66,615
Series 2003 B, variable rate, 0.04% to 0.26%, maturing 2028	30,000	30,000
Series 2002 A, 5.25%, maturing 2014	15,485	20,145
Series 2002 B, 5.00% to 5.25%, maturing 2024	30,260	33,910
Series 2002 C, variable rate, 0.13% to 0.29%, maturing 2027	23,300	23,300
Series 2000 A, 5.00% to 5.25%, maturing 2025		35,060
	<u>1,367,360</u>	<u>1,138,945</u>
Dormitory Authority of the State of New York, tax-exempt commercial paper		
Series 1997, variable rate, 0.13% to 0.30, final maturity 2015	19,095	24,575
New Jersey Economic Development Corporation		
Series 2002, variable rate, 0.17% to 0.28%, final maturity 2028	7,890	8,240
Medium-Term Notes, Taxable Series C 6.53% to 7.36%, maturing 2022	115,299	127,829
Empire State Development Corporation Issues:		
Interest-free, maturing 2029	8,012	8,203
Interest-free, maturing 2015	8,100	8,100
Economic Development Corporation		
Interest-free, maturing 2015	10,000	10,000
Dormitory Authority of the State of New York College and University Education Loan Revenue Bonds		
Series 1993, 5.60% to 5.65%, maturing 2013	1,834	2,226
Series 1992, 6.80%, maturing 2013	1,570	2,015
Promissory Note, 8%, maturing 2010	-	3,000
	<u>171,800</u>	<u>194,188</u>
Total bonds and notes payable	<u>\$ 1,539,160</u>	<u>\$ 1,333,133</u>

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Estimated principal payments on bonds and certificates are summarized below:

Year	Principal
2012	\$ 61,984
2013	148,689
2014	65,567
2015	62,594
2016	60,008
Thereafter (through 2042)	<u>1,140,318</u>
Total	<u>\$ 1,539,160</u>

At June 30, 2011, the University's bonds and notes payable had a carrying amount of approximately \$1,539.2 million, compared to an estimated fair value of \$1,652.1 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, 2011, \$115.3 million was outstanding. The University also has a \$150 million taxable commercial paper program. As of June 30, 2011, none of the taxable commercial paper was outstanding.

As of June 30, 2011, the University had a \$100 million operating line of credit, which expires in December, 2014. Additionally, as of June 30, 2011, the University had two \$100 million standby lines of credit supporting self-liquidity for variable rate debt outstanding, one of which expires in May, 2014. The other expired in July, 2011 and was replaced subsequent to year end with a new \$100 million line of credit expiring in July, 2014. Each of the lines is with a different lending institution and, as of June 30, 2011, no balances were outstanding on the lines of credit.

The University issues most of its tax-exempt debt through the Dormitory Authority of the State of New York ("DASNY"). On February 16, 2011, the University issued \$300 million of Series 2011A fixed rate bonds. Series 2011A was issued at a premium of \$12.1 million, which will be amortized over 10 years. The University chose to redeem the outstanding Series 2000A bonds totaling \$30.96 million with a call date of July 1, 2011.

On October 1, 2008, the University entered into a \$200 million notional value forward starting, fixed payor swap agreement to protect against the risk of interest rate changes. The estimated fair value of the liability was (\$39.2) million and (\$49.0) million at June 30, 2011 and 2010, respectively. The fair value of the swap is obtained by taking the present value of all future cash flows on the swap implied by the forward curve.

The University has certain financial and administrative covenants with which it was in compliance as of June 30, 2011 and 2010.

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17. Insurance

In connection with managing financial risks through various third-party insurance programs, the University is self-insured in certain areas. Funded self-insurance liabilities primarily cover deductibles on general liability and property insurance claims. Self-insurance liabilities are actuarially calculated on an annual basis. The University has recorded self-insurance liabilities of approximately \$121.3 million and \$111.9 million as of June 30, 2011 and 2010, respectively. The University's core liability coverage is purchased through Pinnacle RRG, a Vermont-based risk retention group with fifteen other universities.

The University obtains medical malpractice insurance through MCIC and MLMIC. MCIC is a group-captive insurance company owned by the University, Johns Hopkins, Yale, Rochester, and Weill Cornell Medical School and their respective major teaching hospitals, including NYPH. MLMIC is a mutual company where policyholders are owners, with full voting rights to elect the company's Board of Directors, thereby having direct input into vital areas of operation. The governing Board is comprised primarily of practicing physicians, dentists, and hospital administrators. More than 990 of the University's faculty physicians and dentists are enrolled in MCIC or MLMIC.

18. Related Party Transactions

The University maintains several clinical and education affiliation agreements with other organizations. Revenues and expenses from these agreements are accounted for in the operating activities segment of the Consolidated Statement of Activities. The most significant affiliation agreement is with 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 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 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 fiscal year 2011 joint budget was approximately \$188 million. The payments to NYPH for goods and services were \$75 million. The majority of revenues received pursuant to this reimbursement arrangement for services rendered are reflected in the consolidated financial statements as a portion of "Patient care revenue." In addition, the majority of the expenses related to this agreement are reflected in "Patient care expense."

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

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The University has financial arrangements with several for-profit physician professional corporations (“PCs”), whereby the University provides facilities and other services to these PCs for a negotiated fee. These PCs provide clinical services to patients and are owned and controlled by physicians who are also faculty members of the University. These non-controlled PCs generated revenue of approximately \$75 million and \$73 million during fiscal year 2011 and 2010, 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 practice entities and a for-profit professional corporation and as such, consolidates these entities into the University’s consolidated financial statements.

The Trustees of the CPMC Fund, Inc. approved the transfer of two endowments to NYPH, in June 2010, and CPMC Fund, Inc. recorded a payable to NYPH of \$3.4 million, with \$.5 million being permanently restricted. The funds were transferred to NYPH during fiscal year 2011. In addition, the CPMC Fund, Inc. transferred three endowments to the University. The value of the endowments at the time of transfer was \$12.7 million, with \$3.1 million being permanently restricted.

19. Contingencies and Commitments

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

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

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

The University is subject to laws and regulations concerning environmental remediation and will, from time to time, establish reserves for potential obligations that management considers probable and for which reasonable estimates can be made. As of June 30, 2011, the University has recorded \$105.3 million for conditional asset retirement obligations. These estimates may change depending upon the nature and extent of contamination, appropriate remediation technologies, and regulatory approvals. The University is not aware of any existing conditions that it currently believes are likely to have a material adverse effect on the University’s financial position, changes in net assets, or cash flows.

The University's capital improvement program and related commitments includes projects that address the major strategic objectives of the University. As part of the capital improvement program, the University has entered into contracts to purchase properties with an aggregate value of \$44.9 million. As of June 30, 2011 approximately \$34.3 million is still outstanding.

The University has made commitments related to its expansion in Manhattanville, certain of which are based upon events in the future which would result in cash and in-kind payments from the University.

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The University offered a loan program for students and families to pay tuition, fees and other costs. Loans were issued by a private lending institution and are guaranteed by the University. Upon default by the borrower, the University is required to pay all or a portion of the outstanding loan balance. The amount guaranteed is \$5.0 million at June 30, 2011.

The University has performed an evaluation of subsequent events through October 21, 2011, which is the date the consolidated financial statements were available to be issued.

20. Expense Allocation by Program

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

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

	2011			2010		
	Expenses per Statement of Activities	Allocation	Final Allocated Expenses	Expenses per Statement of Activities	Allocation	Final Allocated Expenses
Instruction and educational administration	\$ 1,188,959	\$ 220,900	\$ 1,409,859	\$ 1,131,676	\$ 205,755	\$ 1,337,431
Research	559,431	94,223	653,654	522,668	89,700	612,368
Patient care expense	719,723	34,460	754,183	704,363	21,786	726,149
Library	61,284	55,945	117,229	60,307	50,698	111,005
Operation and maintenance of plant	214,109	(214,109)		187,857	(187,857)	
Institutional support	213,015	28,626	241,641	203,575	26,315	229,890
Auxiliary enterprise	93,914	14,105	108,019	89,382	13,983	103,365
Depreciation expense	175,248	(175,248)		165,794	(165,794)	
Interest expense	59,086	(59,086)		54,790	(54,790)	
Other	30,046	184	30,230	38,076	204	38,280
	<u>\$ 3,314,815</u>		<u>\$ 3,314,815</u>	<u>\$ 3,158,488</u>		<u>\$ 3,158,488</u>

The allocation of operation and maintenance of plant is based on square footage occupancy with the exception of certain rent costs directly attributable to patient care expense. 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.