COLUMBIA UNIVERSITY IN THE CITY OF NEW YORK

On the eve of its 250th anniversary, the University's operations continue on a sound footing, building academic excellence with the help of strong growth in core revenues, while maintaining the financial and physical assets that support its academic mission in the long term. Revenues from government support of research and from net tuition rose in the aggregate by 8.2 percent; the year's total investment returns to the endowment fully covered the draw on those funds for operations; and the University's capital investment in plant grew by another 6 percent over the prior year's rise of 71 percent. Despite an increase in total expenditures that outpaced the overall rise in revenues, the impact on net assets from University operating activities was an increase of $36.6 million. The University's total assets grew by 4.0 percent to $7.7 billion.

OPERATING HIGHLIGHTS OF THE FINANCIAL STATEMENTS

Years Ended June 30 *(in thousands of dollars)*	2003	2002
Major Sources of Revenues and Support (A)		
Tuition and fees, less financial aid grants	$382,262	$357,938
Government grants and contracts	531,988	487,076
Private gifts, grants, and contracts (excludes endowment gifts)	241,056	230,986
Receipts from other educational and research activities	288,588	320,741
Medical faculty practice plans	316,933	308,809
Investment income and gains utilized	232,869	229,093
Major Operating Expenditures (A)		
Instruction, research, and educational administration	1,243,768	1,142,118
Medical faculty practice plans	316,019	305,412
Library	41,391	39,418
Operation and maintenance of plant	100,668	92,674
University administration	93,876	86,447
Depreciation	119,777	118,283
Interest expense	35,303	34,833
Net Assets (B)		
Unrestricted	4,149,854	4,011,135
Temporarily restricted	580,515	625,658
Permanently restricted	1,246,855	1,188,064
Net Assets by Fund Group		
Current funds	574,800	570,567
Student loan funds	16,463	16,430
Endowment and similar funds	4,343,151	4,238,168
Plant funds	660,105	609,517
Pledges	180,339	180,342
Interest in perpetual trusts held by others	116,430	120,441
CPMC Fund, Inc.	85,936	89,392
Capitalized Construction Costs (C)	302,136	271,975
Students		
Total enrollment	23,422	22,892
Undergraduate	7,054	6,950
Graduate and professional	14,150	13,721
Nondegree	2,218	2,221
Total degrees awarded	7,683	7,546
Undergraduate	1,657	1,646
Graduate and professional	6,026	5,900

(A) See Statement of Activities on page 8.
(B) See Balance Sheet on page 7.
(C) Capitalized construction costs include cash outlays for expenditures on plant and Institutional Real Estate properties, not including equipment. Institutional Real Estate properties are recorded as investments on the Balance Sheet.

Operating Results

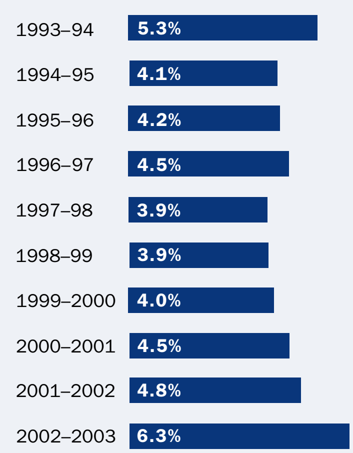
University expenditures for fiscal year 2002–2003, including depreciation, grew by $142.7 million, or 7.5 percent, to $2.038 billion. The year's 3.3 percent increase in operating revenues to $2.074 billion was sufficient to increase net assets by $36.6 million. However, taking into account the allocation of funds to plant and long-term investments, net assets to support operations fell by $15 million.

Revenues driven by the core operations of the University's sixteen schools continued to show strength. Despite an 8.7 percent increase in financial aid expenditures university-wide to $144.2 million, net revenue from tuition, in part reflecting a 1.8 percent increase in student enrollment, rose by 6.8 percent to $382.3 million. University research activities continued their robust growth, propelled by a 9.2 percent increase for the year in income from government grants and contracts to $532.0 million. Receipts from other educational and research activities, reflecting an anticipated decline in royalty and license income on patents held by the University, decreased by $32.2 million or 10.0 percent. Finally, income from medical faculty practice plans at the Health Sciences Division rose by 2.6 percent to $316.9 million, matched by a rise in practice plan costs to $316.0 million.

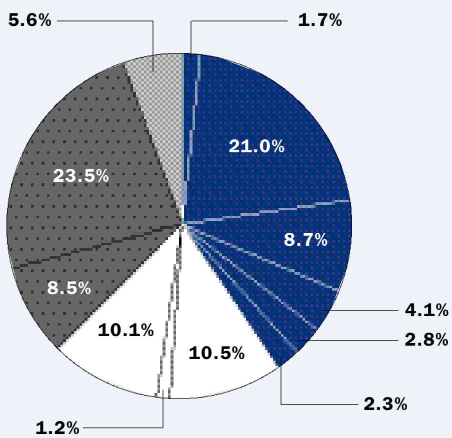
As set out in the University's Statement of Activities, which records new gift pledges and cash not previously pledged, private gifts, grants, and contracts in support of operations grew by 4.4 percent to $241.1 million in the 2002–2003 operating year. Adding $62.0 million in endowment gifts received during the year (reported under nonoperating activities), total reported gifts equaled $303.1 million. Measured in cash receipts, including gifts in kind and gifts from outside trusts, university-wide fund-raising increased by $10.2 million or 3.8 percent to $281.5 million. Although cash gifts to endowment fell by $13.1 million to $65.8 million, gifts in support of current operations rose by $18.7 million to $198.1 million, driven by an 11.1 percent rise in gifts from foundations, corporations, and other organizations. Gifts for plant and equipment declined slightly from $10.3 million in fiscal year 2002 to $9.2 million.

The use of endowment investment returns to support University operations is regulated by a spending rule, adopted by the Trustees of the University, which directs annual spending from the endowment toward a target rate of 5 percent of the prior year's beginning endowment value. In fiscal year 2003, budgeted spending from the endowment pursuant to the rule represented 4.5 percent of the prior year's beginning endowment value, or $190.4 million. Of this amount, $22.9 million was covered by endowment income, and $167.4 million from endowment appreciation. Besides the budgeted draw from the endowment to support University operations, three additional University needs were met during the 2002–2003 operating year through withdrawals from endowment—$13 million to fund equity contributions to the University's Housing Expansion Program, $8 million for other capital projects, and $52 million to retire accumulated operating deficits or overdrafts, primarily in clinical operations in the Health Sciences Division. These one-time withdrawals increased the overall spending rate from the University's endowment to 6.3 percent of the 2001–2002 operating year's beginning market value. The Statement of Activities for fiscal year 2003 reports $232.9 million in investment income and gains utilized for operating activities. In addition to the $190.4 million in budgeted spending from the endowment, that total includes $42.5 million in revenue made up of investment income from interest on current funds, income from separately invested endowment funds,

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



2002–2003 Capital Spending



Morningside	**40.6%**
Student Services and Athletics	1.7%
Academic Programs	21.0%
Facilities Renewal	8.7%
Libraries	4.1%
Technology and Information Systems	2.8%
Miscellaneous	2.3%
Health Sciences	**21.8%**
Academic Programs	10.5%
Building Systems and Infrastructure	1.2%
Audubon	10.1%
Institutional Real Estate	**32.0%**
Building and Interior Renovations	8.5%
Additional Housing	23.5%
Real Estate Acquisitions	**5.6%**
Total	**100.0%**

net operating income of the University's real estate operations, and income earned on funds held by the Dormitory Authority of the State of New York ("DASNY").

During fiscal year 2003, University-wide operating expenditures grew by 7.5 percent, a decline from the prior year's increase of 10.0 percent. Spending on the University's core academic program (for instruction, research, educational administration, and libraries, as set out in the Statement of Activities), rose by 8.8 percent. The level of central administrative expenditures, and the cost of operating and maintaining the University's plant rose together by 8.6 percent, reflecting, on the one hand, a 25 percent increase in the University's annual investment in the Office of University Development and Alumni Relations, and, on the other, the costs of operating newly occupied space for research activities.

Capital

Fiscal 2002–2003 was the fourth year of the University's current $1.4 billion five-year capital improvement program for the Morningside, Health Sciences, and Palisades campuses. The primary source of funding for the capital program is debt, consisting largely of tax-exempt bonds and commercial paper issued by DASNY, but also including internal loans from the University's working capital. Other significant funding sources include available operating reserves and endowments, gifts and grants received by the University, and central operating budget funds that support infrastructure renewal on the Morningside campus.

Total capital spending across the University during the 2002–2003 operating year equaled $306 million, a rise of 6 percent over the previous year. The majority of the $124 million in capital expenditures on the Morningside and Palisades campuses was directed toward academic programs. A new building is being constructed on Amsterdam Avenue between 121st and 122nd Streets to house the School of Social Work. Scheduled for completion in the fall of 2004, it will provide 120,500 gross square feet of space for the School, as well as ground floor retail space. The instructional spaces have been designed to permit maximum flexibility of use in support of curricular innovation and improved opportunities for interaction between students and faculty. Another kind of academic use is represented by The School at Columbia University, which opened in the fall of 2003 in the University's new mixed use building at 110th Street and Broadway. This school will serve children in grades K–8 from faculty families and other members of the Columbia community as well as neighborhood children from families unaffiliated with the University. The upper portion of the building is devoted to apartments for senior faculty, while new retail space is provided at street level.

A continuing area of capital investment on the Morningside campus is the Facilities Renewal program to maintain various building and campus systems, including roofs and windows, and chilled water and steam production and distribution. In the case of three McKim Mead & White buildings, Hamilton Hall, Chandler Hall, and Avery Hall, projects upgrading the buildings' infrastructure were coupled with school-funded initiatives to improve classrooms, laboratories, and student and public spaces. A fourth major project addressed building systems in Low Memorial Library, home to the University's central administration. The balance of fiscal 2002–2003 capital spending on the Morningside campus funded improvements to libraries, technology, student services, and miscellaneous assets.

Of the $67 million invested in capital projects on the Health Sciences campus during fiscal year 2003, $32 million supported academic and research related projects, including $16 million for the continued renovation of the former Psychiatric Institute building, the new home of the Mailman School of Public Health. Work included façade improvements, additional sprinkler piping, and the extension of vertical plumbing and electrical risers throughout the building, while several floors received interior fitouts to accommodate researchers and staff. Construction also continued at the Irving Cancer Research Center, the third building in the Audubon Biomedical Sciences and Technology Park. With thirteen floors above grade (and three below grade for parking), this 300,000 square foot building will double the University's laboratory space for cancer research and create room to expand its growing genetics program. Funds were also expended on infrastructure improvements to the campus, including extensive plaza and sidewalk reconstruction.

A third major component of capital spending, $72 million in spending to expand available housing, included the completion of the renovation of a six-story residential building at 44 Morningside Drive, the completion of Lenfest Hall, a new building that will provide 211 units for Law School students, as well as the construction of apartments in the multiuse building at 110th Street and Broadway, and the start of construction of a residential building at 103rd Street and Broadway to house junior faculty and graduate students. Improvement to existing Institutional Real Estate (IRE) properties, which currently house approximately 7,200 students, faculty, postdoctoral fellows, and administrators, accounted for $26 million in spending. The fourth and final category of capital expenses was $17 million to acquire new properties that may accommodate future space needs of the University.

Capital Financing

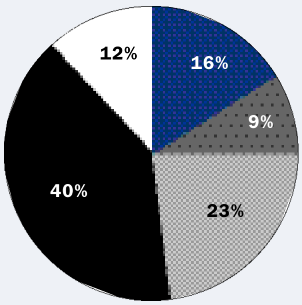
At the close of fiscal year 2003, the University had debt outstanding of $942.6 million, which has principally funded capital construction, major building rehabilitations, equipment, and information technology expenditures. The total represents an increase of $88.1 million or 10.3 percent over the prior year. Tax-exempt debt issued to fund construction and equipment needs accounts for 68.9 percent of that $942.6 million total, and taxable debt for these same purposes, 29.3 percent of the total. The remaining 1.8 percent is tax-exempt bonds supporting student loans. Generally, the proceeds of external borrowing are allocated to schools and departments based on their capital needs and their ability to pay debt service, although, where appropriate, the central University budget may pay some or all of the costs of servicing debt on a project.

The University increased its exposure to variable-rate debt during fiscal year 2003. In December 2002, the University financed the construction of a state-of-the-art library storage facility in Princeton, New Jersey, through the New Jersey Economic Development Authority. The $10.6 million tax-exempt variable rate issue was used to cover the University's share of expenses for the joint venture between Columbia University, the New York Public Library, and Princeton University. In March 2003, DASNY Series 2003A and 2003B bonds were issued to finance current capital contribution and renovation projects. The split issue offered $87.8 million of fixed rate bonds and $30.0 million of variable rate bonds. The $128.4 million total of new debt issued during the year, less the scheduled amortization of $40.3 million, accounts for the $88.1 million net increase in long-term debt. At year end, the proportion of the University's debt portfolio consisting of variable-rate debt was 19.6 percent compared with 17.1 percent at the close of the 2001–2002 fiscal year. The average interest rate on the University's debt fell from 4.7 percent at the end of fiscal year 2001–2002 to 4.5 percent at the end of fiscal year 2002–2003.

Investments

The net value of the endowment increased by $105.0 million to $4.343 billion in the year ended June 30, 2003. The total return on the managed assets component of the endowment ($3.956 billion) was 5.3 percent, after deducting outside investment management fees, compared to a 0.3 percent return for the S&P 500 Index, a –6.5 percent return for the EAFE (Europe, Australia & Far East) Index, and a 10.4 percent return for the Lehman Aggregate Bond Index. As shown

Columbia Investment Pool Asset Allocation



June 30, 2003 Asset Sector		June 30, 2002 Asset Sector	
US Equities	16%	US Equities	18%
Foreign Equities	9%	Foreign Equities	9%
Private Equity	23%	Private Equity	23%
Hedge Funds	40%	Hedge Funds	42%
Total Equity	88%	Total Equity	92%
Fixed Income	15%	Fixed Income	13%
Net Cash	–3%	Net Cash	–5%
Total Debt	12%	Total Debt	8%
	100%		100%
Total Assets (in $ billion)	$3.956	Total Assets (in $ billion)	$3.871

Columbia's Investment Pool vs. Market Indices

Annualized Returns for Periods Ended June 30, 2003

	1 Year	3 Years	5 Years	10 Years
Columbia (net)	5.3%	1.5%	6.0%	10.6%
S&P 500 (US stocks)	0.3%	–11.2%	–1.6%	10.0%
EAFE (foreign stocks)	–6.5%	–13.5%	–4.0%	2.8%
Lehman Bond Index (US Bonds)	10.4%	10.1%	7.5%	7.2%

in the second table on the left, the University's annualized return on managed assets for the past five-year and ten-year periods was 6.0 percent and 10.6 percent, respectively.

The managed assets allocation to equities was reduced by four percentage points from 92 percent to 88 percent during fiscal year 2002–2003. Within that equity component, while the allocations to foreign stocks and private equity stayed constant, at 9 percent and 23 percent, respectively, the allocation to US equities dropped from 18 percent to 16 percent, and hedge funds were reduced by two percentage points from 42 percent to 40 percent. The fixed income allocation among managed assets increased by two percentage points from 13 percent to 15 percent. Cash, net of leverage, also increased by two percentage points from –5 percent to –3 percent.

In Summary

University operations in the year ending June 30, 2003, continued to show a vigorous commitment to the current and future excellence of Columbia's scholarly community and the campuses, which are home to it. Strong flows of net tuition income and government grants for research, attracted by the promise of that excellence, have kept the University's academic activities in fiscal balance. The University supplemented alumni gifts and external borrowing with the investment of operating reserves to address its long-term needs for space. Accommodating the expanding teaching and research activities of Columbia faculty has been and remains a central objective of financial management at the University.

John Masten
Executive Vice President for Finance

BALANCE SHEET

at June 30, 2003, with Comparative 2002 (in thousands of dollars)

	University Operations	Long-Term Investments	Plant	Total 2003	Total 2002
Assets					
Cash and cash equivalents	$379,724	$8,454		$388,178	$429,698
Accounts receivable, net:					
Government agencies	71,933			71,933	61,880
Patient receivables	81,650			81,650	86,940
Other	155,058		$913	155,971	121,025
Investment income receivable, net	4,939			4,939	8,610
Receivable for securities sold		62,642		62,642	21,355
Pledges receivable, net	46,355	81,113	52,871	180,339	180,342
Student loans receivable, net	68,400			68,400	72,794
Investments, at market	129,571	4,681,486		4,811,057	4,674,417
Cash and securities held in trust by others	2,796		160,612	163,408	151,341
Land, buildings, and equipment, net			1,470,346	1,470,346	1,351,474
Other assets	38,313		7,392	45,705	42,765
Net assets held by CPMC Fund, Inc.		85,936		85,936	89,392
Interest in perpetual trusts held by others		116,430		116,430	120,441
Interfund advances	168,875		(168,875)		
Total assets	$1,147,614	$5,036,061	$1,523,259	$7,706,934	$7,412,474
Liabilities					
Accounts payable and accrued expenses	$209,707		$36,170	$245,877	$210,263
Liabilities for securities purchased	273	$9,766		10,039	7,236
Liabilities for funds borrowed under repurchase agreements		200,000		200,000	200,000
Prepaid tuition and other deferred credits	59,855			59,855	53,385
Deferred grant revenue	10,124		21,066	31,190	31,528
Refundable advances	106,210			106,210	100,704
Federal student loan funds	63,258			63,258	61,466
Postemployment benefits payable	36,130			36,130	33,909
Postretirement benefits payable other than pensions	7,305			7,305	7,207
Actuarial liability for split interest agreements		27,198		27,198	27,373
Bonds and notes payable	17,134	172,467	753,047	942,648	854,546
Total liabilities	509,996	409,431	810,283	1,729,710	1,587,617
Net Assets					
Unrestricted	590,205	2,899,544	660,105	4,149,854	4,011,135
Temporarily restricted	46,355	481,289	52,871	580,515	625,658
Permanently restricted	1,058	1,245,797		1,246,855	1,188,064
Total net assets	637,618	4,626,630	712,976	5,977,224	5,824,857
Total liabilities and net assets	$1,147,614	$5,036,061	$1,523,259	$7,706,934	$7,412,474

See accompanying Notes to Financial Statements.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2003, with Comparative 2002 (in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2003	Total 2002
Operating activities					
Revenues and support					
Tuition and fees	$526,469			$526,469	$490,647
Less financial aid grants	(144,207)			(144,207)	(132,709)
Net tuition and fees	382,262			382,262	357,938
Government grants, and contracts:					
Direct	405,039			405,039	374,770
Indirect	126,949			126,949	112,306
Private gifts, grants, and contracts:					
Direct	199,096	$31,488		230,584	221,246
Indirect	10,472			10,472	9,740
Revenue from other educational and research activities	288,588			288,588	320,741
Medical faculty practice plan income	316,933			316,933	308,809
Investment income and gains utilized	232,549	320		232,869	229,093
Sales and services of auxiliary enterprises	68,978			68,978	64,425
State aid	3,066			3,066	3,526
Other sources	8,651			8,651	6,147
Net assets released from restrictions	61,990	(61,990)			
Total operating revenues and support	2,104,573	(30,182)		2,074,391	2,008,741
Expenses					
Instruction, research, and educational administration	1,243,768			1,243,768	1,142,118
Medical faculty practice plan expense	316,019			316,019	305,412
Library	41,391			41,391	39,418
Operation and maintenance of plant	100,668			100,668	92,674
University administration	93,876			93,876	86,447
Auxiliary enterprises	59,991			59,991	56,653
Depreciation expense	119,777			119,777	118,283
Interest expense	35,303			35,303	34,833
Other	27,007			27,007	19,278
Total expenses	2,037,800			2,037,800	1,895,116
Change in net assets from operating activities	66,773	(30,182)		36,591	113,625
Nonoperating activities					
Endowment gifts			$61,957	61,957	64,705
Current year realized and unrealized capital gains (losses)	204,788	14,147	(2,240)	216,695	(97,079)
Prior endowment appreciation utilized	(140,739)	(26,706)		(167,445)	(136,543)
Change in net assets held by CPMC Fund, Inc.	(3,964)		508	(3,456)	1,394
Change in funds held by others in perpetuity			(4,011)	(4,011)	1,111
Present value adjustment to split interest agreements		(2,402)	2,577	175	3,639
Additional minimum pension liability	(8,760)			(8,760)	
Other	20,621			20,621	
Change in net assets from nonoperating activities	71,946	(14,961)	58,791	115,776	(162,773)
Change in net assets	138,719	(45,143)	58,791	152,367	(49,148)
Net assets at beginning of year	4,011,135	625,658	1,188,064	5,824,857	5,874,005
Net assets at end of year	$4,149,854	$580,515	$1,246,855	$5,977,224	$5,824,857

See accompanying Notes to Financial Statements.

STATEMENT OF CASH FLOWS

Years Ended June 30, 2003 and 2002 (in thousands of dollars)

	Total 2003	Total 2002
Cash flows from operating activities		
(Includes adjustments to reconcile change in net assets to net cash provided by operating activities):		
Change in net assets	$152,367	($49,148)
Depreciation and amortization	119,777	118,283
Realized and unrealized (gains) losses	(216,695)	97,079
Contributions restricted for permanent investment, plant, and split interest agreements	(71,567)	(76,580)
Present value adjustments to split interest agreements	(175)	(3,639)
Accreted interest on bonds	2,625	2,522
Investment income net of payments on split interest agreements	931	887
Change in fair value of net assets held by CPMC Fund, Inc.	3,456	(1,394)
Change in fair value of interest in perpetual trusts held by others	4,011	(1,111)
Change in operating assets and liabilities:		
Accounts receivable, net	(39,709)	(42,179)
Investment income receivable, net	3,671	2,220
Pledges receivable, net	3	575
Other assets	(2,940)	(9,159)
Accounts payable and accrued expenses	35,614	58,090
Prepaid tuition and other deferred credits	6,470	11,745
Deferred grant revenue	(338)	762
Refundable advances	5,506	19,262
Postemployment benefits payable	2,221	3,395
Postretirement benefits payable other than pensions	98	2,336
Net cash provided by operating activities	5,326	133,946
Cash flows from investing activities		
Proceeds from sale of investments	4,699,755	3,569,359
Purchase of investments	(4,549,062)	(3,487,148)
Collections from student notes	15,693	11,002
Student notes issued	(11,299)	(8,207)
Purchases of institutional real estate	(109,122)	(93,578)
Purchases of plant and equipment	(238,649)	(238,360)
Net cash used by investing activities	(192,684)	(246,932)
Cash flows from financing activities		
Proceeds from contributions for:		
Investment in endowment	54,275	61,604
Investment in plant	14,097	13,883
Investment in split interest agreements	3,195	1,093
Investment income on split interest agreements	2,080	2,489
Payments on split interest agreements	(3,011)	(3,376)
Repayment of bonds and notes payable	(42,883)	(57,546)
Proceeds from bond issuance	116,293	125,788
Net change in federal student loan funds	1,792	2,763
Net cash provided by financing activities	145,838	146,698
Net change in cash and cash equivalents	(41,520)	33,712
Cash and cash equivalents at beginning of year	429,698	395,986
Cash and cash equivalents at end of year	$388,178	$429,698
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$41,565	$38,191

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

(in thousands of dollars)

1. Organization

The Trustees of Columbia University in the City of New York (the "University") is a privately endowed, nonsectarian, not-for-profit institution of higher education. Encompassing sixteen undergraduate, graduate, and professional schools, the University provides instruction at these levels, performs research, training, and other services under grants and contracts with agencies of the Federal Government and other sponsoring organizations, and provides professional medical services to patients at various hospitals and other health care facilities. The University has approximately 3,000 full-time faculty, 2,000 of these in the Health Sciences Division, the center of University-provided medical services, and 23,000 full-time and part-time students. The University's programs and research are concentrated on two sites in New York City and extend throughout the globe.

2. Summary of Significant Accounting Policies

The significant accounting policies of the University are as follows:

Basis of Consolidation

The accompanying financial statements include the accounts of all divisions of the University (except Barnard College and Teachers College, corporations for which the University has no financial or administrative responsibility). The statements include the accounts of Columbia University Press, a not-for–profit corporation over which the University has substantial managerial and financial control. The financial statements also reflect the University's share of net assets held by Columbia Presbyterian Medical Center Fund, Inc. (CPMC), a not-for-profit corporation that exists to solicit gifts for the University and the NewYork-Presbyterian Hospital. The University is also the sole corporate member of two not-for-profit physician private practice entities and, as such, consolidates these entities into the University's financial statements.

Accrual Basis

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

Basis of Presentation

The University maintains its accounts based on the principles of fund accounting, which classifies resources into separate accounts to maintain the integrity of restrictions placed on the use of those funds by a donor or grantor. For reporting purposes, the University groups funds into the following categories on its Balance Sheet. The three categories are:

Operations—Funds that constitute the resources designated for current period activities.

Long-term Investments—Funds that constitute the University's endowment and similar funds. These include the corpus of permanently restricted gifts, reinvested gains and income, and board-designated endowments and other assets. Long-term investments include assets owned by certain Delaware limited liability companies that are wholly owned by the University.

Plant—Funds that include the University's capital assets, resources designated for capital acquisition, and associated liabilities.

The University prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Net assets, revenues, expenses, gains, and loses are classified into three categories based on the existence or absence of donor-imposed restrictions. The net asset categories are:

Permanently restricted—resources subject to donor-imposed restrictions requiring that the original contribution be retained inviolate and in perpetuity but permit the use of investment earnings for general or specific purposes. The primary component of these assets is true endowments whose appreciation is either restricted to specific uses, such as support of financial aid or a faculty chair, or else is available for general university purposes.

Temporarily restricted—resources subject to donor-imposed restrictions that will be met by actions of the University or the passage of time. These net assets are primarily comprised of gifts in the form of cash or pledges for specific purposes, such as financial aid, capital construction or research activities, and the unspent net realized and unrealized gains and net reinvested income generated by permanently restricted assets subject to donor-imposed restrictions on their use.

Unrestricted—resources, including plant funds, which are not subject to donor-imposed restrictions.

Revenues and Expenditures

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

Operating Measurement

The University divides its Statement of Activities into operating and nonoperating activities. The operating activities of the University include all income and expenses related to carrying out its educational mission. Operating revenues include investment income and investment gains used 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 a charge for endowment appreciation used to fund operations and current year realized gains on investments. Nonoperating activities also report new gifts to endowment, changes in net assets held by CPMC Fund, Inc., changes in perpetual trusts held by others and present value adjustments to annuities payable. To the extent nonoperating revenues are needed for operations, they are reclassified to operations on the Statement of Activities.

Principal components of the change in net assets resulting from operations for the years ended June 30, 2003 and 2002, were:

	2003	2002
Change in net assets to support operations	($14,937)	$26,811
Change in net assets invested long term	1,283	49,905
Change in net assets to support plant	50,245	36,909
Change in net assets	$36,591	$113,625

Investments

The University's investments consist of publicly traded fixed income and equity securities, hedge fund investments ("Hedge Funds"), private equity investments ("Private Equity Funds"), real estate investments, and cash. All investments are stated at fair value as of June 30, 2003 and 2002.

The University records purchases and sales of securities on a trade-date basis. Realized gains and losses are determined on the basis of average cost of securities sold and are reflected in the Statement of Activities. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis. The market value of the managed real estate investments is determined by the unaffiliated investment manager or general partner. The University's management may, in addition, consider other factors in assessing the fair value of these investments.

The University, through managed accounts and investment in Hedge Funds, may invest in both long and short securities and other financial instruments, including derivatives and may utilize varying degrees of leverage.

The University is subject to market risk and credit risk via its investments. Market risk is the potential loss the University may incur as a result of changes in the value of a particular investment held by the University or through the Hedge Funds and Private Equity Funds. For example, the University, through Hedge Funds, sells securities not yet purchased, which represent obligations to deliver specified securities at contracted prices and thereby create a liability to repurchase the securities at prevailing future market prices. Credit risk is the possibility that a loss may occur from the failure of the counterparty or an issuer to make payments according to the terms of a contract. The University is subject to credit risk for example not only through its investments in fixed income securities but through investments in Hedge Funds and Private Equity Funds.

The University also uses various financial instruments with off balance sheet risk either through direct investment or through investments in Hedge Funds. These include foreign exchange contracts, futures contracts, options contracts, and swap contracts. They are carried in the financial statements at fair value. Futures, options, forward contracts, and swap contracts are either traded on organized exchanges or entered into with financial institutions.

Contributions

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

Medical Faculty Practice Plan Income

The University provides medical care to patients via faculty in the Health Sciences Division, primarily under agreements with third-party payers (Medicare, Medicaid, and commercial insurance). Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers that are subject to final review and settlement. The University estimates contractual adjustments from other third-party payers based on historical experience and the terms of payer contracts or governmental reimbursement regulations.

	2003			2002		
Expenses	Expense per Statement of Activities	Allocation	Final Allocated Expenses	Expense per Statement of Activities	Allocation	Final Allocated Expenses
Instruction, research, and educational administration	$1,243,768	$177,522	$1,421,290	$1,142,118	$162,620	$1,304,738
Medical faculty practice plans	316,019	13,323	329,342	305,412	10,327	315,739
Library	41,391	35,914	77,305	39,418	34,336	73,754
Operation and maintenance of plant	100,668	(100,668)		92,674	(92,674)	
University administration	93,876	18,019	111,895	86,447	22,158	108,605
Auxiliary enterprises	59,991	10,870	70,861	56,653	10,736	67,389
Depreciation expense	119,777	(119,777)		118,283	(118,283)	
Interest expense	35,303	(35,303)		34,833	(34,833)	
Other	27,007	100	27,107	19,278	5,613	24,891
Total expense	$2,037,800		$2,037,800	$1,895,116		$1,895,116

Expense Allocation by Program

Expenses are reported for the University's primary program activities, for example, instruction, research, and educational administration, and medical faculty practice plans. The financial statements also report expenditures that support more than one major program of the University. These expenses, which include operation and maintenance of plant, depreciation expense, and interest expense, are allocated to the major programs of the University as shown in the above chart.

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

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2002 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 financial statements for 2002. 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 financial statements for the year ended June 30, 2002. In addition, certain amounts in the summarized financial statements for fiscal year 2002 have been reclassified to conform to the fiscal year 2003 presentation.

3. Cash and Cash Equivalents

Cash and cash equivalents consist primarily of funds deposited into cash management accounts, which are available to the University on demand.

Summary of Investments

At June 30, 2003 and 2002

	Fair Value 2003	Fair Value 2002
Assets		
U.S. public equities and U.S. equity mutual funds	$504,048	$575,693
Foreign public equities and foreign equity mutual funds	336,090	344,531
Private equity (limited partnerships)	932,035	889,358
Hedge funds (limited partnerships and corporations)	1,595,733	1,618,976
Fixed income and fixed income mutual funds	609,201	579,263
Cash and cash equivalents	172,469	152,303
Other	2,581	14,559
Total investment portfolio	4,152,157	4,174,683
Institutional real estate	737,048	579,100
Total investment assets	4,889,205	4,753,783
Liabilities		
Investments held for CPMC	(78,148)	(79,366)
Total investment liabilities	(78,148)	(79,366)
Total investments, net of related liabilities, at fair value	$4,811,057	$4,674,417
Additional balance sheet information:		
Receivable for securities sold	$62,642	$21,355
Liabilities for securities purchased	(10,039)	(7,236)
Liabilities for funds borrowed under repurchase agreements	(200,000)	(200,000)

4. Investments

Long-term investments include the Investment portfolio and institutional real estate. As the main component of long-term investments, the University's endowment and similar funds include the corpus of permanently restricted gifts as well as reinvested gains and income and board-designated endowments. At June 30, 2003 and 2002, the endowment and similar funds amounted to $4,343.2 million and $4,238.2 million, respectively.

A summary of investments at June 30, 2003 and 2002, appears above:

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

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

Private Equity (Limited Partnerships) and Hedge Funds

Limited partnership interests include investments in investment funds and real estate. Private Equity Funds do not have readily ascertainable market values and may be subject to withdrawal restrictions. Therefore, Private Equity Funds are stated at fair value as determined in good faith by the University. The University understands that investments in Private Equity Funds are valued in accordance with valuations provided by the general partners of the underlying partnerships. As a rule, the general partners will initially value investments held by the Private Equity Funds at cost and require that changes in value be established by meaningful third-party transactions or a significant impairment in the financial condition or operating performance of the issuer, unless meaningful developments occur that otherwise warrant a change in the valuation of an investment. Such values usually represent the University's proportionate share of the net assets of the Private Equity Funds as reported by the general partners of the underlying partnerships. The values of the investments in the underlying partnerships are usually increased by additional contributions to the underlying partnerships and the University's share of net earnings from the underlying partnerships and decreased by distributions from the underlying partnerships and the University's share of net losses from the underlying partnerships.

Hedge Funds are stated at fair value as determined in good faith by the University. The University understands that investments in Hedge Funds are valued in accordance with valuations provided by the general partners of the underlying partnerships. Hedge Funds do not have readily ascertainable market values and may be subject to withdrawal restrictions. The fair value of the Hedge Funds represents the amount the University expects to receive at June 30, 2003 and 2002, if it were to liquidate its investments in the Hedge Funds.

The University is obligated under certain limited partnership investment fund agreements to advance additional funding periodically up to specified levels. At June 30, 2003, the University had unfunded commitments of $617 million, which are likely to be called through 2007.

Cash Equivalents

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

Institutional Real Estate

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

Repurchase Agreements

University investments include $200 million of repurchase agreements outstanding with a weighted average borrowing rate of 3.3 percent and a weighted average remaining maturity of 219 days as of June 30, 2003. All maturities of the repurchase agreements are greater than 120 days. The government securities actually pledged had an estimated fair value of $215 million as of June 30, 2003.

Off Balance Sheet Risks

At June 30, 2003, the contract or notional amounts of these financial instruments, as listed below but not included in the Balance Sheet, are:

	Notional Amount	
Futures	Purchased	Sold
Equity futures	$185,064	$0

Foreign exchange contracts	Open Value ($US)
Foreign exchange payables	$4,629
Foreign exchange receivables	4,629

Investment Portfolio Return and Investment Income

The net time-weighted rate of return of the investment portfolio, excluding separately invested endowments and split-interest agreements was 5.3 percent for the fiscal year ended June 30, 2003, and (2.0) percent for the year ended June 30, 2002.

5. Endowment Spending Rule

The University regulates the annual amounts made available from the endowment for support of University operations through a spending rule that balances current needs against the preservation of the purchasing power of the merged investment pool. The amount budgeted in conformity with the University's spending policy is a component of investment income and gains utilized on the Statement of Activities.

	2003	2002
Investment income (net of fees)	$22,925	$44,532
Prior endowment appreciation utilized	167,445	136,543
Amount distributed per the University's spending policy	$190,370	$181,075

6. Tuition and Fees

Tuition and fees include revenues derived from degree programs as well as executive and continuing education programs. Financial aid awards were in the form of direct grants, loans, and employment during the academic year. The financial aid displayed is only that which covers a student's tuition charges.

7. Accounts Receivable

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

	2003	2002
Government agencies	$78,433	$65,880
Patient receivables	175,066	161,781
NewYork-Presbyterian Hospital	48,732	39,079
Patent and licensing	17,511	
Student receivables	18,409	17,082
Other receivables, gross	82,524	75,830
Subtotal	420,675	359,652
Less: Allowance for doubtful accounts	(111,121)	(89,807)
Accounts receivable, net	$309,554	$269,845

The University receives funding or reimbursement from Federal Government agencies for sponsored research under government grants and contracts. These grants and contracts provide for reimbursement of indirect costs based on rates negotiated with the Department of Health and Human Services, the University's cognizant federal agency. The University's indirect cost reimbursements have been based on fixed rates with carryforward of under or over recoveries.

Patient receivable for medical services are net of an allowance for contractual reserves in the amount of $105 million and $104 million at June 30, 2003 and 2002, respectively.

The University engages in numerous research projects, partially or fully sponsored by governmental and private funds. Patents created by these projects generate revenue to the University principally from licensing patents or from equity positions in various private companies in return for sale of patents. Revenue derived from these activities was approximately $141 million and $168 million in fiscal year 2003 and fiscal year 2002, respectively. Costs incurred in the development of patents and licenses are charged to operating expense as incurred.

8. Student Loans Receivable

Student loans receivable include donor-restricted and federally-sponsored student loans with mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition. Interest accrues at fixed rates upon loan initiation. Amounts received from the Federal Government to fund a portion of the Perkins student loans are ultimately refundable to the Federal Government and have been reported as refundable advances. Student loans receivable are as follows:

	2003	2002
Perkins Loan Program	$47,449	$49,455
Other student loans	25,353	27,993
Subtotal	72,802	77,448
Less: Allowance for doubtful accounts	(4,402)	(4,654)
Student loans receivable, net	$68,400	$72,794

9. Contributions Receivable

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

The June 30 balances of unconditional promises to give are:

	2003	2002
Less than one year	$76,084	$81,434
One to five years	118,246	105,014
More than five years	42,884	58,174
Total unconditional promises	237,214	244,622
Less:Allowance for uncollectible contributions	(26,275)	(24,056)
Less:Net present-value discount	(30,600)	(40,224)
Net pledges receivable	$180,339	$180,342

New pledges recorded in fiscal years 2003 and 2002 were discounted at average annual rates of 1.8 percent and 3.3 percent, respectively.

Pledges receivable at June 30, 2003 and 2002, are intended for the following purposes:

	2003	2002
Endowment for educational and general purposes	$81,113	$73,431
New construction and modernization of plant	52,870	53,214
Support of current operations	46,356	53,697
Net pledges receivable	$180,339	$180,342

10. Land, Buildings, and Equipment

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

	2003			2002		
	Total Assets	Accumulated Depreciation	Net Assets	Total Assets	Accumulated Depreciation	Net Assets
Land	$13,076		$13,076	$13,076		$13,076
Building and building improvements	2,096,367	$765,229	1,331,138	1,900,871	$689,757	1,211,114
Equipment	341,051	214,919	126,132	297,897	170,613	127,284
Total	$2,450,494	$980,148	$1,470,346	$2,211,844	$860,370	$1,351,474

The University uses componentized depreciation to calculate depreciation expense for buildings and building improvements. Under the componentized depreciation method, building costs are segregated into component categories with useful lives ranging from ten to forty years and depreciated on a straight-line basis. Upon disposal of assets, the costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is included in operations.

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

11. Interest in Perpetual Trusts and Split-Interest Agreements

Interest in Perpetual Trusts

The University is the beneficiary of certain perpetual trusts and charitable remainder trust held and administered by others. The estimated fair value of trust assets is recognized as assets and as gift revenue when the trusts are established or when reported to the University.

Split-Interest Agreements

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

Contribution revenues for charitable gift annuities and charitable remainder trusts are recognized at the dates the agreements are established. In addition, the present value of the estimated future payments to be made to the beneficiaries under these agreements are recorded as liabilities. Changes in the difference between the present value liabilities adjustment and the fair value of the underlying assets are recorded as a nonoperating activity.

For pooled income funds, contribution revenue is recognized upon establishment of the agreement at the fair value of the estimated future receipts, discounted for the estimated time period until culmination of the agreement.

12. Self-Insurance Liabilities

In connection with managing financial risks through various third-party insurance programs, the University is self-insured for 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 reserves of approximately $28 million and $24 million as of June 30, 2003 and 2002, respectively.

13. Postemployment Benefits and Compensated Absences

Postemployment benefits are those benefits 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 fiscal 2003 and 2002, the University recognized actuarially computed liabilities of $17.9 million and $16.6 million, respectively, relating to the following benefits: workers' compensation, short-term disability, and continuation of medical benefits for those on long-term disability.

The University has recorded an estimated liability for accrued vacation of $18.2 million at June 30, 2003, and $17.3 million at June 30, 2002.

14. Pension Plans and Other Postretirement Benefits

Pension Plans

Retirement benefits are provided for full-time faculty and officers under a noncontributory defined contribution plan. Contributions are determined as a percentage of each covered employee's salary, factoring in the age and accrued service of each employee. Charges to expenditures under this plan amounted to $52.7 million and $47.2 million for the years ended June 30, 2003 and 2002, respectively.

The University has four noncontributory pension plans for supporting staff employees. Two of these plans are defined benefit plans for both past and future service. The other two plans provide defined benefits for service prior to January 1, 1976, in one case, and prior to July 1, 1976, in the other, and defined contributions for service thereafter.

All four of these plans are subject to collective bargaining agreements. Charges to expenditures under the four supporting staff pension plans amounted to $3.0 million and $3.2 million for the years ended June 30, 2003 and 2002, respectively. The components of pension expense for these defined benefit and contribution plans for the years ended June 30, 2003 and 2002, are as follows:

	2003	2002
Service cost—benefit earned during the period	$1,893	$1,662
Interest cost on projected benefit obligation	4,360	4,141
Expected return on assets	(6,203)	(5,932)
Net amortization:		
Prior service cost	45	45
Net actuarial cost		(126)
Transition amount	(237)	(337)
Defined contribution	3,136	3,774
Total pension expense	$2,994	$3,227

The reconciliations of the projected benefit obligation of the defined benefit plans at June 30, 2003 and 2002, are as follows:

	2003	2002
Benefit obligation, beginning of year	$61,430	$57,917
Service cost	1,894	1,662
Interest cost	4,360	4,141
Assumption changes and actuarial loss/(gain)	9,821	1,324
Net disbursements and transfers	(3,616)	(3,614)
Benefit obligation, end of year	$73,889	$61,430

In connection with the benefit obligation calculated above, two out of the four plans are required to record $8.7 million additional minimum pension liabilities as of June 30, 2003. The minimum liabilities resulted from the fair value of the invested assets being less than the accumulated benefit obligation. The University has recognized this cost as a nonoperating expense.

The reconciliations of the fair value of the defined benefit plans' assets at June 30, 2003 and 2002, are as follows:

	2003	2002
Fair value of assets, beginning of year	$64,958	$69,991
Actual return on plan assets	2,005	(5,320)
Employer contributions	330	3,901
Net disbursements and transfers	(3,616)	(3,614)
Fair value of assets, end of year	$63,677	$64,958

Actuarial assumptions	2003	2002
Liability discount rate	6.0%	7.0%
Investments return compounded annually	8.0%	8.0%
Salary increase rate, where applicable	5.5%	5.5%

Postretirement Health Care and Life Insurance Benefits

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

The components of postretirement benefits other than pensions for the years ended June 30, 2003 and 2002, are as follows:

	2003	2002
Service cost	$4,003	$3,672
Interest cost on projected benefit obligation	8,762	8,828
Expected return on assets	(3,687)	(3,613)
Amortization of transition obligation	2,057	2,057
Amortization of prior service cost	747	642
Amortization of unrecognized net losses	1,942	1,896
Total postretirement benefit expense	$13,824	$13,482

The University funds current charges as incurred and is funding the unrecorded postretirement benefit obligation under the plans over a twenty-year period, which began in 1994. The reconciliations of the funded status of the plans at June 30, 2003 and 2002, are as follows:

	2003	2002
Accumulated postretirement benefit obligation	$146,826	$131,133
Fair value of assets	(55,019)	(46,083)
Plan assets in deficit of projected benefit obligation	91,807	85,050
Unrecognized net transition asset	(20,569)	(22,626)
Unrecognized prior service cost	(4,765)	(4,376)
Unrecognized net gain	(59,168)	(50,841)
Accrued costs	$7,305	$7,207

The reconciliations of the accumulated postretirement benefit obligation (APBO) at June 30, 2003 and 2002, are as follows:

	2003	2002
APBO, beginning of year	$131,133	$111,096
Service cost	4,003	3,672
Interest cost	8,762	8,828
Plan amendment	1,136	
Assumption changes and actuarial loss	8,311	13,812
Net disbursements	(6,519)	(6,275)
APBO, end of year	$146,826	$131,133

The reconciliations of the fair value of plan assets at June 30, 2003 and 2002, are as follows:

	2003	2002
Fair value of assets, beginning of year	$46,083	$45,165
Actual return on assets	1,729	(3,953)
Employer contributions	7,207	4,871
Fair value of assets, end of year	$55,019	$46,083

The accumulated postretirement benefit obligation was determined using a discount rate of 6.0 percent at June 30, 2003, and 7.0 percent at June 30, 2002. As of June 30, 2003, the health care cost trend rate was assumed to be 9.0 percent for fiscal year 2004. The health care cost trend rate assumption has a significant effect on the amounts reported. Increasing the assumed health care cost trend rate by one percent in each year would increase the APBO as of June 30, 2003, by $13.4 million and increase the aggregate of the service cost and interest cost components of the net postretirement benefit costs for 2003 by $1.4 million. Decreasing the assumed health care cost trend rate by one percent in each year would decrease the APBO as of June 30, 2003, by $11.1 million and decrease the aggregate of service cost and interest cost for fiscal year 2003 by $1.2 million.

15. Bonds and Notes Payable

Bonds and notes payable outstanding at June 30 included the following:

	2003	2002
Dormitory Authority of the State of New York, Revenue Bonds, Columbia University Issues:		
Series 2003A, 3.00% to 5.125%, maturing 2024	$87,775	
Series 2003B, variable rate, 1.05%, maturing 2028	30,000	
Series 2002B, 3.50% to 5.375%, maturing 2024	94,375	$96,700
Series 2002C, variable rate, 0.95% to 1.00%, maturing 2027	23,300	23,300
Series 2002A, 2.00% to 5.25%, maturing 2014	34,105	34,245
Series 2000A, 4.00% to 5.25%, maturing 2025	113,915	116,755
Series 1998, 4.25% to 5.50%, maturing 2022	69,450	71,590
Series 1994A, 4.00% to 5.75%, maturing 2014	117,395	125,510
Series 1992, 5.00% to 5.75%, maturing 2007	15,010	20,445
Dormitory Authority of the State of New York, Tax-exempt Commercial Paper Series 1997, variable rate, 1.00% to 1.55%, final maturity 2015	54,020	55,780
New Jersey Economic Development Corporation Series 2002, variable rate, 0.95%, final maturity 2028	10,430	
United States Department of Education Housing Program Issues:		
1991, 5.50%, maturing 2021	1,997	2,060*
1990, 3.00%, maturing 2020	2,458	2,568*
Medium-Term Notes, Taxable Series B 8.65%, maturing 2003		10,000
Medium-Term Notes, Taxable Series C 6.10% to 7.36%, maturing 2021	183,800	189,300
Empire State Development Corporation Issues:		
Interest-free, maturing 2029	9,163	9,259
Interest-free, maturing 2010	5,044	4,714
Economic Development Corporation Interest-free, maturing 2010	6,227	5,820
Taxable commercial paper, variable rate, 1.28% to 1.85%, due 2003	67,050	67,050
Dormitory Authority of the State of New York, College and University Education Loan Revenue Bonds		
Series 1993, 4.60% to 5.65%, maturing 2013	9,692	11,029
Series 1992, 6.60% to 6.80%, maturing 2013	7,442	8,421
Total	$942,648	$854,546

**Principal fully collateralized by investments.*

Principal payments over the next five years are as follows: 2004, $27.9 million; 2005, $32.6 million; 2006, $32.0 million; 2007, $32.9 million; 2008, $33.7 million. Aggregate principal payments thereafter (through 2029) are $783.5 million.

The University may offer from time to time up to $400.0 million aggregate principal amount of Medium-Term Notes. As of June 30, 2003, $183.8 million was outstanding. The University also has a $100.0 million taxable commercial paper program. As of June 30, 2003, $67.1 million was outstanding.

The University issues most of its tax-exempt debt through the Dormitory Authority of the State of New York ("DASNY"). Recent bond sale proceeds, including the $87.8 million Series 2003A, $30.0 million Series 2003B bonds, $96.7 million Series 2002B bonds, and $23.3 million Series 2002C bonds, were used to finance various construction and renovation projects. The Series 2002A bonds were issued to current refund DASNY's Columbia University Revenue Bonds, Series 1992 term bonds, maturing on and after July 1, 2008.

The University has certain financial and administrative covenants with which it is in compliance as of June 30, 2003.

16. Fair Value of Financial Instruments

The University is required to disclose the estimated fair values of financial instruments. Financial instruments are defined as cash, an equity investment in an enterprise or a contract that conveys to one counterparty the right to receive cash (or the equivalent in another financial instrument), while binding the other counterparty to deliver cash or another financial instrument of equivalent value. Fair value is defined as the price at which a financial instrument could be liquidated in an orderly manner over a reasonable time period under present market conditions.

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

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

Cash and Cash Equivalents

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

Investment Assets, Net of Related Liabilities

The University accounts for its investments on a market value basis with the exception of mortgage loans, which are valued at amortized principal. The carrying value of these investments approximates fair value.

Bonds and Notes Payable

At June 30, 2003, the University's bonds and notes payable had a carrying amount of approximately $942.6 million, compared to an estimated fair value of $1,044.3 million. The estimated fair value of bonds and notes payable was calculated using a discounted cash flow method, where the estimated cash flows were based on contractual principal and interest payments. The discount rates used were based on the University's borrowing rate for similar obligations. Fair values represent the lower of the estimated value at call or maturity of each respective issue.

Student Loans Receivable

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

17. Related Party Transactions

The University maintains several clinical and education affiliation agreements with other organizations. Revenues and expenses from these agreements are accounted for in the operations segment of the Statement of Activities. The most significant affiliation agreement is with the NewYork-Presbyterian Hospital ("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 medical, professional, and supervisory staff, and various other technical assistance and is reimbursed by NYPH. NYPH provides funding to the clinical departments for several specific purposes, including administration, supervision, and teaching of the NYPH resident staff and salary support for faculty and staff providing services to NYPH. In addition, NYPH provides partial funding for clinical programs that the University and NYPH would like to see developed or expanded. NYPH also provides the departments with certain facilities and services (outpatient faculty practice offices, nursing, telecommunications, etc.) for which the University is invoiced on a monthly basis. Finally, the University and NYPH collaborate and fund joint projects for which specific agreements are negotiated.

The University and NYPH negotiated a joint budget, which forms the basis for the reimbursement agreement. The final fiscal year 2003 joint budget was approximately $82 million. The payments to NYPH for goods and services were $75 million. The revenues received pursuant to this reimbursement arrangement for services rendered are reflected in the financial statements as a portion of receipts from other educational and research activities, and medical faculty practice plan income. NYPH provides the University with the use of certain facilities and certain services and is reimbursed for its costs by the University.

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

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

In addition, the University has financial arrangements with several for-profit physician professional corporations ("PCs") whereby the University provides facilities and other services to these PCs for a negotiated fee. These PCs provide clinical services to patients and are owned and controlled by physicians who are also faculty members of the University. These noncontrolled PCs generated revenue of approximately $37 million during fiscal year 2003, which has not been consolidated into the University's financial statements, since the University does not have any ownership in these PCs or control of their operations. The University is also the sole corporate member of two not-for-profit physician private practice entities and, as such, consolidates these entities into the University's financial statements.

18. Contingencies and Commitments

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

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

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

REPORT OF INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
1177 Avenue of the Americas
New York NY 10036
Telephone (646) 471 4000
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To Board of The Trustees of Columbia University in the City of New York

In our opinion, the accompanying balance sheet and the related 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, 2003, 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's summarized comparative information has been derived from the University's 2002 financial statements and was audited by other independent auditors whose report, dated October 18, 2002, expressed an unqualified opinion on those statements, and are presented for comparative purposes only. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which 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.

PricewaterhouseCoopers LLP

October 17, 2003

TRUSTEES OF THE UNIVERSITY

(As of June 30, 2003)

The names of the Trustees and Trustees Emeriti are listed in the order of their length of service (except for the Chair of the Trustees).

TRUSTEES (continued)

UNIVERSITY ADMINISTRATION

(As of June 30, 2003)

Administrative Officers

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President and University Trustee

Mark Burstein
Vice President for Facilities Management

David H. Cohen
Vice President for Arts and Sciences and Dean of the Faculty of Arts and Sciences

Jonathan R. Cole
Provost and Dean of Faculties

Colleen Crooker
Vice President for Human Resources

Susan K. Feagin
Vice President for University Development and Alumni Affairs

Gerald Fischbach
Executive Vice President for Health and Biomedical Sciences
Dean, Faculty of Medicine
Harold and Margaret Hatch Professor of the University

Patricia L. Francy
Treasurer and Controller

Lisa Hogarty
Vice President for Student Services

Robert Kasdin
Senior Executive Vice President

Elizabeth J. Keefer
General Counsel

Emily Lloyd
Executive Vice President for Government and Community Affairs

June Massell
Vice President for Communications and External Affairs

John Masten
Executive Vice President for Finance

James G. Neal
Vice President for Information Services and University Librarian

Scott Norum
Vice President for Budget and Financial Planning

R. Keith Walton
Secretary of the University

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School of International and Public Affairs

Peter J. Awn
School of General Studies

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Vice President for Arts and Sciences and Dean of the Faculty of Arts and Sciences

Meyer Feldberg
Graduate School of Business

Bruce W. Ferguson
School of the Arts

Gerald D. Fischbach
Dean, Faculty of Medicine
Executive Vice President for Health and Biomedical Sciences
Harold and Margaret Hatch Professor of the University

Zvi Galil
The Fu Foundation School of Engineering and Applied Science

David A. Klatell
Acting Dean, Graduate School of Journalism

Ira B. Lamster
School of Dental and Oral Surgery

David W. Leebron
School of Law

Mary O. Mundinger
School of Nursing

Henry C. Pinkham
Graduate School of Arts and Sciences

Austin E. Quigley
Dean of the Faculty of Columbia College and Associate Vice President for Undergraduate Education

Allan G. Rosenfield
Mailman School of Public Health

Jeanette C. Takamura
School of Social Work

Bernard Tschumi
Graduate School of Architecture, Planning, and Preservation

Frank Wolf
Continuing Education and Special Programs