Prosperity Ithaca

Preliminary Report on Cornell's Fiduciary Responsibility Compared With 14 Peer Institutions

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Summary

Using documents filed with the Internal revenue Service (IRS), we compare the financial health of Cornell University against comparable institutions'. We find that, when examining summary information and specific line items (particularly professional fundraising consulting), Cornell appears to be run with comparable efficiency to peer institutions. For fu ture analysis, we propose a closer examination of Cornell's capital expenditure, management, and deferred maintenance strategies, how the university's priorities relate to its community's preferences, and how both compare to peer institutions.

Questions of Interest

We approached our research with three primary questions:

- Is there an unusually large gap between total revenue and total expenses?
- Does Cornell operate conservatively in comparison to other peer institutions with regards to healthy contingencies that could support some additional expenditures?
- Is Cornell spending an unusual amount on external consultants?

Methodology

Reviewing the most recently disclosed IRS Form 990 filings, we compiled data from Cornell and 14 other peer institutions. Our analysis primarily focused on Part VIII (total revenue), Part IX (total expenses), and Schedule G (Fundraising and Gaming) portions of these documents. Specifically, we collected line item revenues and expenses, as well as total reported figures. Using these total figures, we calculated a contingency rate for each University (total revenue less total expenses per dollar of total revenue) and total return rate (total revenue less total expenses per dollar of net Endowment and assets). We also used this data to reach a rough estimate of how efficiently each institution used outside consultants for fundraising (revenue raised by outside consultants per dollar of fees paid to outside consultants).

Results

As per our assumptions, many of the institutions do operate with quite large contingencies, as per figure 1.1. Cornell University functions with a low contingency, of approximately 5%.We further examined the relationship between revenue less expenses per student, and found that Cornell once again placed with the 4 most efficient institutions.

Examining fundraising consulting fees yielded ratios for each university that outsourced fundraising. Theses figures can be seen in Figure 1. Cornell is again near the top of the list in terms of efficiency, generating $2.77 of net fundraising for every $1.00 dollar spent on outside consultants. Note that a handful of the peer institutions fundraise completely in house, and are therefore exempt from this measurement.

Figure 1

Institution	Revenue Minus Expenses Per Student	Contingency	Endowment	Fundraising to Consulting Fee Ratio
Cornell University	$7,665.01	5.00%	$11,506,007,674.00	$2.77
University of Chicago	$12,174.75	5.89%	$9,703,508,112.00	$2.74
Emory University	$21,225.17	10.38%	$11,036,367,740.00	In House
Georgetown University	$5,308.11	6.93%	$2,571,835,392.00	$0.00
Harvard	$59,925.53	21.55%	$72,763,619,000.00	$38.46
Northeastern University	$5,344.18	8.84%	$2,226,464,071.00	$1.77
Princeton	-$172,693.26*	-851.81%*	$22,272,320,000.00	In House
Rice University	$41,336.05	28.27%	$6,691,304,246.00	$0.91
Stanford	$34,420.96	12.88%	$31,539,947,659.00	$3.39
University of Notre Dame	$31,199.40	23.11%	$10,329,365,602.00	In House
University of Pennsylvania	$31,810.88	13.53%	$14,905,771,000.00	$3.77
Washington University in St. Louis	$12,499.25	7.24%	$1,604,706,197.00	NA
Yale	$30,274.80	10.03%	$28,911,175,542.00	In House

** Princeton realized a $900,000,000 asset depreciation in 2012-2013 that accounts for these values.*

Further Questions

At roughly 5%, any additional expenses without raising additional revenue may threaten the credit worthiness and institutional health of any university. Additional research to find a historical precedent for operating at a lower contingency may illuminate just how rare such a circumstance a sub 5% contingency may be.

Revenue less expense per student can be dramatically affected by the undergraduate to graduate student ratio. Breaking out such populations into more detail may further illuminate additional efficiencies.

While the documents give clear disclosures regarding the net asset value of each institution, a further examination into the composition of those portfolios (land, equities, etc.) for each institution may have some association with contingency rates.

As Princeton's data indicates, a one year snapshot may inadequately represent an institution's longstanding health. Finding historical data will yield more consistent and indicative results.