KPMG

COLGATE UNIVERSITY

Consolidated Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

COLGATE UNIVERSITY

Consolidated Financial Statements

June 30, 2022 and 2021

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Trustees
Colgate University:

Opinion

We have audited the consolidated financial statements of Colgate University (the University), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Albany, New York
October 10, 2022

COLGATE UNIVERSITY

Consolidated Statements of Financial Position

June 30, 2022 and 2021

(In thousands of dollars)

Assets		**2022**	**2021**
Cash and cash equivalents	$	73,238	32,908
Accounts receivable, net		2,521	8,188
Intermediate-term investments		104,756	124,395
Inventories		5,082	4,757
Prepaid expenses and other assets		3,273	2,826
Pledges receivable, net		60,895	47,754
Long-term investments		1,222,695	1,297,673
Land, buildings and equipment, net		461,313	451,716
Funds held in trust by others		14,103	14,954
Total assets	$	1,947,876	1,985,171
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	24,990	24,133
Deposits and deferred revenues		9,885	11,709
Annuities and deferred giving arrangements		17,130	18,316
Postretirement benefits		14,065	17,327
Federal student loan funds		80	325
Conditional asset retirement obligations		11,804	11,597
Long-term debt, net		315,619	324,057
Total liabilities		393,573	407,464
Net assets:			
Without donor restrictions		483,870	489,148
With donor restrictions		1,070,433	1,088,559
Total net assets		1,554,303	1,577,707
Total liabilities and net assets	$	1,947,876	1,985,171

See accompanying notes to consolidated financial statements.

COLGATE UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2022
(with summarized information for the year ended June 30, 2021)

(In thousands of dollars)

	2022 Without donor restrictions	2022 With donor restrictions	2022 Total	2021 Total
Operating revenues:				
Tuition and fees, net of financial aid of $66,566	$ 128,831	—	128,831	120,863
Room and dining income, net of financial aid of $6,605	28,893	—	28,893	24,288
Student revenue	157,724	—	157,724	145,151
Sales and services of auxiliaries	11,425	—	11,425	7,523
Government grants and contributions	686	5,837	6,523	5,826
Private grants and contributions	9,193	6,944	16,137	17,236
Investment return designated for operations	14,148	39,714	53,862	52,380
Other	3,153	551	3,704	2,240
Nonoperating assets used in operations	978	—	978	496
Net assets released from restrictions	51,245	(51,245)	—	—
Total operating revenues	248,552	1,801	250,353	230,852
Operating expenses:				
Instruction and research	84,579	—	84,579	72,913
Athletics	30,862	—	30,862	24,006
Academic support	17,912	—	17,912	17,347
Student services	22,906	—	22,906	27,571
Institutional support	41,545	—	41,545	34,149
Auxiliary operations	39,022	—	39,022	35,155
Total operating expenses	236,826	—	236,826	211,141
Increase in net assets from operating activities	11,726	1,801	13,527	19,711
Nonoperating activities:				
Investment return, less amounts designated for current operations	(24,360)	(76,870)	(101,230)	278,631
Grants and contributions	448	67,605	68,053	49,291
Change in value of split interest agreements	—	(3,984)	(3,984)	7,664
Postretirement benefits	1,323	—	1,323	4,130
Other	(115)	—	(115)	(483)
Net assets released from restrictions	6,166	(6,166)	—	—
Nonoperating assets used in operations	(978)	—	(978)	(496)
Changes in donor intent and other reclassifications	512	(512)	—	—
Increase (decrease) in net assets from nonoperating activities	(17,004)	(19,927)	(36,931)	338,737
Change in net assets	(5,278)	(18,126)	(23,404)	358,448
Net assets:				
Beginning of year	489,148	1,088,559	1,577,707	1,219,259
End of year	$ 483,870	1,070,433	1,554,303	1,577,707

See accompanying notes to consolidated financial statements.

COLGATE UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2021

(In thousands of dollars)

	2021		
	Without donor restrictions	With donor restrictions	Total
Operating revenues:			
Tuition and fees, net of financial aid of $60,423	$ 120,863	—	120,863
Room and dining income, net of financial aid of $4,922	24,288	—	24,288
Student revenue	145,151	—	145,151
Sales and services of auxiliaries	7,523	—	7,523
Government grants and contributions	764	5,062	5,826
Private grants and contributions	9,123	8,113	17,236
Investment return designated for operations	14,445	37,935	52,380
Other	2,011	229	2,240
Nonoperating assets used in operations	496	—	496
Net assets released from restrictions	48,548	(48,548)	—
Total operating revenues	228,061	2,791	230,852
Operating expenses:			
Instruction and research	72,913	—	72,913
Athletics	24,006	—	24,006
Academic support	17,347	—	17,347
Student services	27,571	—	27,571
Institutional support	34,149	—	34,149
Auxiliary operations	35,155	—	35,155
Total operating expenses	211,141	—	211,141
Increase in net assets from operating activities	16,920	2,791	19,711
Nonoperating activities:			
Investment return, less amounts designated for current operations	53,368	225,263	278,631
Grants and contributions	2,046	47,245	49,291
Change in value of split interest agreements	—	7,664	7,664
Postretirement benefits	4,130	—	4,130
Other	(483)	—	(483)
Net assets released from restrictions	3,038	(3,038)	—
Nonoperating assets used in operations	(496)	—	(496)
Changes in donor intent and other reclassifications	419	(419)	—
Increase (decrease) in net assets from nonoperating activities	62,022	276,715	338,737
Change in net assets	78,942	279,506	358,448
Net assets:			
Beginning of year	410,206	809,053	1,219,259
End of year	$ 489,148	1,088,559	1,577,707

See accompanying notes to consolidated financial statements.

COLGATE UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands of dollars)

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	(23,404)	358,448
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation, amortization and accretion		17,058	16,352
Receipt of contributed securities		(30,800)	(10,273)
Contributions for long-term investment		(23,765)	(14,128)
Realized and unrealized losses (gains) on investments		58,180	(322,545)
Changes in assets and liabilities that provide (use) cash:			
Accounts receivable, net		5,667	(4,538)
Inventories		(325)	(2,756)
Prepaid expenses and other assets		(546)	(1,167)
Pledges receivable, net		(13,141)	(23,848)
Funds held in trust by others		851	(1,809)
Accounts payable and accrued expenses		(2,078)	5,036
Deposits and deferred revenues		(1,824)	(5,485)
Annuities and deferred giving arrangements		(1,186)	1,557
Postretirement benefits		(3,262)	(5,088)
Conditional asset retirement obligations		(374)	(23)
Net cash used in operating activities		(18,949)	(10,267)
Cash flows from investing activities:			
Purchases of land, buildings, and equipment, net		(23,164)	(12,507)
Proceeds from student loan collections		99	213
Purchases of investments		(228,953)	(276,071)
Proceeds from sales and maturities of investments		265,390	274,978
Sales of contributed securities		30,800	10,273
Net cash provided by (used in) investing activities		44,172	(3,114)
Cash flows from financing activities:			
Contributions for long-term investment		23,537	13,890
Change in federal student loan funds		(245)	(320)
Payments on long-term debt		(8,185)	(4,625)
Net cash provided by financing activities		15,107	8,945
Net increase (decrease) in cash and cash equivalents		40,330	(4,436)
Cash and cash equivalents at beginning of year		32,908	37,344
Cash and cash equivalents at end of year	$	73,238	32,908
Supplemental data:			
Noncash investing and financing activities:			
Capital gifts-in-kind	$	229	238
Increase in construction related payables		2,935	770
Interest paid		11,526	11,784

See accompanying notes to consolidated financial statements.

(1) Organization

Colgate University (the University) obtained its charter of incorporation in 1819 after being founded in 1817 by Baptist ministers in the central New York State Village of Hamilton. It was originally called the Baptist Education Society of the State of New York. Today, the University is a highly selective, independent, coeducational, residential, liberal arts institution set on a beautiful campus of more than 575 acres. It operates as an educational institution in accordance with the New York State Not-for-Profit Corporation Law under the direction of an independent Board of Trustees. With over 2,900 undergraduates from all regions of the United States and over nearly 80 countries worldwide, the University is recognized as one of the leading national liberal arts colleges. Students enjoy small class sizes taught by a superb faculty and take advantage of the University's award winning curriculum, off-campus programs and numerous undergraduate research opportunities.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements of the University have been prepared on the accrual basis of accounting, and include the accounts of the University's wholly owned subsidiaries: Colgate Inn, LLC; Hamilton Initiative, LLC; Palace Theater, LLC; Hamilton Theater, LLC; Hamilton Housing Initiative, LLC; and Hamilton Hotel, LLC. All significant intercompany transactions have been eliminated.

Net assets having similar characteristics have been classified into the following categories:

- *With donor restrictions* – Net assets whose use by the University is subject to donor-imposed or legal stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire with the passage of time and those required to be maintained permanently or until prudently appropriated by the Board of Trustees of the University in accordance with New York State law. Generally, the donors of these assets permit the University to use all or part of the investment return on these assets to support program activities, principally financial aid and instruction.
- *Without donor restrictions* – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Expenses are generally reported as decreases in net assets without donor restrictions.

Operating net assets released from restrictions include support for program activities such as financial aid and instruction. Contributions with donor-imposed restrictions are reported as donor restricted revenues and are reclassified to net assets without donor restrictions when the donor-imposed restriction is satisfied.

Nonoperating net assets released from restrictions primarily represent amounts for facilities and equipment. Contributions restricted for the acquisition of land, buildings and equipment are reported as donor restricted revenues. These contributions are reclassified to net assets without donor restrictions when the asset is placed in service. Contributions received that will be used for facilities and equipment are included in nonoperating activities and released to operating to match depreciation over the life of the asset.

(b) Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments consisting of demand deposit accounts, money market funds, and overnight repurchase agreements with initial maturities of three months or less at the time of purchase. For the purposes of the consolidated statement of cash flows, certain balances meeting this definition classified as intermediate and/or long-term investments are not considered to be cash equivalents given the University's intent to segregate these funds from cash available for current operations.

(c) Fair Value

Fair value is defined by U.S. generally accepted accounting principles as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date incorporating 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 and unobservable inputs reflect the reporting entity's own assumptions about how market participants would value an asset based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last is unobservable, that may be used to measure fair value.

Except for investments reported at net asset value or its equivalent (NAV) as a practical expedient to estimate fair value, the following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis. A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets as of the measurement date. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Market price data is generally obtained from exchange or dealer markets.
- Level 2 – Pricing inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.
- Level 3 – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The University utilizes valuation techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs to the extent possible. Transfers between categories occur when there is an event that changes the inputs used to measure the fair value of an asset or liability. Transfers between fair value categories are recognized at the end of the reporting period.

Fair value measurements of investment assets for which the measurements are based on NAV as provided by external managers in the absence of readily determinable fair values are categorized outside of the fair value hierarchy described above in the fair value information disclosed in note 5.

(d) Investments

Investments are reported at estimated fair value. The values of publicly traded equity and fixed income securities are based on quoted market prices and exchange rates, if applicable.

Nonmarketable securities, including alternative investments in hedge, private equity, and other similar funds, are valued using current estimates of fair value in the absence of readily determinable market prices. The University utilizes NAV reported by the managers of these funds as a practical expedient to fair value because the alternative investment funds (a) do not have readily determinable fair values and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. These estimates of fair value, because of the inherent uncertainty of valuations for these investments, may differ from the values that would have been used had ready markets existed.

Net appreciation or depreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation on those investments, is recognized as part of investment return in the consolidated statements of activities. Realized gains and losses on the sale of investments are generally determined on the specific identification method on the trade date.

(e) Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market net realizable value.

(f) Student Loans Receivable

Student loans receivable, included in prepaid expenses and other assets on the accompanying consolidated balance sheets, are reported net of reserves for doubtful loans of $768 and $1,050 at June 30, 2022 and 2021, respectively. The reserve is intended to provide for loans, both in repayment status and not yet in repayment status (borrowers still in school or in the grace period following graduation), that may not be collected.

(In thousands of dollars)

(g) Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost or, if donated, at fair value on the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets as follows:

	Years
Land improvements	7–10
Buildings and improvements	20–50
Equipment and library books	3–10

Works of art, historical treasures, and similar assets have been recognized at their estimated fair value based upon appraisals or similar valuations at the date of acquisition or donation and are depreciated over 100 years. Depreciation and operation and maintenance costs are allocated to functional expenses based upon square footage and specific identification where appropriate.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is the difference between the carrying amount and the fair value of the assets.

(h) Funds Held in Trust by Others

Funds held in trust by others include charitable lead and/or charitable remainder trusts. For these trusts the University does not serve as trustee, nor has the power to appoint a trustee. Funds held in trust by others are valued at the net present value of the future distributions expected to be received over the term of the agreement.

(i) Annuities and Deferred Giving Arrangements

Planned gifts are separately invested in accordance with trust instruments that provide for income distributions to beneficiaries and final distributions of the remainder value to the University. When the University serves as trustee, or has the power to appoint the trustee, the trust assets are included in long-term investments. The expected payments to beneficiaries are recorded as a liability on the consolidated statements of financial position at their net present value. The fair value of planned giving investments was $31,036 and $36,804 at June 30, 2022 and 2021, respectively.

(j) Conditional Asset Retirement Obligations

The University accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded. Accretion expense amounted to $580 and $553 in 2022 and 2021, respectively.

(Continued)

(k) Revenue Recognition

Tuition and fees revenue is recognized over the academic term to which it relates. Room and dining income is also recognized over the academic term with the exception of student debit card balances which are included in deferred revenue until utilized as goods or services are provided to the students. These amounts are reflected on the consolidated statement of activities, net of any student aid, and recognized as services are provided. To the extent such aid exceeds a student's tuition and fees, it is applied against room and dining charges. Payments received in advance of services to be rendered are reported within deposits and deferred revenues. Deferred revenues of approximately $5,440 and $6,453 at June 30, 2022 and 2021, respectively, generally represent prepayments of tuition and other student revenue amounts and are recognized in revenue as the services are provided to the students. Revenue from other exchange transactions, including from athletics and certain retail operations, is recognized when goods or services are provided to customers.

Contributions received, including unconditional promises to give, are recognized at fair value as revenue within the appropriate net asset category when the donors' commitments are received. Conditional contributions or promises are recorded when donor-imposed stipulations have been substantially met. Conversely, contributions made by the University, including unconditional promises to give, are recognized as expenses in the period in which the commitments are made.

(l) Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues and expenses during the reporting period. Management's most significant use of estimates relate to postretirement benefits, allowances for receivables, and conditional asset retirement obligations. Due to uncertainties inherent in the estimates and assumptions, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the consolidated financial statements. Additionally, actual results could differ from these estimates.

(m) Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect the amounts reported in the consolidated statements of financial position and the consolidated statements of activities.

(n) Internal Revenue Code Status

The University, including Colgate Inn, LLC; Hamilton Initiative, LLC; Palace Theater, LLC; Hamilton Theater, LLC; Hamilton Housing Initiative, LLC; and Hamilton Hotel, LLC all single member limited liability corporations of which the University is the sole member, generally does not provide for income taxes since it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

(In thousands of dollars)

The University recognizes the effect of income tax positions only if it is more likely than not that a tax position will be sustained by the relevant taxing authority. The University believes it has taken no significant uncertain tax positions.

(o) Recent Accounting Pronouncements

ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, was* issued by the Financial Accounting Standards Board (FASB) in September 2020 to increase the transparency of contributed assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU became effective for the University for the year ended June 30, 2022 and did not have a material effect on the University's consolidated financial statements.

(3) Financial Assets and Liquidity Resources

As of June 30, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditures, including operating expenses, scheduled principal payments on debt, and capital construction expenditures not financed with debt, include the below:

		2022	2021
Financial assets:			
Cash and cash equivalents	$	73,238	32,908
Accounts receivable, net		2,521	8,188
Long-term investments not subject to donor restrictions		7,873	3,957
Board-approved endowment spending distribution		57,494	53,066
Total financial assets available within one year	$	141,126	98,119

The University's working capital and cash flows have seasonal variations due to the timing of student related billings as well as a concentration of contributions received at calendar and fiscal year end. To manage liquidity, the University operates with a balanced budget on a cash flow basis in accordance with policies approved by the Board of Trustees. In addition to the liquidity resources stated in the above table, the University also has a revolving line of credit of $50,000 for working capital needs. The University did not draw upon its line of credit during the years ended June 30, 2022 and 2021.

As of June 30, 2022 and 2021, the University had $104,756 and $124,395, respectively, in intermediate-term investments which can be made available for general expenditures. Additionally, as of June 30, 2022 and 2021, the University had $240,659 and $256,391, respectively, in quasi endowment which also can be made available for general expenditure with approval from the Board, subject to investment liquidity provisions. The University also anticipates collection of $21,829 of amounts currently included in pledges receivable within the next year, which are restricted by the donors for construction projects and endowment.

(In thousands of dollars)

(4) Pledges Receivable

Unconditional pledges at June 30 are expected to be realized in the following years:

		2022	2021
Less than one year	$	21,829	11,233
One year to five years		39,109	36,371
More than five years		6,000	6,000
Subtotal		66,938	53,604
Less present value discount (2.46% to 4.66%) and allowance		(6,043)	(5,850)
Total pledges receivable, net	$	60,895	47,754

At June 30, 2022 and 2021, the University had outstanding conditional pledges and bequests of approximately $228,272 and $141,829, respectively, which due to their conditional nature, are not recorded by the University.

(5) Long-Term Investments and Fair Value Measurements

Long-term investments by type consist of the following as of June 30:

		2022		2021	
		Cost	Fair value	Cost	Fair value
Cash equivalents	$	78,072	78,072	73,940	73,940
Equities		143,026	229,745	131,134	311,466
Fixed income		90,222	85,684	89,898	91,065
Private equity		150,034	200,440	124,633	171,190
Venture capital		91,712	166,890	81,883	170,348
Hedge – long/short equity		87,087	132,663	104,772	178,042
Hedge – absolute return		89,106	173,688	92,278	184,653
Real assets		142,270	154,574	124,069	116,068
Other		939	939	900	900
Total long-term investments	$	872,468	1,222,695	823,507	1,297,673

Below is a summary of University investments by major investment category:

(a) Equities

This category includes long-only equity funds in the United States, international developed markets and emerging markets. Over the long-term, these investments are expected to reflect the economic climate in which the University operates. There were no unfunded commitments for these investments as of June 30, 2022 and 2021. These investments allow redemptions daily with 7, 10, and 30 days notice, semi-monthly with seven days notice, monthly with 7, and 10 days notice or quarterly with 60 days notice.

(b) Fixed Income

This category includes funds that invest in core fixed income positions. These investments, combined with cash and cash equivalents, are meant to provide liquidity to the University. There were no unfunded commitments for these investments as of June 30, 2022 and 2021. These investments allow redemptions daily.

(c) Private Equity

This category includes investments in private equity buyout and distressed credit opportunity funds that invest primarily in companies domiciled in the United States. Total commitments for these investments were approximately $268,824, with $66,947 unfunded at June 30, 2022, and approximately $269,217, with $84,555 unfunded at June 30, 2021. The University does not have any redemption rights in these investments and the investments have estimated remaining lives between one and fifteen years.

(d) Venture Capital

This category includes investments in venture capital funds that invest primarily in companies domiciled in the United States. Total commitments for these investments were approximately $147,567, with $41,984 unfunded at June 30, 2022, and approximately $127,066, with $37,107 unfunded at June 30, 2021. The University does not have any redemption rights in these investments and the investments have estimated remaining lives between one and fifteen years.

(e) Hedge – Long/Short Equity

This category includes funds that invest traditional equities but compliment the holdings with short positions in securities they believe are overvalued. The short portfolio acts as a hedge during market declines but may also serve as an additional source of investment return. Managers of these funds have the ability to shift between growth and value stocks across all capitalizations. There were no unfunded commitments for these investments as of June 30, 2022 and 2021. These investments have varying redemption rights including quarterly with 45, 60, 65, and 90 days notice.

(f) Hedge – Absolute Return

This category includes single and multi-strategy hedged investments such as merger and risk arbitrage, distressed securities, asset-backed securities, and other credit and volatility investments. These strategies are designed to provide equity-like returns regardless of the economic environment with limited correlation to the traditional equity and fixed income markets. Unfunded commitments to

(Continued)

(In thousands of dollars)

these investments were approximately $1,293 at June 30, 2022 and $2,448 at June 30, 2021. These investments allow redemptions, semi-annually with 60 days notice, quarterly with 45 days and 90 days notice or annually with 45 days notice.

(g) Real Assets

This category includes global investments in residential and commercial real estate and interests in natural resources. Total commitments for these investments were approximately $182,146, with $24,101 unfunded at June 30, 2022, and approximately $172,146, with $34,206 unfunded at June 30, 2021. These investments have varying redemption rights including one investment allowing monthly with 30 days notice, another allowing annually with 90 days notice and the remaining not allowing any redemption rights, these investments have estimated remaining lives between one and fifteen years.

Investment fees are netted against investment income. The components of total investment return from all sources for the years ended June 30 are reflected below:

		2022	2021
Interest income and dividends, net	$	10,811	8,466
Realized and unrealized (losses) gains, net		(58,180)	322,545
Total investment return	$	(47,369)	331,011

Investment return, as reflected in the consolidated statements of activities as of June 30 is as follows:

		2022	2021
Investment return designated for operations:			
Without donor restrictions	$	14,148	14,445
With donor restrictions		39,713	37,935
		53,861	52,380
Nonoperating investment return:			
Without donor restrictions		(24,360)	53,368
With donor restrictions		(76,870)	225,263
		(101,230)	278,631
Total investment return	$	(47,369)	331,011

(Continued)

(In thousands of dollars)

The following tables present the University's financial instruments carried at fair value based on the valuation hierarchy previously described in note 2(c) as of June 30:

	2022				
	Quoted prices in active markets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Investments measured at NAV**	**Total**
Intermediate investments:					
Cash equivalents	$ 104,756	—	—	—	104,756
Funds held in trust by others	—	14,103	—	—	14,103
Long-term investments:					
Cash equivalents	78,072	—	—	—	78,072
Equities	184,611	—	—	45,134	229,745
Fixed income	85,684	—	—	—	85,684
Private equity	—	—	—	200,440	200,440
Venture capital	—	—	—	166,890	166,890
Hedge – long/short equity	—	—	—	132,663	132,663
Hedge – absolute return	—	—	—	173,688	173,688
Real assets	—	—	40,162	114,412	154,574
Other	4	935	—	—	939
Total long-term investments	348,371	935	40,162	833,227	1,222,695
	$ 453,127	15,038	40,162	833,227	1,341,554

(In thousands of dollars)

	2021				
	Quoted prices in active markets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Investments measured at NAV**	**Total**
Intermediate investments:					
Cash equivalents	$ 124,395	—	—	—	124,395
Funds held in trust by others	—	14,954	—	—	14,954
Long-term investments:					
Cash equivalents	73,940	—	—	—	73,940
Equities	219,494	—	—	91,972	311,466
Fixed income	91,065	—	—	—	91,065
Private equity	—	—	—	171,190	171,190
Venture capital	—	—	—	170,348	170,348
Hedge – long/short equity	—	—	—	178,042	178,042
Hedge – absolute return	—	—	—	184,654	184,654
Real assets	—	—	30,560	85,508	116,068
Other	4	896	—	—	900
Total long-term investments	384,503	896	30,560	881,714	1,297,673
	$ 508,898	15,850	30,560	881,714	1,437,022

There were no changes in methodologies used at June 30, 2022. There were no transfers into or out of Level 3 during the years ended June 30, 2022 and 2021. Acquisitions of Level 3 assets during the years ended June 30, 2022 and 2021, were $967 and $662, respectively. Redemptions of Level 3 assets during the years ended June 30, 2022 and 2021, were $4,744 and $1,866, respectively.

Significant unobservable inputs related to the University's investments in assets categorized as Level 3 in the fair value hierarchy at June 30, 2022 and 2021, include estimated discounted cash flows from specific natural resources properties determined using estimated quantities and taking into account the future periods in which they are expected to be developed and produced. Current market prices for the natural resources are applied against these estimates and reduced by estimated future costs to develop and produce the estimated quantities. These resulting future net cash flows are discounted using a 10% discount factor.

The value of certain alternative investments represents the ownership interest in the respective partnership. The fair values of alternative investments are determined by the respective general partners taking into consideration, among other things, the cost of the underlying securities, prices of recent significant placements of securities of the same issuer, subsequent developments concerning the companies to which the securities relate, appraisals, or other estimates that require varying degrees of judgment. These pricing inputs and methods may produce a fair value calculation that may not be indicative of the ultimate realizable value. Accordingly, 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.

As part of its initial consideration of investment managers, the University performs various due diligence procedures. Once selected, managers are subject to ongoing monitoring procedures. The University reviews and evaluates the values provided by the investment managers as frequently as they are provided. In addition, the University receives and reviews annual audited financial statements from each manager and finds the valuation methods and assumptions used in determining the fair value of these investments to be reasonable.

(6) Endowment and Similar Funds

Endowment and similar funds are long-term assets of the University created either by donor gifts or by actions of the Board of Trustees. Their purpose is to generate operating revenue for specific activities or for the use of the University. Endowment and similar funds are invested under the direction of the Board of Trustees to achieve maximum long-term total return with prudent concern for the preservation of investment capital. All investments of endowment and similar funds are recorded in the consolidated statements of financial position as long-term investments, including cash balances held by external investment managers. Unless otherwise directed in the gift instrument or required by applicable law, both donor-restricted and board-designated endowment funds are pooled for efficient investment purposes. These pooled funds are invested in a broadly diversified portfolio designed to produce long-term returns that equal or exceed the Board-approved spending rates plus the impacts of inflation. The fair value of endowment investments (separately invested and pooled) was $1,190,680 and $1,259,926 as of June 30, 2022 and 2021, respectively.

The New York Prudent Management of Institutional Funds Act (NYPMIFA) governs the management and investment of funds held by not-for-profit corporations and other institutions. Absent donor stipulations to the contrary, the statutory guidelines contained in NYPMIFA relate to the prudent management, investment and expenditure of donor-restricted endowment funds without regard to the original value of the gifts. However, NYPMIFA contains specific factors that must be considered prior to making investment decisions or appropriating funds for expenditure.

The Board of Trustees' interpretation of its fiduciary responsibilities for donor-restricted endowment funds under New York State's Not-for-Profit Corporation Law, including NYPMIFA, is to preserve intergenerational equity to the extent possible by prudently managing, investing, and spending from the endowment funds. This principle holds that future endowment beneficiaries should receive at least the same level of economic support that the current generation receives. As a result of this interpretation, the University classifies as net assets with restrictions the unappropriated portion of (a) the original value of gifts donated to a true endowment fund, (b) the original value of subsequent gifts to a true endowment fund, and (c) accumulations to a true endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unspent appropriations related to donor-restricted endowment funds are classified as net assets with restrictions until the amounts are expended by the University in a manner consistent with the donor's intent. The remaining portion of donor-restricted endowment funds that are not classified as net assets with restrictions are classified as net assets without restrictions.

(Continued)

(In thousands of dollars)

The Board of Trustees determines the appropriate amount to withdraw from endowment and similar funds on an annual basis to provide support for operations with prudent concern for the long-term growth in the underlying assets as well as the specific factors detailed in NYPMIFA. The Board-approved spending policy is designed to insulate endowment support for programming from short-term fluctuations in capital markets.

Unless otherwise directed in the gift instrument or required by applicable law, annual spending will normally increase 2.5% over the prior year's spending, provided that the amount so determined is not greater than 5.5% of the average fair value for the preceding four quarters, or less than 4.0% of the average fair value for the preceding eight quarters. The endowment provided support for general operations of $49,225 and $47,226 in fiscal 2022 and 2021, respectively. The endowment also provided an additional regularly scheduled draw for unrestricted purposes of $2,588 and $2,344 in fiscal 2022 and 2021, respectively.

The following tables provide (1) the net asset composition of the endowment as of June 30 and (2) a rollforward of the net assets from July 1 to June 30. The net assets of the endowment include an interfund receivable of $6,425 and $3,098 at June 30, 2022 and 2021, respectively.

Endowment net asset composition by type of fund as of June 30, 2022		**Without restrictions**	**With restrictions**	**Total**
Donor-restricted funds	$	—	940,018	940,018
Funds functioning as endowment (Quasi)		257,087	—	257,087
Total funds at June 30, 2022	$	257,087	940,018	1,197,105

Endowment net asset composition by type of fund as of June 30, 2021		**Without restrictions**	**With restrictions**	**Total**
Donor-restricted funds	$	—	991,143	991,143
Funds functioning as endowment (Quasi)		271,881	—	271,881
Total funds at June 30, 2021	$	271,881	991,143	1,263,024

(In thousands of dollars)

		2022		
		Without restrictions	With restrictions	Total
Net assets at beginning of year	$	271,881	991,143	1,263,024
Investment return		(10,548)	(40,192)	(50,740)
New gifts		267	24,710	24,977
Amounts appropriated for expenditure		(9,515)	(39,710)	(49,225)
Total other changes and reclassifications		5,002	4,067	9,069
Net assets at end of year	$	257,087	940,018	1,197,105

		2021		
		Without restrictions	With restrictions	Total
Net assets at beginning of year	$	210,866	748,787	959,653
Investment return		65,898	259,866	325,764
New gifts		1,005	17,736	18,741
Amounts appropriated for expenditure		(9,296)	(37,930)	(47,226)
Total other changes and reclassifications		3,408	2,684	6,092
Net assets at end of year	$	271,881	991,143	1,263,024

Pooled Funds

Endowment and similar funds are pooled on a unit fair value basis whenever possible. Funds are added to or withdrawn from the pool at the unit fair value at the beginning of the fiscal quarter in which the transaction takes place. Pooled funds were as follows as of June 30:

		2022	2021
Fair value of investments in pooled funds	$	1,196,726	1,262,554
Total number of units		53,483	52,077
Market value per unit	$	22.38	24.24

Total return on endowment and similar funds, consisting of realized and unrealized gains and losses, and dividends and interest income, was (3.5)% and 35.8% for the years ended June 30, 2022 and 2021, respectively.

(In thousands of dollars)

(7) Land, Buildings and Equipment, Net

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

		2022	2021
Land and improvements	$	50,014	47,362
Buildings		618,910	602,563
Equipment and library books		112,481	110,386
Construction in progress		4,843	—
Total cost		786,248	760,311
Less accumulated depreciation		(324,935)	(308,595)
Total land, buildings and equipment, net	$	461,313	451,716

Depreciation expense for the years ended June 30, 2022 and 2021 was $16,731 and $16,076, respectively. Outstanding commitments for construction contracts amounted to $38,635 and $6,194 at June 30, 2022 and 2021, respectively.

(8) Long-Term Debt

Long-term obligations at June 30 are summarized as follows:

		2022	2021
New York State Dormitory Authority Issue:			
Series 1996, 6.00%, due July 1, 2021	$	—	1,500
Madison County Capital Resource Corporation:			
Tax-exempt revenue bonds:			
Series 2012A, 5.00%, due July 1, 2033		1,885	3,685
Series 2013A, 5.00%, due July 1, 2039		1,790	1,790
Series 2015A, 4.90%, due July 1, 2041		39,985	39,985
Series 2015B, 4.70%, due July 1, 2044		48,995	49,350
Colgate University:			
Taxable revenue bonds:			
Series 2013B, 4.11%, due July 1, 2043		25,000	25,000
Series 2019, 3.05%, due July 1, 2051		193,875	198,405
Total long-term debt – principal		311,530	319,715
Bond premium and issuance costs, net		4,089	4,342
Total long-term debt, net	$	315,619	324,057

(Continued)

(In thousands of dollars)

The various notes and bonds are collateralized by the related property and equipment. Certain agreements require the establishment of debt service and building and equipment reserves. Included in intermediate investments are unexpended debt proceeds of $90,395 and $107,736 and deposits with bond trustees of $14,204 and $16,371 at June 30, 2022 and 2021, respectively.

Principal maturities of long-term obligations, exclusive of net premium are as follows:

2023	$	8,475
2024		8,745
2025		9,005
2026		9,270
2027		9,560
2028–2055		266,475
Total principal payments	$	311,530

The University has a line of credit available with a limit of $50,000, with interest calculated on the outstanding balance at the 30 day LIBOR rate plus 100 basis points or Prime. There were no amounts outstanding on the line as of June 30, 2022 or 2021. The terms of the line expire on March 31, 2023.

(9) Retirement Benefits

The University participates in a contributory retirement plan administered by the Teachers Insurance Annuity Association of America and College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments. In accordance with the current plan documents, all employees who have completed one year of full-time service at the University are eligible for participation in the plan. All retirement benefits are funded and vested under a defined contribution program. The University's contributions to the retirement plan amounted to $8,811 and $8,777 in 2022 and 2021, respectively.

The University also provides health and life insurance benefits for eligible employees upon retirement at the University's early or normal retirement ages. Employees hired by the University after June 30, 2012 are not eligible for University-provided dental or life insurance benefits upon retirement, but do have access to health insurance that is funded, in part, through a defined contribution healthcare plan once they reach the age of 40. Existing employees may still qualify for the current University subsidized retiree programs subject to the continuing right to amend or terminate the programs at any time.

(In thousands of dollars)

Information with respect to the plan is as follows:

		2022	2021
Change in benefit obligation:			
Benefit obligation at beginning of year	$	17,327	22,415
Service cost		362	398
Interest cost		417	399
Plan participants' contributions		402	424
Actuarial gain		(2,894)	(4,681)
Benefits paid		(1,549)	(1,628)
Benefit obligation at end of year		14,065	17,327
Change in plan assets:			
Fair value of plan assets at beginning of year		—	—
Employer contribution		1,147	1,204
Plan participants' contributions		402	424
Benefits paid		(1,549)	(1,628)
Fair value of plan assets at end of year		—	—
Funded status at June 30	$	14,065	17,327

(Continued)

(In thousands of dollars)

		Unamortized prior service cost (credit)	Unamortized net loss (gain)	Amounts recognized in net assets without donor restrictions
Balance as of June 30, 2020	$	(4,552)	5,492	940
Amortization		1,123	—	1,123
Actuarial gain		—	(4,681)	(4,681)
Total postretirement related charges other than net periodic benefit costs		1,123	(4,681)	(3,558)
Balance as of June 30, 2021		(3,429)	811	(2,618)
Amortization		1,123	—	1,123
Actuarial gain		—	(2,894)	(2,894)
Total postretirement related charges other than net periodic benefit costs		1,123	(2,894)	(1,771)
Balance as of June 30, 2022	$	(2,306)	(2,083)	(4,389)

		2022	2021
Net periodic benefit cost:			
Service cost	$	362	398
Interest cost		417	399
Amortization of:			
Prior service cost		(1,123)	(1,123)
Net periodic benefit cost	$	(344)	(326)

(In thousands of dollars)

Expected Cash Flows

Information about the expected employer contribution cash flows for the postretirement healthcare benefit plan follows:

Expected benefit payments for the year ended June 30:		
2023	$	1,099
2024		1,106
2025		1,191
2026		1,163
2027		1,087
2028–2032		4,873

The weighted average rates forming the basis of net periodic benefit cost and amounts recognized in University's consolidated statements of financial position at June 30 were:

	2022	2021
Benefit obligations:		
Discount rate	4.32 %	2.49 %
Net periodic benefit cost:		
Discount rate	2.49	2.24
Healthcare cost trend rates:		
Pre-age 65 health care benefits	6.75	6.75
Post-age 65 health care benefits	4.40	4.40
Prescription drug coverage	6.75	6.75
Rate to which the cost trend rate is to decline	3.78	3.78
Year that rate reaches the ultimate trend rate	2075	2075

(In thousands of dollars)

(10) Net Assets

Net assets consist of the following at June 30:

		2022		2021	
		Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
Operating, plant and other	$	180,836	5,303	171,065	5,570
Capital projects and equipment reserves		45,947	36,059	46,202	10,501
Pledges receivable		—	60,895	—	47,754
Annuities, deferred giving arrangements, and loan funds		—	28,158	—	33,591
Endowments and other funds treated as endowments:					
Undesignated		71,971	—	77,956	—
Board designated		168,689	—	178,435	—
Financial aid		161	438,749	137	460,063
Endowed chairs and salaries		2,367	176,792	2,367	184,970
Instruction, facilities, library, and other		13,899	324,477	12,986	346,110
Total net assets	$	483,870	1,070,433	489,148	1,088,559

(11) Related Party Activity

Certain investments held by the University are managed by investment companies in which Trustees of the University, or their family members, have a direct financial interest. The fair value of these investments total $106,895 and $94,145 at June 30, 2022 and 2021, respectively, all of which were made in accordance with the University’s conflict of interest policy,

(In thousands of dollars)

(12) Natural Classification of Expenses

Operating expenses presented by natural and functional classification are as follows for the fiscal years ended June 30:

2022

	Program activities					Support activities	
	Instruction and research	Athletics	Academic support	Student services	Institutional support	Auxiliary operations	Total
Salaries and wages	$ 47,862	11,596	6,484	8,825	19,377	2,321	96,465
Taxes and benefits	13,498	2,625	1,946	2,756	5,915	802	27,542
Supplies and other	14,085	8,942	5,640	9,432	10,046	6,205	54,350
Contracted services	1,041	941	930	1,101	4,220	16,502	24,735
Depreciation	3,808	3,209	1,500	349	1,009	6,856	16,731
Interest	3,068	2,539	900	310	622	4,120	11,559
Utilities	1,217	1,010	512	133	356	2,216	5,444
Total	$ 84,579	30,862	17,912	22,906	41,545	39,022	236,826

2021

	Program activities					Support activities	
	Instruction and research	Athletics	Academic support	Student services	Institutional support	Auxiliary operations	Total
Salaries and wages	$ 46,717	11,124	6,758	9,049	16,933	2,404	92,985
Taxes and benefits	11,535	1,575	1,553	2,504	5,944	861	23,972
Supplies and other	5,982	4,290	5,600	14,415	6,381	6,932	43,600
Contracted services	755	734	907	854	2,926	12,046	18,222
Depreciation	3,969	3,015	1,188	340	1,011	6,551	16,074
Interest	3,116	2,578	914	315	631	4,275	11,829
Utilities	839	690	427	94	323	2,086	4,459
Total	$ 72,913	24,006	17,347	27,571	34,149	35,155	211,141

The University's primary program service is undergraduate instruction. Expenses reported as athletics, academic support, student services, institutional support and auxiliary enterprises are incurred in support of this primary program activity.

Expenses associated with the operation and maintenance of the University's plant assets and depreciation are allocated to functional categories based on square footage. Borrowing costs are allocated based on usage of debt-financed space. Interest expense is allocated to functional expenses based on the original purpose of the bond proceeds and square footage. Expenses associated with fundraising activities of the University were $7,607 and $5,763 in 2022 and 2021, respectively, and are included in institutional support.

(13) Contingencies

The University is subject to various claims and lawsuits. In management's opinion, the resolution of these matters will not have a significant adverse effect on the University's financial position, operations, or cash flows.

(14) Subsequent Events

The University considers events or transactions that occur after the date of the consolidated statement of financial position, but before the consolidated financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These consolidated financial statements were issued on October 10, 2022 and subsequent events have been evaluated through that date.

On August 19, 2022, the University entered into a $100,000 private bank placement loan. The loan carries a 4.33% fixed rate and is amortized over 20 years. The proceeds of the loan will be used to finance various capital projects. Until that time, the proceeds will be invested in a liquid portfolio designed to generate investment return.