COLGATE UNIVERSITY

Consolidated Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

COLGATE UNIVERSITY

Consolidated Financial Statements

June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

KPMG

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, 2023

COLGATE UNIVERSITY

Consolidated Statements of Financial Position

June 30, 2023 and 2022

(In thousands of dollars)

Assets		2023	2022
Cash and cash equivalents	$	69,844	73,238
Accounts receivable, net		4,286	2,521
Intermediate-term investments		198,351	104,756
Inventories		2,218	5,082
Prepaid expenses and other assets		4,650	3,273
Pledges receivable, net		39,019	60,895
Long-term investments		1,234,380	1,222,695
Land, buildings and equipment, net		488,507	461,313
Funds held in trust by others		13,837	14,103
Total assets	$	2,055,092	1,947,876
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	30,816	24,990
Deposits and deferred revenues		8,492	9,885
Annuities and deferred giving arrangements		16,307	17,130
Postretirement benefits		15,694	14,065
Federal student loan funds		—	80
Conditional asset retirement obligations		12,260	11,804
Long-term debt, net		406,771	315,619
Total liabilities		490,340	393,573
Net assets:			
Without donor restrictions		482,270	483,870
With donor restrictions		1,082,482	1,070,433
Total net assets		1,564,752	1,554,303
Total liabilities and net assets	$	2,055,092	1,947,876

See accompanying notes to consolidated financial statements.

COLGATE UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2023
(with summarized information for the year ended June 30, 2022)

(In thousands of dollars)

	2023			
	Without donor restrictions	With donor restrictions	Total	2022 Total
Operating revenues:				
Tuition and fees, net of financial aid of $69,758	$ 132,693	—	132,693	128,831
Room and dining income, net of financial aid of $7,548	29,832	—	29,832	28,893
Student revenue	162,525	—	162,525	157,724
Sales and services of auxiliaries	12,857	—	12,857	11,425
Government grants and contributions	828	1,724	2,552	6,523
Private grants and contributions	8,906	7,691	16,597	16,137
Investment return designated for operations	18,770	44,445	63,215	53,862
Other	4,225	558	4,783	3,704
Nonoperating assets used in operations	1,690	—	1,690	978
Net assets released from restrictions	53,223	(53,223)	—	—
Total operating revenues	263,024	1,195	264,219	250,353
Operating expenses:				
Instruction and research	90,449	—	90,449	84,579
Athletics	33,622	—	33,622	30,862
Academic support	20,832	—	20,832	17,912
Student services	21,100	—	21,100	22,906
Institutional support	40,415	—	40,415	41,545
Auxiliary operations	42,519	—	42,519	39,022
Total operating expenses	248,937	—	248,937	236,826
Increase in net assets from operating activities	14,087	1,195	15,282	13,527
Nonoperating activities:				
Investment return, less amounts designated for current operations	(12,434)	(12,189)	(24,623)	(101,230)
Grants and contributions	612	23,551	24,163	68,053
Change in value of split interest agreements	—	1,599	1,599	(3,984)
Postretirement benefits	(4,062)	—	(4,062)	1,323
Other	(220)	—	(220)	(115)
Net assets released from restrictions	1,833	(1,833)	—	—
Nonoperating assets used in operations	(1,690)	—	(1,690)	(978)
Changes in donor intent and other reclassifications	274	(274)	—	—
Increase (decrease) in net assets from nonoperating activities	(15,687)	10,854	(4,833)	(36,931)
Change in net assets	(1,600)	12,049	10,449	(23,404)
Net assets:				
Beginning of year	483,870	1,070,433	1,554,303	1,577,707
End of year	$ 482,270	1,082,482	1,564,752	1,554,303

See accompanying notes to consolidated financial statements.

COLGATE UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2022

(In thousands of dollars)

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

See accompanying notes to consolidated financial statements.

COLGATE UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2023 and 2022

(In thousands of dollars)

		2023	2022
Cash flows from operating activities:			
Change in net assets	$	10,449	(23,404)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation, amortization and accretion		17,371	17,058
Receipt of contributed securities		(12,837)	(30,800)
Contributions for long-term investment		(45,862)	(23,765)
Realized and unrealized (gains) losses on investments		(32,381)	58,180
Changes in assets and liabilities that provide (use) cash:			
Accounts receivable, net		(1,765)	5,667
Inventories		2,864	(325)
Prepaid expenses and other assets		(1,547)	(546)
Pledges receivable, net		21,876	(13,141)
Funds held in trust by others		266	851
Accounts payable and accrued expenses		2,095	(2,078)
Deposits and deferred revenues		(1,393)	(1,824)
Annuities and deferred giving arrangements		(823)	(1,186)
Postretirement benefits		1,629	(3,262)
Conditional asset retirement obligations		(133)	(374)
Net cash used in operating activities		(40,191)	(18,949)
Cash flows from investing activities:			
Purchases of land, buildings, and equipment, net		(40,401)	(23,164)
Proceeds from student loan collections		170	99
Purchases of investments		(475,048)	(228,953)
Proceeds from sales and maturities of investments		402,107	265,390
Sales of contributed securities		12,837	30,800
Net cash (used in) provided by investing activities		(100,335)	44,172
Cash flows from financing activities:			
Contributions for long-term investment		45,813	23,537
Change in federal student loan funds		(80)	(245)
Proceeds from issuance of long-term debt		100,000	—
Payments on long-term debt		(8,475)	(8,185)
Bond issuance costs		(126)	—
Net cash provided by financing activities		137,132	15,107
Net (decrease) increase in cash and cash equivalents		(3,394)	40,330
Cash and cash equivalents at beginning of year		73,238	32,908
Cash and cash equivalents at end of year	$	69,844	73,238
Supplemental data:			
Noncash investing and financing activities:			
Capital gifts-in-kind	$	49	229
Increase in construction related payables		3,772	2,935
Interest paid		10,805	11,526

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 approximately 3,000 undergraduates from all regions of the United States and over 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

(Continued)

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 $594 and $768 at June 30, 2023 and 2022, 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 $30,866 and $31,036 at June 30, 2023 and 2022, 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 $590 and $580 in 2023 and 2022, respectively.

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(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 $4,380 and $5,440 at June 30, 2023 and 2022, 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 investment valuations, 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.

(3) Financial Assets and Liquidity Resources

As of June 30, 2023 and 2022, 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:

		2023	2022
Financial assets:			
Cash and cash equivalents	$	69,844	73,238
Accounts receivable, net		4,286	2,521
Long-term investments not subject to donor restrictions		7,129	7,873
Board-approved endowment spending distribution		60,106	57,494
Total financial assets available within one year	$	141,365	141,126

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, 2023 and 2022.

As of June 30, 2023 and 2022, the University had $198,351 and $104,756, respectively, in intermediate-term investments which can be made available for general expenditures. Additionally, as of June 30, 2023 and 2022, the University had $238,762 and $240,659, 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 $15,140 of amounts currently included in pledges receivable within the next year, which are restricted by the donors for construction projects and endowment.

(Continued)

(In thousands of dollars)

(4) Pledges Receivable

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

		2023	2022
Less than one year	$	15,140	21,829
One year to five years		24,231	39,109
More than five years		3,000	6,000
Subtotal		42,371	66,938
Less present value discount (2.46% to 4.66%) and allowance		(3,352)	(6,043)
Total pledges receivable, net	$	39,019	60,895

At June 30, 2023 and 2022, the University had outstanding conditional pledges and bequests of approximately $267,341 and $228,272, 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:

		2023	2022
Cash equivalents	$	76,183	78,072
Equities		211,805	229,745
Fixed income		121,951	85,684
Private equity		207,433	200,440
Venture capital		156,062	166,890
Hedge – long/short equity		154,810	132,663
Hedge – absolute return		166,225	173,688
Real assets		138,900	154,574
Other		1,011	939
Total long-term investments	$	1,234,380	1,222,695

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, 2023 and 2022. 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, 2023 and 2022. 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 $270,681, with $70,064 unfunded at June 30, 2023, and approximately $268,824, with $66,947 unfunded at June 30, 2022. 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 $177,567, with $66,461 unfunded at June 30, 2023, and approximately $147,567, with $41,984 unfunded at June 30, 2022. 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, 2023 and 2022. 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 these investments were approximately $1,192 at June 30, 2023 and $1,293 at June 30, 2022. 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 $189,750, with

(In thousands of dollars)

$36,765 unfunded at June 30, 2023, and approximately $182,146, with $24,101 unfunded at June 30, 2022. 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:

		2023	2022
Interest income and dividends, net	$	6,211	10,811
Realized and unrealized (losses) gains, net		32,381	(58,180)
Total investment return	$	38,592	(47,369)

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

		2023	2022
Investment return designated for operations:			
Without donor restrictions	$	18,770	14,148
With donor restrictions		44,445	39,713
		63,215	53,861
Nonoperating investment return:			
Without donor restrictions		(12,434)	(24,360)
With donor restrictions		(12,189)	(76,870)
		(24,623)	(101,230)
Total investment return	$	38,592	(47,369)

(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:

	2023				
	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	$ 198,351	—	—	—	198,351
Funds held in trust by others	—	13,837	—	—	13,837
Long-term investments:					
Cash equivalents	76,183	—	—	—	76,183
Equities	200,282	—	—	11,523	211,805
Fixed income	121,951	—	—	—	121,951
Private equity	—	—	—	207,433	207,433
Venture capital	—	—	—	156,062	156,062
Hedge – long/short equity	—	—	—	154,810	154,810
Hedge – absolute return	—	—	—	166,225	166,225
Real assets	—	—	28,372	110,528	138,900
Other	4	1,007	—	—	1,011
Total long-term investments	398,420	1,007	28,372	806,581	1,234,380
	$ 596,771	14,844	28,372	806,581	1,446,568

(In thousands of dollars)

		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

There were no changes in methodologies used at June 30, 2023. There were no transfers into or out of Level 3 during the years ended June 30, 2023 and 2022. Acquisitions of Level 3 assets during the years ended June 30, 2023 and 2022, were $0 and $967, respectively. Redemptions of Level 3 assets during the years ended June 30, 2023 and 2022, were $3,822 and $4,744, respectively.

Significant unobservable inputs related to the University's investments in assets categorized as Level 3 in the fair value hierarchy at June 30, 2023 and 2022, 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 $1,202,460 and $1,190,680 as of June 30, 2023 and 2022, 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.

(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 $54,078 and $49,225 in fiscal 2023 and 2022, respectively. The endowment also provided an additional regularly scheduled draw for unrestricted purposes of $2,792 and $2,588 in fiscal 2023 and 2022, 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 payable of $98 and receivable of $6,425 at June 30, 2023 and 2022, respectively.

Endowment net asset composition by type of fund as of June 30, 2023		Without restrictions	With restrictions	Total
Donor-restricted funds	$	—	946,552	946,552
Funds functioning as endowment (Quasi)		255,810	—	255,810
Total funds at June 30, 2023	$	255,810	946,552	1,202,362

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

(In thousands of dollars)

	2023		
	Without restrictions	**With restrictions**	**Total**
Net assets at beginning of year	$ 257,087	940,018	1,197,105
Investment return	6,007	30,240	36,247
New gifts	582	17,401	17,983
Amounts appropriated for expenditure	(9,637)	(44,441)	(54,078)
Total other changes and reclassifications	1,771	3,334	5,105
Net assets at end of year	$ 255,810	946,552	1,202,362

	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

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:

	2023	**2022**
Fair value of investments in pooled funds	$ 1,202,015	1,196,726
Total number of units	54,543	53,483
Market value per unit	22.04	22.38

Total return on endowment and similar funds, consisting of realized and unrealized gains and losses, and dividends and interest income, was 3.6% and (3.5)% for the years ended June 30, 2023 and 2022, respectively.

(In thousands of dollars)

(7) Land, Buildings and Equipment, Net

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

		2023	2022
Land and improvements	$	54,110	50,014
Buildings		636,294	618,910
Equipment and library books		108,787	112,481
Construction in progress		25,396	4,843
Total cost		824,587	786,248
Less accumulated depreciation		(336,080)	(324,935)
Total land, buildings and equipment, net	$	488,507	461,313

Depreciation expense for the years ended June 30, 2023 and 2022 was $17,028 and $16,731, respectively. Outstanding commitments for construction contracts amounted to $55,506 and $38,635 at June 30, 2023 and 2022, respectively. Net interest capitalized amounted to $435 at June 30, 2023.

(8) Long-Term Debt

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

		2023	2022
Madison County Capital Resource Corporation:			
Tax-exempt revenue bonds:			
Series 2012A, 5.00%, due July 1, 2033	$	—	1,885
Series 2013A, 5.00%, due July 1, 2039		945	1,790
Series 2015A, 4.90%, due July 1, 2041		39,985	39,985
Series 2015B, 4.70%, due July 1, 2044		47,870	48,995
Colgate University:			
Taxable revenue bonds:			
Series 2013B, 4.11%, due July 1, 2043		25,000	25,000
Series 2019, 3.07%, due July 1, 2051		189,255	193,875
Series 2022, 4.33%, due August 19, 2042		100,000	—
Total long-term debt – principal		403,055	311,530
Bond premium and issuance costs, net		3,716	4,089
Total long-term debt, net	$	406,771	315,619

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 $183,946 and $90,395 and deposits with bond trustees of $14,344 and $14,204 at June 30, 2023 and 2022, respectively.

(In thousands of dollars)

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

2024	$	8,745
2025		9,005
2026		9,270
2027		9,560
2028		10,900
2029–2056		355,575
Total principal payments	$	403,055

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, 2023 or 2022. The terms of the line expire on March 31, 2024.

(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 $9,113 and $8,811 in 2023 and 2022, 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:

		2023	2022
Change in benefit obligation:			
Benefit obligation at beginning of year	$	14,065	17,327
Service cost		274	362
Interest cost		704	417
Plan participants’ contributions		510	402
Actuarial loss (gain)		2,476	(2,894)
Benefits paid		(2,335)	(1,549)
Benefit obligation at end of year		15,694	14,065
Change in plan assets:			
Fair value of plan assets at beginning of year		—	—
Employer contribution		1,825	1,147
Plan participants’ contributions		510	402
Benefits paid		(2,335)	(1,549)
Fair value of plan assets at end of year		—	—
Funded status at June 30	$	15,694	14,065

(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, 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)
Amortization		1,123	—	1,123
Actuarial		—	2,475	2,475
Total postretirement related charges other than net periodic benefit costs		1,123	2,475	3,598
Balance as of June 30, 2023	$	(1,183)	392	(791)

		2023	2022
Net periodic benefit cost:			
Service cost	$	274	362
Interest cost		704	417
Amortization of:			
Prior service credit		(1,123)	(1,123)
Net periodic benefit credit	$	(145)	(344)

(Continued)

(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:		
2024	$	1,763
2025		1,756
2026		1,651
2027		1,419
2028		1,254
2029–2033		5,056

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:

	2023	2022
Benefit obligations:		
Discount rate	4.87 %	4.32 %
Net periodic benefit cost:		
Discount rate	4.32	2.49
Healthcare cost trend rates:		
Pre-age 65 health care benefits	7.75	6.75
Post-age 65 health care benefits	4.50	4.40
Pre-age 65 prescription drug coverage	7.75	6.75
Post-age 65 prescription drug coverage	6.25	6.75
Rate to which the cost trend rate is to decline	4.03	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:

		2023		2022	
		Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
Operating, plant and other	$	207,447	5,896	180,836	5,303
Capital projects and equipment reserves		19,056	62,468	45,947	36,059
Pledges receivable		—	39,019	—	60,895
Annuities, deferred giving arrangements, and loan funds		—	28,545	—	28,158
Endowments and other funds treated as endowments:					
Undesignated		70,909	—	71,971	—
Board designated		167,853	—	168,689	—
Financial aid		168	442,569	161	438,749
Endowed chairs and salaries		2,389	176,193	2,367	176,792
Instruction, facilities, library, and other		14,448	327,792	13,899	324,477
Total net assets	$	482,270	1,082,482	483,870	1,070,433

(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 $112,230 and $106,895 at June 30, 2023 and 2022, 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:

	2023						
	Program activities					Support activities	
	Instruction and research	Athletics	Academic support	Student services	Institutional support	Auxiliary operations	Total
Salaries and wages	$ 50,760	12,802	6,812	9,794	19,187	2,405	101,760
Taxes and benefits	15,835	3,828	2,329	3,175	6,032	860	32,059
Supplies and other	15,254	9,701	7,754	6,143	10,042	6,055	54,949
Contracted services	1,275	1,208	1,336	1,278	3,404	18,341	26,842
Depreciation	3,862	3,217	1,487	350	956	7,156	17,028
Interest	2,308	1,910	677	233	468	5,244	10,840
Utilities	1,155	956	437	127	326	2,458	5,459
Total	$ 90,449	33,622	20,832	21,100	40,415	42,519	248,937

	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

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 $8,186 and $7,607 in 2023 and 2022, 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, 2023, and subsequent events have been evaluated through that date.