Colgate University

Consolidated Financial Statements

June 30, 2013

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Independent Auditor's Report

The Board of Trustees
Colgate University

We have audited the accompanying consolidated financial statements of Colgate University, which comprise the consolidated statement of financial position as of June 30, 2013 and the related consolidated statements of activities and of cash flows for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Colgate University at June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

October 25, 2013

Colgate University
Consolidated Statement of Financial Position
June 30, 2013

(in thousands of dollars)

Assets		
Cash and cash equivalents	$	32,406
Accounts receivable, net		2,106
Intermediate-term investments		32,448
Inventories		2,229
Prepaid expenses and other assets		4,120
Student loans receivable, net		3,067
Pledges receivable, net		6,539
Long-term investments		794,765
Land, buildings and equipment, net		339,740
Funds held in trust by others		9,228
Total assets	$	1,226,648
Liabilities		
Accounts payable and accrued expenses	$	15,871
Deposits and deferred revenues		15,806
Annuities and deferred giving arrangements		13,546
Postretirement benefits		17,470
Federal student loan funds		3,425
Conditional asset retirement obligations		9,243
Long-term debt, net		199,597
Total liabilities		274,958
Net assets		
Unrestricted		314,337
Temporarily restricted		297,046
Permanently restricted		340,307
Total net assets		951,690
Total liabilities and net assets	$	1,226,648

The accompanying notes are an integral part of these consolidated financial statements.

Colgate University
Consolidated Statement of Activities
Year Ended June 30, 2013

(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues				
Tuition and fees	$ 127,934	$ -	$ -	$ 127,934
Less: Scholarships	(43,779)	-	-	(43,779)
Net tuition and fees	84,155	-	-	84,155
Sales and services of auxiliaries	28,834	-	-	28,834
Government grants and contributions	701	1,790	-	2,491
Private grants and contributions	6,496	7,372	-	13,868
Investment return designated for operations	8,478	26,488	-	34,966
Other	2,700	-	-	2,700
Net assets released from restrictions	35,051	(35,051)	-	-
Total operating revenues	166,415	599	-	167,014
Operating expenses				
Instruction and research	63,846	-	-	63,846
Athletics	20,442	-	-	20,442
Academic support	16,662	-	-	16,662
Student services	12,916	-	-	12,916
Institutional support	27,039	-	-	27,039
Auxiliary operations	25,003	-	-	25,003
Total operating expenses	165,908	-	-	165,908
Increase in net assets from operating activities	507	599	-	1,106
Nonoperating activities				
Investment return, less amounts designated for current operations	11,239	40,573	4,417	56,229
Grants and contributions	698	8,422	10,515	19,635
Change in value of split interest agreements	-	937	2,856	3,793
Postretirement benefits	3,124	-	-	3,124
Other	(3,615)	-	-	(3,615)
Net assets released from restrictions	2,781	(2,781)	-	-
Reclassification of net assets	(1,958)	466	1,492	-
Increase in net assets from nonoperating activities	12,269	47,617	19,280	79,166
Net increase in net assets	12,776	48,216	19,280	80,272
Net assets				
Beginning of year	301,561	248,830	321,027	871,418
End of year	$ 314,337	$ 297,046	$ 340,307	$ 951,690

The accompanying notes are an integral part of these consolidated financial statements.

Colgate University
Consolidated Statement of Cash Flows
Year Ended June 30, 2013

(in thousands of dollars)

Cash flows from operating activities		
Change in net assets	$	80,272
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation, amortization and accretion		15,188
Debt writeoff, net of accumulated amortization		(498)
Premium on long-term debt issuance		6,799
Receipt of contributed securities		(3,170)
Contributions for long-term investment		(12,599)
Realized and unrealized gain on investments		(85,447)
Changes in assets and liabilities:		
Accounts receivable		(880)
Inventories		(225)
Prepaid expenses		1,406
Pledges receivable		(3,841)
Funds held in trust by others		(1,133)
Accounts payable and accrued expenses		1,678
Deposits and deferred revenues		(196)
Annuities and deferred giving arrangements		(2,643)
Postretirement benefits		(3,124)
Conditional asset retirement obligations		(1,218)
Net cash used in operating activities		(9,631)
Cash flows from investing activities		
Purchases of land, building, and equipment		(18,906)
Proceeds from student loan collections		527
Student loans issued		(354)
Purchases of investments		(264,694)
Proceeds from sales and maturities of investments		257,425
Sales of contributed securities		3,170
Net cash used in investing activities		(22,832)
Cash flows from financing activities		
Contributions for long-term investment		12,462
Increase in federal student loan funds		79
Proceeds from issuance of long-term debt		67,975
Payments on long-term debt		(48,262)
Bond issuance costs		(986)
Net cash provided by financing activities		31,268
Net decrease in cash and cash equivalents		(1,195)
Cash and cash equivalents		
Beginning of year		33,601
End of year	$	32,406
Supplemental data		
Noncash investing and financing activities - capital gifts in kind	$	137
Increase in construction related payables		(247)
Interest paid		7,395

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of dollars)

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The consolidated financial statements of Colgate University (the “University”) have been prepared on the accrual basis of accounting, and include the accounts of the University’s wholly-owned subsidiaries, the Colgate Inn, LLC, Hamilton Initiative, LLC, Palace Theater, LLC, and Hamilton Theater, LLC. All significant intercompany transactions have been eliminated.

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

Permanently Restricted

Net assets subject to donor-imposed stipulations that they 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.

Temporarily Restricted

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. Realized and unrealized gains on permanently and temporarily restricted assets are reported as temporarily restricted net assets in accordance with New York State law.

Unrestricted

Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets 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 unrestricted net assets.

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 temporarily restricted revenues and are reclassified to unrestricted net assets 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 and specific programs are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets upon acquisition of the assets. Contributions received of a capital nature, that is, contributions to be used for facilities and equipment or to be invested by the University to generate a return that will support operations, are included in nonoperating activities.

(in thousands of dollars)

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 of less at the time of purchase. Certain balances meeting the definition of cash equivalents have been classified as intermediate and/or long-term investments as a result of the University's intent to segregate these funds from cash available for current operations.

c. Changes in Fair Value of Investments
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 in the consolidated statement of activities. Realized gains and losses on the sale of investments are generally determined on the specific identification method on the trade date.

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

e. Student Loans Receivable
Student loans receivable are reported net of reserves for doubtful loans of $939 at June 30, 2013. 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.

f. 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.

(in thousands of dollars)

g. 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.

h. 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 statement of financial position at their net present value. The fair value of planned giving investments was $33,116 at June 30, 2013.

i. 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 $498 in 2013.

j. Revenue Recognition
Tuition revenue is recognized over the academic term to which it relates. Revenues from auxiliary enterprises are also recognized over the academic term with the exception of the student debit card balances which are included in deferred revenue until utilized.

The fair value of contributions received, including unconditional promises to give, are recognized 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.

k. Estimates
The preparation of financial statements in conformity with 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. Actual results could differ from these estimates.

Plan contributions and the actuarial present value of accumulated plan benefits for the postretirement benefits' liability are prepared based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. 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.

(in thousands of dollars)

l. 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 statement of financial position and the consolidated statement of activities.

m. Internal Revenue Code Status

The University is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The University is the sole member of the Colgate Inn, LLC, Hamilton Initiative, LLC, Palace Theater, LLC and Hamilton Theater, LLC, which are limited liability corporations. As such, the University may be subject to income taxes if any of the entities generate taxable income.

2. Pledges Receivable

Unconditional pledges at June 30, 2013 are expected to be realized in the following years:

Less than one year	$	2,701
One year to five years		4,880
More than five years		-
Subtotal		7,581
Less: Discount and allowance		(1,042)
Total pledges receivable, net	$	6,539

At June 30, 2013, the University had outstanding conditional pledges and bequests of approximately $167,513, which due to their conditional nature, are not recorded by the University.

3. Land, Buildings and Equipment, net

Investments in land, buildings and equipment consist of the following at June 30, 2013:

Land and improvements	$	28,873
Buildings		418,868
Equipment and library books		92,348
Total cost		540,089
Less: Accumulated depreciation		(200,349)
Total land, buildings and equipment, net	$	339,740

Depreciation expense for the year ended June 30, 2013 was $15,051. Outstanding commitments for construction contracts amounted to $7,601 at June 30, 2013. There was no capitalized interest for the period ended June 30, 2013.

(in thousands of dollars)

4. Long-Term Investments

Long-term investments by type consist of the following as of June 30, 2013:

	Cost	Fair Value
Cash equivalents	$ 67,842	$ 67,842
Equity investments - stocks	163,618	241,287
Fixed income investments - bonds	33,406	33,903
Private equity	70,426	102,083
Venture capital	19,100	24,419
Hedge	154,458	255,690
Real assets	49,323	68,733
Other	808	808
	$ 558,981	$ 794,765

Investment fees are netted against gains and losses. The components of total investment return from all sources for 2013 is reflected below:

Interest income and dividends	$ 5,748
Realized and unrealized gains (losses), net	85,447
Total investment return	$ 91,195

Investment return, as reflected in the consolidated statement of activities as of June 30, 2013, is as follows:

Investment return designated for operations	
Unrestricted	$ 8,478
Temporarily restricted	26,488
	34,966
Nonoperating investment return	
Unrestricted	11,239
Temporarily restricted	40,573
Permanently restricted	4,417
	56,229
Total investment return	$ 91,195

(in thousands of dollars)

5. 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 statement 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 $760,825 as of June 30, 2013.

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 permanently restricted net assets 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 temporarily restricted net assets 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 permanently or temporarily restricted net assets are classified as unrestricted net assets.

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 6.0% 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 4.5% of the average fair value for the preceding eight quarters. Endowment and similar funds provided support for general operations of $33,667 in fiscal 2013.

(in thousands of dollars)

The following table provides (1) the net asset composition of the endowment as of June 30, 2013; and (2) a rollforward of the net assets from July 1, 2012 to June 30, 2013. The net assets of the endowment include as interfund receivable of $14,685 at June 30, 2013.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net asset composition by type of fund as of June 30, 2013				
Donor-restricted funds	$ 10,452	$ 267,012	$ 321,941	$ 599,405
Funds functioning as endowment (Quasi)	176,105	-	-	176,105
Total funds at June 30, 2013	$ 186,557	$ 267,012	$ 321,941	$ 775,510

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at beginning of year	$ 165,349	$ 228,409	$ 305,651	$ 699,409
Investment return				
Investment income	1,243	4,505	-	5,748
Change in fair value, net of fees	18,881	58,445	3,185	80,511
Total investment return	20,124	62,950	3,185	86,259
New gifts	520	436	10,515	11,471
Amounts appropriated for expenditure	(8,274)	(25,393)	-	(33,667)
Total other changes and reclassifications	8,838	610	2,590	12,038
Net assets at end of year	$ 186,557	$ 267,012	$ 321,941	$ 775,510

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, 2013:

Fair value of investments in pooled funds, net	$ 774,877
Total number of units	44,294
Market value per unit	$ 17.49

Total return on endowment and similar funds, consisting of realized and unrealized gains and losses, dividends and interest income was 13.7% for the year ended June 30, 2013.

Endowment Funds With Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). These deficits result from unfavorable market fluctuations that occur after the investment of endowment funds or from appropriations deemed prudent at the time they are authorized. When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. There were no deficits of this nature at June 30, 2013 nor were any unrestricted accumulated gains used to support spending from underwater endowment funds with deficits in 2013.

(in thousands of dollars)

6. Fair Value Measurements

The "Fair Value Measurements" accounting standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This accounting standard provides a consistent definition of fair value focusing on an exit price which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The standard also establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the 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 standard describes a fair value hierarchy 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.

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 instruments' 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 University uses the net asset value ("NAV") to determine the fair value of certain investments included in Level 2 and Level 3 which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. The University has adopted the authoritative guidance under generally accepted accounting principles for estimating the fair value of investments in investment companies that have calculated net asset value per share in accordance with specialized accounting guidance for investment companies. Accordingly, in circumstances in which net asset value per share of an investment is determinative of fair value, the University estimates the fair value of an investment in an investment company using the net asset value per share of the investment (or its equivalent) without further adjustment as a practical expedient.

(in thousands of dollars)

Below is a list of University investments in other investment companies (or similar entities) by major investment category:

Fixed Income Securities
This category includes investments in core fixed income positions. These investments, combined with cash and cash equivalents, are meant to provide liquidity to the University. The fair value of these investments at June 30, 2013 was $33,903. These investments allow redemptions daily with one day notice or monthly with 30 days notice.

Equity Investments
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. The fair value of these investments at June 30, 2013 was $241,287. These investments allow redemptions daily with one day notice, semi-monthly with three days notice, monthly with ten days notice, quarterly with 30 - 60 days notice, or annually with 45-90 days notice.

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 $210,292 with $38,931 unfunded at June 30, 2013. The fair value of these investments at June 30, 2013 was $102,083. The University does not have any redemption rights in these investments and the investments have remaining lives between one and ten years.

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 $40,817 with $1,247 unfunded at June 30, 2013. The fair value of these investments at June 30, 2013 was $24,419. The University does not have any redemption rights in these investments and the investments have remaining lives between one and ten years.

Hedge - Long/Short Equity
This category includes investments that own traditional equities but complement the holdings by being short securities they believe to be 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. The fair value of these investments at June 30, 2013 was $116,741. On July 1, 2013, an additional investment of $7 million was made to an existing fund. These investments have varying redemption rights including monthly with 45 - 65 days notice, quarterly with 30 - 60 days notice, and annually with 60 days notice.

(in thousands of dollars)

Hedge - Absolute Return
This category includes Investments in single strategy and multi-strategy investment managers in various hedged strategies such as merger and risk arbitrage, distressed securities, asset-backed securities, and other credit and volatility strategies. 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 funds were $5,000 at June 30, 2013. The fair value of these investments at June 30, 2013 was $138,949. In July 2013, a full redemption was submitted for an existing fund with a fair value of $25,599 as of June 30, 2013. These investments allow redemptions monthly with 90 days notice, semi-annually with 60 days notice or annually with 45-90 days notice.

Real Assets
This category includes fund investments in residential and commercial real estate and oil and gas interests primarily in the United States and Europe. Total commitments for these investments were approximately $104,296 with $26,852 unfunded at June 30, 2013. The fair value of these investments at June 30, 2013 was $68,733. The University does not have any redemption rights in these investments and the investments have remaining lives between one and ten years.

The following table presents the financial instruments carried at fair value as of June 30, 2013 based on the valuation hierarchy previously described above:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Intermediate investments				
Cash equivalents	$ 32,448	$ -	$ -	$ 32,448
Total intermediate investments	32,448	-	-	32,448
Funds held in trust by others	-	-	9,228	9,228
Long-term investments				
Cash equivalents	67,842	-	-	67,842
Equity investments - stocks	49,648	139,030	52,609	241,287
Fixed income securities - bonds	22,933	10,970	-	33,903
Private equity	-	-	102,083	102,083
Venture capital	-	-	24,419	24,419
Hedge	-	82,740	172,950	255,690
Real assets	-	-	68,733	68,733
Other	55	477	276	808
Total long-term investments	140,478	233,217	421,070	794,765
	$ 172,926	$ 233,217	$ 430,298	$ 836,441

(in thousands of dollars)

The following table is a rollforward of the consolidated statement of financial position amounts for financial instruments classified by the University within Level 3 of the valuation hierarchy:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
(in thousands)	**Equity**	**Private Equity**	**Venture Capital**	**Hedge**	**Real Assets**	**Other**	**Total**
Beginning balance at July 1, 2012	$ 33,921	$ 113,844	$ 23,846	$ 176,140	$ 59,255	$ 246	$ 407,252
Total realized and unrealized gains or (losses)	7,166	12,705	1,900	20,993	11,721	30	54,515
Purchases	27,000	12,821	894	5,000	10,273	-	55,988
Settlements	(6,250)	(37,287)	(2,221)	(29,183)	(12,516)	-	(87,457)
Transfers in and/or out of Level 3	-	-	-	-	-	-	-
Ending balance at June 30, 2013	$ 61,837	$ 102,083	$ 24,419	$ 172,950	$ 68,733	$ 276	$ 430,298
Amount of net unrealized gains or (losses) relating to assets still held at June 30, 2013	$ 8,029	$ 31,657	$ 5,319	$ 68,467	$ 19,409	$ -	$ 132,881

Investments included in Level 3 primarily consist of the University's ownership in alternative investments (principally limited partnership interests in hedge, private equity, real estate, and other similar funds). The value of certain alternative investments represents the ownership interest in the respective partnership. As of June 30, 2013 approximately 50% of Level 3 assets held by the partnerships are invested in marketable securities and 50% are invested in securities that do not have readily determinable fair values. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner taking into consideration, among other things, the cost of the 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.

(in thousands of dollars)

7. Long-Term Debt, net

The University has a line of credit available with a limit of $15,000, with interest calculated on the outstanding balance at the 30, 60, or 90 day LIBOR rate plus 50 basis points or Prime. There were no amounts outstanding on the line as of June 30, 2013.

Long-term obligations at June 30, 2013 are summarized as follows:

New York State Dormitory Authority Issue		
Series 1996, 6.00%, due 2022	$	10,810
Madison Country Industrial Development Agency		
Tax-Exempt Civic Facility Revenue Bonds		
Series 2003A, 4.00%, due 2014		740
Series 2003B, 4.25%, due 2014		530
Series 2005A, 5.00%, due 2041		43,690
Madison Country Capital Resource Corporation		
Tax-Exempt Revenue Bonds		
Series 2010A, 4.83%, due 2041		33,650
Series 2012A, 4.66%, due 2033		26,450
Series 2013A, 4.73%, due 2039		42,975
Series 2013B, 4.11%, due 2043		25,000
Total long-term debt - principal		183,845
Bond premium/discount, net		15,752
Total long-term debt, net	$	199,597

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

2014	$	2,580
2015		3,205
2016		3,365
2017		3,510
2018		3,695
2019–2043		167,490
Total principal payments	$	183,845

During fiscal year 2013, the University entered into agreements with Madison County Capital Resource Corporation whereby Madison County Capital Resource Corporation issued $67,795 in tax-exempt revenue bonds (2013A and 2013B Series). Proceeds were used to advance refund its 2004A Series bonds and to fund various campus projects. The agreements are general secured obligations of the University. The 2013A Series bonds were issued at a premium of $6,799.

(in thousands of dollars)

The fair value of the University's long-term debt is estimated based upon the amount of future cash flows, discounted using the University's current borrowing rate for similar debt instruments of comparable maturities. The fair value of long term debt was $194,480 at June 30, 2013. Interest expense is allocated to functional expenses based on the original purpose of the bond proceeds and square footage.

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 bond proceeds of $23,549 at June 30, 2013 and deposits with bond trustees of $8,872 at June 30, 2013.

8. Retirement Benefits

The University participates in contributory retirement plans 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 plans. All retirement benefits are funded and vested under a defined contribution program. The University's contributions to the retirement plan amounted to $6,199 in 2013.

The University also provides health and life insurance benefits for eligible employees upon retirement at the University's early or normal retirement ages. Information with respect to the plans is as follows:

Change in benefit obligation		
Benefit obligation at beginning of year	$	20,594
Service cost		676
Interest cost		666
Plan participants' contributions		378
Actuarial (gain) loss		(3,630)
Benefits paid		(1,214)
Benefit obligation at end of year	$	17,470
Change in plan assets		
Fair value of plan assets at beginning of year	$	-
Employer contribution		836
Plan participants' contributions		378
Benefits paid		(1,214)
Fair value of plan assets at end of year		-
Funded status at June 30, 2013	$	(17,470)

(in thousands of dollars)

	Unamortized Prior Service Cost (Credit)	Unamortized Net (Gain) Loss	Amounts Recognized in Unrestricted Net Assets
Balance as of July 1, 2012	$ (14,244)	$ 7,693	$ (6,551)
Amortization	1,180	(312)	868
Actuarial (gain) loss	-	(3,630)	(3,630)
Total postretirement related charges other than net periodic benefit costs	1,180	(3,942)	(2,762)
Balance as of June 30, 2013	$ (13,064)	$ 3,751	$ (9,313)

For measurement purposes, an 8.5% annual rate of increase was assumed for pre-age 65 health care benefits, a 7.0% annual rate of increase was assumed for post-age 65 health care benefits, and a 7.0% annual rate of increase was assumed for prescription drug coverage for 2013. These rates are assumed to decrease gradually to 5% by 2022 and remain consistent thereafter.

The University records contributions as operating expense and all other activity is recorded as nonoperating.

Net Periodic Benefit Cost	
Service cost	$ 676
Interest cost	666
Amortization of	
Actuarial net loss	312
Prior service cost	(1,180)
Net periodic benefit cost	$ 474

The prior service credit and actuarial loss for the postretirement health care benefit plans that will be amortized from unrestricted net assets into net periodic benefit costs are $1,180 and $181, respectively.

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage point change in the assumed health care cost trend rates would have the following effects:

	One Percent Point Increase	One Percent Point Decrease
Effect on total service and interest cost components	$ 289	$ (224)
Effect on postretirement benefit obligation	2,572	(2,115)

(in thousands of dollars)

Expected Cash Flows
Information about the expected cash flows for the postretirement healthcare benefit plan follows:

Expected benefit payments		
2014	$	871
2015		905
2016		931
2017		975
2018		1,028
2019–2023		5,426

The weighted average rates forming the basis of net periodic benefit cost and amounts recognized in University's consolidated statement of financial position at June 30, 2013 was:

Benefit obligations	
Discount rate	4.49 %
Net periodic benefit cost	
Discount rate	3.72 %
Healthcare cost trend rate for next year	8.50%/7.00%
Rate to which the cost trend rate is to decline	5.00 %
Year that rate reaches the ultimate trend rate	2022

Effective July 1, 2012, the University revised its postretirement health benefits. Employees hired by the University after June 30, 2012 are no longer eligible for any University-provided dental or life insurance benefits. In addition, these employees are eligible to participate in a defined contribution 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. However, effective January 1, 2020, the University will no longer provide prescription drug insurance coverage for employees and retirees enrolled in Colgate's defined benefit retiree health plan.

9. Credit Loss Disclosures

The University records an allowance for doubtful accounts (credit losses) for the following loans receivable:

	June 30, 2013	
	Receivable Balance	**Related Allowance**
Perkins loans	$ 3,368	$ 301
Burgess loans	638	638
	$ 4,006	$ 939

(in thousands of dollars)

The Perkins Loans receivable represents amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan Program can be assigned to the Federal Government in certain nonrepayment situations. In these situations the Federal portion of the loan is guaranteed.

The Burgess Loans receivable is an institutional loan program provided to students with extenuating circumstances in need of additional financial assistance. These loans are considered to be higher risk and as a result, the full amount of the receivable is reserved.

Management regularly assesses the adequacy of the allowance for doubtful accounts by performing ongoing evaluations of the student loan portfolio, including such factors as the economic environment, risks associated with each loan category, the financial condition of specific borrowers, the level of delinquent loans, and where applicable, the existence of any guarantees or indemnifications.

Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, included, but were not limited to, a detailed review of the aging of the loans receivable and a review of the default rate by loan category in comparison to prior years. The level of the allowance is adjusted based on the results of management's analysis.

Changes in the allowance for doubtful accounts for the year ended June 30, 2013 were as follows:

	Perkins Loans Receivable	Burgess Loans Receivable
Beginning balance, July 1, 2012	$ 301	$ 703
Provision for doubtful accounts	-	69
Charge-offs	-	(41)
Recoveries	-	(93)
Ending balance, June 30, 2013	$ 301	$ 638

Considering the other factors already discussed herein, management considers the allowance for doubtful accounts to be prudent and reasonable. Furthermore, the University's allowance is general in nature and is available to absorb losses from any loan category. Management believes that the allowance for doubtful accounts at June 30, 2013 is sufficient to cover any potential losses inherent in the receivable accounts as of that date.

10. 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. Fair value of these investments total $53,395 at June 30, 2013, all of which were made in accordance with the University's conflict of interest policy.

(in thousands of dollars)

11. 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.

12. Subsequent Events

Subsequent events have been evaluated through October 25, 2013, which is the date the financial statements were available to be issued.