Colgate University
Consolidated Financial Statements
June 30, 2012

Colgate University
Index
June 30, 2012

Page(s)

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Report of Independent Auditors

The Board of Trustees
Colgate University

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of activities and of cash flows present fairly, in all material respects, the financial position of Colgate University (the "University") at June 30, 2012, and the changes in their net assets and their cash flows for the thirteen months then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the University changed its fiscal year end from May 31 to June 30, therefore these consolidated financial statements include activity for the thirteen months from June 1, 2011 to June 30, 2012.

PricewaterhouseCoopers LLP

October 17, 2012

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Colgate University
Consolidated Statement of Financial Position
June 30, 2012

(in thousands of dollars)

Assets		
Cash and cash equivalents	$	33,601
Accounts receivable, net		1,226
Intermediate-term investments		13,764
Inventories		2,004
Prepaid expenses and other assets		4,699
Student loans receivable, net		3,239
Pledges receivable, net		2,699
Long-term investments		720,733
Land, buildings and equipment, net		335,995
Funds held in trust by others		8,095
Total assets	$	1,126,055
Liabilities		
Accounts payable and accrued expenses	$	14,441
Deposits and deferred revenues		16,002
Annuities and deferred giving arrangements		16,189
Postretirement benefits		20,594
Federal student loan funds		3,346
Conditional asset retirement obligations		9,963
Long-term debt, net		174,102
Total liabilities		254,637
Net assets		
Unrestricted		301,561
Temporarily restricted		248,830
Permanently restricted		321,027
Total net assets		871,418
Total liabilities and net assets	$	1,126,055

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

Colgate University
Consolidated Statement of Activities
Thirteen Months Ended June 30, 2012

(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total - Thirteen Months Ended June 30, 2012
Operating revenues				
Tuition and fees	$ 125,238	$ -	$ -	$ 125,238
Less: Scholarships	(42,366)	-	-	(42,366)
Net tuition and fees	82,872	-	-	82,872
Sales and services of auxiliaries	29,235	-	-	29,235
Government grants and contributions	727	1,848	-	2,575
Private grants and contributions	6,804	5,081	-	11,885
Investment return designated for operations	7,998	24,543	-	32,541
Other	2,583	-	-	2,583
Net assets released from restrictions	32,704	(32,704)	-	-
Total operating revenues	162,923	(1,232)	-	161,691
Operating expenses				
Instruction and research	63,155	-	-	63,155
Athletics	21,389	-	-	21,389
Academic support	17,958	-	-	17,958
Student services	12,730	-	-	12,730
Institutional support	26,617	-	-	26,617
Auxiliary operations	26,421	-	-	26,421
Total operating expenses	168,270	-	-	168,270
Decrease in net assets from operating activities	(5,347)	(1,232)	-	(6,579)
Nonoperating activities				
Investment return, less amounts designated for current operations	(6,345)	(22,781)	(3,688)	(32,814)
Grants and contributions	1,450	2,916	10,705	15,071
Change in value of split interest agreements	-	9	468	477
Postretirement benefits	5,017	-	-	5,017
Other	(3,977)	-	-	(3,977)
Net assets released from restrictions	8,473	(8,473)	-	-
Reclassification of net assets-current period	298	(193)	(105)	-
Increase (decrease) in net assets from nonoperating activities	4,916	(28,522)	7,380	(16,226)
Net (decrease) increase in net assets	(431)	(29,754)	7,380	(22,805)
Net assets				
Beginning of period	301,992	278,584	313,647	894,223
End of period	$ 301,561	$ 248,830	$ 321,027	$ 871,418

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

Colgate University
Consolidated Statement of Cash Flows
Thirteen Months Ended June 30, 2012

(in thousands of dollars)

Cash flows from operating activities		
Change in net assets	$	(22,805)
Depreciation, amortization and accretion		15,529
Debt writeoff, net of accumulated amortization		527
Adjustments to reconcile change in net assets to net cash (used in) operating activities		
Accounts receivable		(323)
Inventories		(254)
Prepaid expenses		(511)
Pledges receivable		948
Funds held in trust by others		109
Accounts payable and accrued expenses		(3,011)
Deposits and deferred revenues		3,862
Annuities and deferred giving arrangements		(104)
Postretirement benefits		(5,017)
Conditional asset retirement obligations		(589)
Premium on long-term debt issuance		4,260
Receipt of contributed securities		(3,286)
Contributions for long-term investment		(12,492)
Realized and unrealized loss on investments		5,612
Net cash used in operating activities		(17,545)
Cash flows from investing activities		
Purchases of land, building, and equipment, net		(16,673)
Proceeds from student loan collections		566
Student loans issued		(432)
Purchases of investments		(167,613)
Sales of contributed securities		3,286
Proceeds from sales and maturities of investments		177,595
Net cash used in investing activities		(3,271)
Cash flows from financing activities		
Contributions for long-term investment		11,434
Increase in federal student loan funds		68
Proceeds from issuance of long-term debt		26,450
Payments on long-term debt		(30,329)
Bond issuance costs		(571)
Net cash provided by financing activities		7,052
Net decrease in cash and cash equivalents		(13,764)
Cash and cash equivalents		
Beginning of period		47,365
End of period	$	33,601
Supplemental data		
Noncash investing and financing activities - capital gifts in kind	$	1,058
Increase in construction related payables		(1,074)
Interest paid		8,226

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.

The University changed its fiscal year end from May 31 to June 30, therefore these consolidated financial statements include activity for the thirteen months from June 1, 2011 to June 30, 2012.

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 $1,004 at June 30, 2012. 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 $32,310 at June 30, 2012.

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.

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, 2012 are expected to be realized in the following periods:

Less than one year	$	1,331
One year to five years		2,025
More than five years		-
Subtotal		3,356
Less: Discount and allowance		(657)
Total pledges receivable, net	$	2,699

At June 30, 2012, the University had outstanding conditional pledges and bequests of approximately $167,993, 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, 2012:

Land and improvements	$	28,201
Buildings		405,227
Equipment and library books		88,229
Total cost		521,657
Less: Accumulated depreciation		(185,662)
Total land, buildings and equipment, net	$	335,995

Depreciation expense for the period ended June 30, 2012 was $15,129. Outstanding commitments for construction contracts amounted to $6,534 at June 30, 2012. There was no capitalized interest for the period ended June 30, 2012.

(in thousands of dollars)

4. Long-Term Investments

Long-term investments by type consist of the following as of June 30, 2012:

	Cost	Fair Value
Cash equivalents	$ 32,673	$ 32,673
Equity investments - stocks	124,542	188,601
Fixed income investments - bonds	43,386	45,389
Private equity	80,708	113,844
Venture capital	18,854	23,846
Hedge	175,063	256,271
Real assets	50,087	59,255
Other	854	854
	$ 526,167	$ 720,733

The components of total investment return from all sources for 2012 is reflected below:

Interest income and dividends	$ 5,339
Realized and unrealized gains (losses), net	(5,612)
Total investment return	$ (273)

Investment return, as reflected in the consolidated statement of activities as of June 30, 2012, is as follows:

Investment return designated for operations	
Unrestricted	$ 7,998
Temporarily restricted	24,543
	32,541
Nonoperating investment return	
Unrestricted	(6,345)
Temporarily restricted	(22,781)
Permanently restricted	(3,688)
	(32,814)
Total investment return	$ (273)

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

(in thousands of dollars)

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 $687,474 as of June 30, 2012.

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 $31,182 in fiscal 2012.

(in thousands of dollars)

The following table provides (1) the net asset composition of the endowment as of June 30, 2012; and (2) a rollforward of the net assets from June 1, 2011 to June 30, 2012. The net assets of the endowment include an interfund receivable of $11,935 at June 30, 2012.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net asset composition by type of fund as of June 30, 2012				
Donor-restricted funds	$ 9,363	$ 228,409	$ 305,651	$ 543,423
Funds functioning as endowment (Quasi)	155,986	-	-	155,986
Total funds at June 30, 2012	$ 165,349	$ 228,409	$ 305,651	$ 699,409

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at beginning of period	$ 159,054	$ 255,883	$ 295,671	$ 710,608
Investment return				
Investment income	1,075	4,814	-	5,889
Change in fair value, net of fees	(1,293)	(4,035)	(2,039)	(7,367)
Total investment return	(218)	779	(2,039)	(1,478)
New gifts	1,517	275	11,864	13,656
Amounts appropriated for expenditure	(6,639)	(24,543)	-	(31,182)
Total other changes and reclassifications	11,635	(3,985)	155	7,805
Net assets at end of period	$ 165,349	$ 228,409	$ 305,651	$ 699,409

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, 2012:

Fair value of investments in pooled funds, net	$ 698,350
Total number of units	42,875
Market value per unit	$ 16.29

Total return on endowment and similar funds, consisting of realized and unrealized gains and losses, dividends and interest income was 0.4% for the period ended June 30, 2012.

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. Deficits of this nature were $26 as of June 30, 2012. In addition, the University utilized unrestricted accumulated gains of $14 to support spending from underwater endowment funds with deficits.

(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, 2012 was $45,389. These investments allow redemptions daily with one day notice or monthly with 30 days notice.

Equity Investments
This category includes long-only equity 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, 2012 was $188,601. These investments allow redemptions daily with one day notice, semi-monthly with three days notice, monthly with six days notice, or quarterly with 30 - 60 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 $205,292 with $44,397 unfunded at June 30, 2012. The fair value of these investments at June 30, 2012 was $113,844. 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 $2,141 unfunded at June 30, 2012. The fair value of these investments at June 30, 2012 was $23,846. 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, 2012 was $128,541. These investments have varying redemption rights including monthly with 45 - 65 days notice, quarterly with 30 - 60 days notice, and annually with 45 - 60 days notice.

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, 2012. The fair value of these investments at June 30, 2012 was $127,730. These investments allow redemptions monthly with 90 days notice, quarterly with 60 days notice, semi-annually with 60 days notice or annually with 45-90 days notice.

(in thousands of dollars)

Real Assets
This category includes 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 $91,796 with $23,101 unfunded at June 30, 2012. The fair value of these investments at June 30, 2012 was $59,255. 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, 2012 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	$ 13,764	$ -	$ -	$ 13,764
Total intermediate investments	13,764	-	-	13,764
Funds held in trust by others	-	-	8,095	8,095
Long-term investments				
Cash equivalents	32,673	-	-	32,673
Equity investments - stocks	48,648	114,127	25,826	188,601
Fixed income securities - bonds	34,774	10,615	-	45,389
Private equity	-	-	113,844	113,844
Venture capital	-	-	23,846	23,846
Hedge	-	80,131	176,140	256,271
Real assets	-	-	59,255	59,255
Other	55	553	246	854
Total long-term investments	116,150	205,426	399,157	720,733
	$ 129,914	$ 205,426	$ 407,252	$ 742,592

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**	**Fixed Income**	**Private Equity**	**Venture Capital**	**Hedge**	**Real Assets**	**Other**	**Total**
Beginning balance at May 31, 2011	$ 15,374	$ -	$ 112,344	$ 33,998	$ 176,039	$ 52,046	$ 234	$ 390,035
Total realized and unrealized	-		-	-	-	-	-	
gains or (losses)	2,321	-	9,003	(3,053)	1,679	2,651	70	12,671
Purchases	18,000	-	15,502	1,994	23,328	7,896	-	66,720
Settlements	-	-	(23,005)	(9,093)	(3,798)	(3,338)	(58)	(39,292)
Transfers in and/or out of Level 3	(1,774)	-	-	-	(21,108)	-	-	(22,882)
Ending balance at June 30, 2012	$ 33,921	$ -	$ 113,844	$ 23,846	$ 176,140	$ 59,255	$ 246	$ 407,252
Amount of net unrealized gains or (losses) relating to assets still held at June 30, 2012	$ 7,211	$ -	$ 33,136	$ 4,992	$ 54,173	$ 8,963	$ -	$ 108,475

During the period, the University transferred a Hedge (long/short equity) investment totaling $21,108 from Level 3 to Level 2. The University also transferred an Equity investment totalling $1,774 from Level 3 to Level 2. The investments have complied with the required lock-up provisions and are now fully eligible for redemption on a monthly or quarterly basis.

(in thousands of dollars)

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, 2012 approximately 47% of Level 3 assets held by the partnerships are invested in marketable securities and 53% 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.

7. Long-Term Debt, net

The University has a line of credit available with a limit of $15,000. There were no amounts outstanding on the line as of June 30, 2012.

Long-term obligations at June 30, 2012 are summarized as follows:

New York State Dormitory Authority Issue	
Series 1996, 6.00%, due 2022	$ 11,700
Madison Country Industrial Development Agency	
Tax-Exempt Civic Facility Revenue Bonds	
Series 2003A, 4.00%, due 2023	1,455
Series 2003B, 4.19%, due 2034	1,040
Series 2004A, 4.70%, due 2040	45,905
Series 2005A, 5.00%, due 2041	43,690
Madison County Capital Resource Corporation	
Tax-Exempt Revenue Bonds	
Series 2010A, 4.83%, due 2041	33,650
Series 2012A, 4.66%, due 2041	26,450
Lease obligation	242
Total long-term debt - principal	164,132
Bond premium/discount, net	9,970
Total long-term debt, net	$ 174,102

(in thousands of dollars)

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

2013	$	2,357
2014		2,580
2015		3,205
2016		3,365
2017		3,510
2018–2041		149,115
Total principal payments	$	164,132

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 $176,135 at June 30, 2012. 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 $5,422 at June 30, 2012 and deposits with bond trustees of $8,223 at June 30, 2012.

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 plan amounted to approximately $6,441 in 2012.

(in thousands of dollars)

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 period	$ 25,611
Service cost	1,102
Interest cost	1,465
Plan participants' contributions	439
Plan amendments	(14,363)
Actuarial (gain) loss	7,484
Benefits paid	(1,144)
Benefit obligation at end of period	20,594
Change in plan assets	
Fair value of plan assets at beginning of period	-
Employer contribution	705
Plan participants' contributions	439
Benefits paid	(1,144)
Fair value of plan assets at end of period	-
Funded status at June 30, 2012	$ (20,594)

	Unamortized Prior Service Cost (Credit)	Unamortized Net (Gain) Loss	Amounts Recognized in Unrestricted Net Assets
Balance as of May 31, 2011	$ 199	$ 209	$ 408
Amortization	(80)	-	(80)
Prior service cost/(credit)	(14,363)	-	(14,363)
Actuarial (gain) loss	-	7,484	7,484
Total postretirement related charges other than net periodic benefit costs	(14,443)	7,484	(6,959)
Balance as of June 30, 2012	$ (14,244)	$ 7,693	$ (6,551)

For measurement purposes, a 9% and 8% annual rate of increase was assumed for health care benefits and prescription drug coverage, respectively, for 2012. These rates are assumed to decrease gradually to 5% by 2018 and remain consistent thereafter.

(in thousands of dollars)

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

Net Periodic Benefit Cost

Service cost	$	1,101
Interest cost		1,465
Amortization of		
Unrecognized actuarial net loss		-
Prior service cost		80
Net periodic benefit cost	$	2,646

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 $442, 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	$	481	$	(454)
Effect on postretirement benefit obligation		3,077		(3,290)

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

Expected benefit payments		
2013	$	1,084
2014		1,130
2015		1,169
2016		1,201
2017		1,274
2018–2022		6,816

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, 2012 was:

Benefit obligations	
Discount rate	3.72 %
Net periodic benefit cost	
Discount rate	5.40 %
Healthcare cost trend rate for next year	9.00 %
Rate to which the cost trend rate is to decline	5.00 %
Year that rate reaches the ultimate trend rate	2018

(in thousands of dollars)

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, 2012	
	Receivable Balance	Related Allowance
Perkins loans	$ 3,540	$ 301
Burgess loans	703	703
	$ 4,243	$ 1,004

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, the value of any collateral 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.

(in thousands of dollars)

Changes in the allowance for doubtful accounts for the period ended June 30, 2012 were as follows:

	Perkins Loans Receivable	Burgess Loans Receivable
Beginning balance, May 31, 2011	$ 301	$ 618
Provision for doubtful accounts	-	167
Charge-offs	-	-
Recoveries	-	(82)
Ending balance, June 30, 2012	$ 301	$ 703

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, 2012 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 $56,264 at June 30, 2012, all of which were made in accordance with the University's conflict of interest policy.

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 17, 2012, which is the date the financial statements were available to be issued.