Colgate University

Financial Report 2010

Colgate University Financial Report 2010

Colgate University Administration 2009–2010

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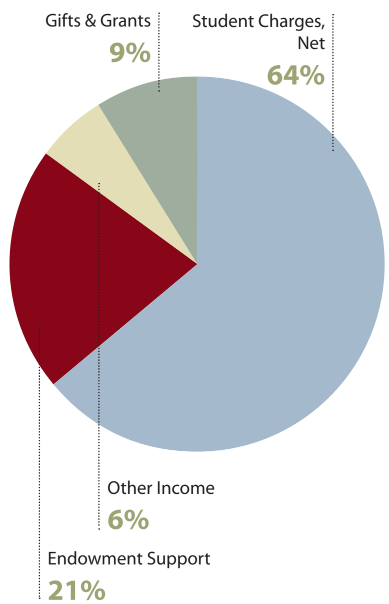
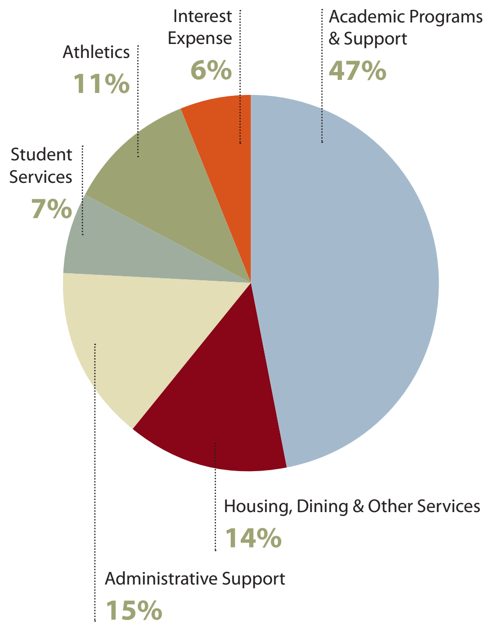
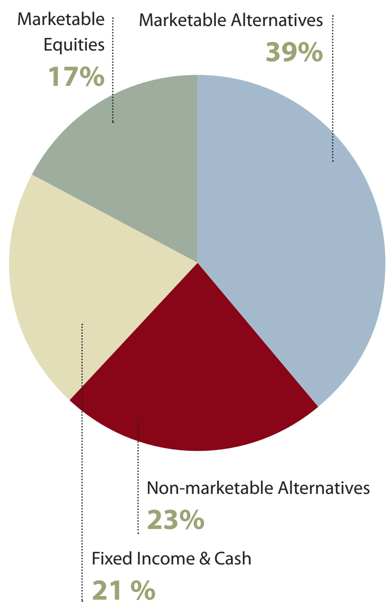
2009–2010 Year in Review







Despite continued economic stagnation nationwide, Colgate University remained financially strong as it entered a period of significant change. In July of 2010, the community welcomed Colgate's 16th president, Jeffrey Herbst, and we look forward to the continuation of the university's forward momentum under Jeff's strong and visionary leadership. In addition, we want to express our sincere gratitude to Lyle Roelofs for very capably serving as interim president during the 2009–2010 fiscal year. Lyle's tireless efforts and dedication were invaluable during a period of economic challenges and significant budget restructuring efforts at the university.

Endowed institutions such as Colgate have been faced with arduous financial decisions in the wake of the 2008 financial crisis and the ensuing global economic recession. In 2009–2010, in response to investment losses sustained in 2008–2009, Colgate rebalanced its endowment investment portfolio and set aside its usual endowment spending guideline. Colgate also implemented several financial measures designed to reduce operating expenditures and to restructure programs across the university. Nevertheless, while making challenging budget decisions, the university remained steadfast in its commitment to providing a world-class residential undergraduate education. The changes that were implemented will make Colgate stronger, and these efforts were affirmed by both Moody's and Standard & Poor's, who maintained the university's credit ratings of Aa3 and AA-, respectively, in April 2010.

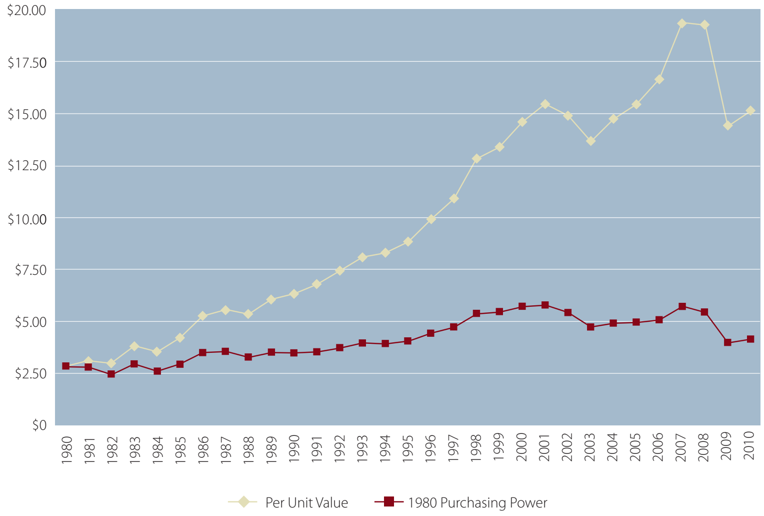
This report details the financial highlights of the 2009–2010 fiscal year and includes the university's audited financial statements as well as select historic financial and operational information.

Operations

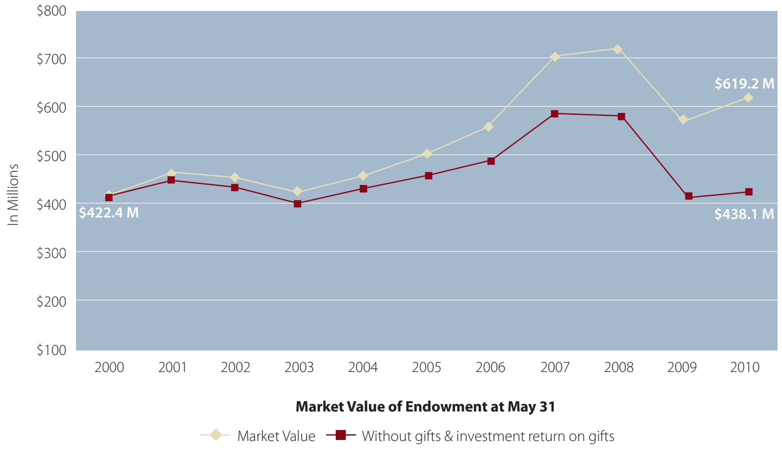
The two main financial themes of the fiscal year were the endowment investment portfolio's recovery and a refinancing/new issue of tax-exempt bonds. At the end of the fiscal year, the endowment's market value was $619 million, an increase in excess of $58 million, or 10.5 percent. Second only to net tuition and fees, Colgate was able to maintain the same level of endowment spending support as the prior year — 21.2 percent of total operating revenues — which provided the operating budget with $32 million during 2009–2010.

Through the efforts of an on-campus committee ("Economic Environment Working Group"), Colgate was able to decrease total operating expenditures by 1.8 percent this past fiscal year. Colgate is forecasting that expenditures will remain relatively flat for 2010–2011 and beyond. The 2009–2010 fiscal year finished with operating revenues

Growth of Per Unit Value and Purchasing Power



Growth of Colgate Endowment 2000–2010



exceeding expenses by $2.6 million, after including depreciation and interest expense.

In May 2010, the university issued $34 million in tax-exempt debt in order to serve two purposes. The first was to take advantage of an extremely low interest rate environment in refinancing approximately $19 million of its Series 1998 bonds. The second was to raise $15 million in new funds to finance important renovation and renewal projects across the campus.

Admissions and Financial Aid

The demand for a Colgate education remained as strong as ever in 2009–2010. Colgate received 7,872 applications for admission to the Class of 2014, out of which 851 students were enrolled. The university was pleased to provide $36.9 million in financial assistance to deserving students, which represented 41.2 percent of Colgate's 2,755 students. That figure represents an increase in financial assistance of 7.6 percent over the prior year and is particularly noteworthy given the economic environment. Thanks to the extraordinary generosity of our donors, the university remains committed to making a Colgate education accessible to as many qualified students as possible.

Financial Assets

Colgate is obligated to protect and enhance contributions to the endowment, which are designated to permanently sustain the university's mission. Accordingly, the policies guiding how these funds are managed and invested are a key part of the financial management strategies pursued by the university. The Endowment Management & Finance Committee ("Finance Committee") of the Board of Trustees is responsible for ensuring that Colgate follows prudent investment and spending policies for the university's financial assets while retaining the ability to benefit future generations of Colgate students. The Finance Committee oversees three distinct pools of investments: endowment, planned gifts, and operating and reserve funds. Assisted by Colgate's financial staff and investment consultants, the Finance Committee exercises general supervision over these funds, including the determination of appropriate asset allocation, selection of investment managers, and evaluation of risk-adjusted performance.

The Colgate endowment portfolio — the investment strategy for the endowment portfolio is predicated upon the dual need to provide current support as well as long-term sustenance to the university through real (inflation-adjusted) growth. The endowment is invested for total return so that it can maintain and enhance its real value over the long term. As a result, the endowment portfolio's pursuit of maximum long-term investment return must be tempered by the need to preserve capital.

As noted earlier, the market value of the endowment increased by more than $58 million during 2009–2010. That increase was driven by an investment return of 11.8 percent, coupled with contributions to the endowment of $8.5 million. While the return lags behind our traditional weighted benchmark (85 percent S&P 500/15 percent Barclays Capital Aggregate Bond Index), when comparing Colgate's endowment performance over the longer 3-, 5-, and 10-year periods, the endowment has consistently beaten its benchmarks.

The strong long-term investment return of the Colgate endowment portfolio allowed for an increase in market value throughout the current decade, while the endowment continued to provide crucial support to current university operations. In fact, from June 1, 2000, through May 31, 2010, the value of the endowment portfolio increased by $192.2 million. During this same ten-year period, a total of $245.7 million was drawn from the endowment to support the university's operations.

Furthermore, over the past two years, the university rebalanced the portfolio to maximize its return and also avoid the liquidity challenges that confronted so many institutions who draw heavily from endowment to fund their operations. With this liquidity, the university was able to take advantage of new investment opportunities as they arose.

One key legislative change that occurred after the fiscal year ended and will impact the university is the adoption of UPMIFA (Uniform Prudent Management of Institutional Funds Act). New York State was the 47th state to pass a form of UPMIFA, which governs how organizations manage donor-restricted contributions. UPMIFA is designed to provide flexibility to organizations that have endowments and to institute a higher level of prudence in managing funds than the current laws require. This legislation will have a significant impact on how the university manages its endowment portfolio and on the financial statement net asset classifications. The university is in the process of working with its auditors and attorneys to evaluate the impact UPMIFA will have on Colgate.

Planned gifts — as of May 31, 2010, the market value of charitable gift annuities and deferred giving arrangements, or "planned gifts," was $30.9 million, an increase of 10.0 percent over the prior year. These assets have been irrevocably contributed to Colgate and are separately invested in accordance with various trust agreements. Trusts and charitable gift annuity contracts provide income to beneficiaries selected by the donors, with the remainder value ultimately reverting to the university. These assets have been administered by Kaspick and Company since 1997 and are also overseen by the Finance Committee.

Operating and reserve funds — operating cash and capital project and equipment reserve funds increased to a total of $45.2 million as of May 31, 2010, primarily as a result of the new tax-exempt bond issue. The balance available for investment fluctuates during the year, reflecting the inflow of student charges and contributions, and the outflow of operating and capital expenditures. These assets are invested in a combination of accounts that offer daily liquidity and protection through the use of high credit–quality, primarily shorter duration, fixed-income securities.

Facilities

Colgate is often noted for being one of the most picturesque campuses in the country. Through the dedication and hard work of our facilities personnel and the effective utilization of available resources, the campus continues to retain this stellar reputation. While we have had to modify our long-term plans for capital renovation and maintenance projects, we have done so by prioritizing projects in an attempt to minimize deferred maintenance campus wide. Through a combination of internal reserves, bond financing, and extremely generous gifts from donors, the university invested nearly $11 million in existing and new facilities during 2009–2010. The largest of these projects is the construction of the new 15,000-square-foot Trudy Fitness Center, which began in early 2010 and opened in January 2011. This project, financed entirely by contributions from parents and alumni, is an incredible addition to our campus. The university was also able to partially renovate Lathrop Hall, a key building situated on the academic quad, creating vibrant new space for academic and student support offices.

Closing Remarks

I would like to give special thanks to Daniel C. Benton '80, who worked tirelessly on behalf of Colgate serving in his role as chair of the Finance Committee for seven years. Under Dan's leadership, the university's financial assets have been invested effectively and appropriately during an increasingly challenging and volatile investment period.

With new leadership at the helm, Colgate is entering a new era as strong as ever and is poised to maintain and enhance the excellence it has worked so hard to build over the past two centuries. Nevertheless, to thrive within an altered global economic environment, we must rethink how we approach many aspects of our operations and challenge ourselves to be as effective and efficient as possible. We are confident we can accomplish both of these goals while remaining focused on our primary goal of providing a world-class residential liberal arts education for our talented students.

David B. Hale '84
Vice President for Finance and Administration

Statistical Abstract

	2006/2007	2007/2008	2008/2009	2009/2010
Enrollment, Total Charges, Student Aid				
Tuition, Fees, Room and Board	$43,560	$46,830	$49,170	$50,940
Undergraduate Enrollment (FTE)	2,735	2,768	2,784	2,755
Financial Aid				
Scholarships, Grants and Awards	$30,215,087	$32,756,043	$34,250,447	$36,864,905
Percent of Students Receiving Colgate Financial Aid	40.6%	39.1%	38.5%	41.2%
Outside Grants	$2,494,462	$2,559,521	$2,690,009	$2,876,863
Loans and Jobs	$4,229,435	$4,234,587	$4,004,730	$4,004,496
Tuition Discount Rate	31.5%	31.4%	31.1%	32.6%
Instructional Resources				
Instructional Faculty – FTE	288	277	286	281
Continuing Faculty – Percent Tenured	68.5%	68.0%	68.8%	70.8%
Student/Faculty Ratio	9.6	10.2	9.9	10.0
Average Class Size	18.9	19.1	19.0	18.9
Library Collection – Volumes and Periodicals	734,731	742,419	754,448	766,961
Admission and Graduation Results				
Applications for Admission	8,759	9,416	7,816	7,872
Percent of Applicants Offered Admission	25.5%	23.9%	31.5%	33.0%
Yield on Admission Offers	33.6%	32.7%	30.4%	32.8%
Graduation Rate (6 years)	89.9%	91.3%	89.9%	87.9%
Plant and Facilities				
Estimated Replacement Value	$383,470,000	$444,400,000	$456,249,000	$463,273,913
Gross Square Feet of Buildings	2,097,563	2,219,697	2,243,458	2,247,818
Annual Investment in Plant and Equipment	$63,455,493	$37,432,378	$14,183,736	$11,460,026
Outstanding Debt	$164,435,000	$163,092,000	$161,882,000	$170,172,000
Debt Service to Operating Expense	4.6%	6.3%	6.7%	7.3%
Endowment and Gifts				
Endowment Market Value	$706,656,533	$729,249,345	$560,537,000	$619,216,000
Total Investment Return	21.5%	4.3%	-20.3%	11.8%
Endowment Per Student	$258,375	$263,457	$201,342	$224,761
Deferred Gifts Trusteed by Colgate	$38,053,000	$36,587,109	$28,078,000	$30,908,589
Total Private Gifts Received	$65,785,006	$36,836,730	$26,329,354	$28,505,881
Percent of Alumni Donating	49%	46%	46%	47%

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

The Board of Trustees
Colgate University

In our opinion, the accompanying consolidated statements 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 at May 31, 2010 and 2009, and the changes in their net assets and their cash flows for the years 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 audits. We conducted our audits 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 audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

September 10, 2010

Consolidated Statements of Financial Position
May 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Assets		
Cash and cash equivalents	$ 26,643	$ 28,036
Accounts receivable, net	859	892
Intermediate investments	18,533	8,339
Inventories	1,566	1,572
Prepaid expenses and other assets	4,596	4,424
Student loans receivable, net	3,532	3,410
Pledges receivable, net	3,978	5,084
Long-term investments	650,567	592,807
Land, buildings, and equipment, net	321,965	324,222
Funds held in trust by others	4,511	3,775
Total assets	$ 1,036,750	$ 972,561
Liabilities		
Accounts payable and accrued expenses	$ 17,594	$ 16,844
Deposits and deferred revenues	10,343	10,802
Annuities and deferred giving arrangements	16,036	14,812
Postretirement benefits	27,845	20,726
Federal student loan funds	3,225	3,196
Conditional asset retirement obligation	9,806	9,230
Long-term debt, net	176,531	165,062
Total liabilities	261,380	240,672
Net Assets		
Unrestricted	470,420	445,973
Temporarily restricted	48,833	47,934
Permanently restricted	256,117	237,982
Total net assets	775,370	731,889
Total liabilities and net assets	$ 1,036,750	$ 972,561

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

Consolidated Statement of Activities
Year Ended May 31, 2010
(with comparative totals for the year ended May 31, 2009)
(in thousands of dollars)

	2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2009 Total
Operating Revenues					
Tuition and fees	$ 113,042	$ –	$ –	$ 113,042	$ 110,186
Less: Scholarships	(36,865)			(36,865)	(34,250)
Net tuition and fees	76,177	–	–	76,177	75,936
Sales and services of auxiliaries	26,114	–	–	26,114	25,785
Government grants and contributions	2,593	–	–	2,593	2,678
Private grants and contributions	6,638	4,747	–	11,385	11,923
Investment return designated for operations	10,257	22,088	–	32,345	32,585
Other	2,064	–	–	2,064	2,119
Net assets released from restrictions	26,357	(26,357)	–	–	–
Total operating revenues	150,200	478	–	150,678	151,026
Operating Expenses					
Instruction and research	54,788	–	–	54,788	55,924
Athletics	16,443	–	–	16,443	17,063
Academic support	14,389	–	–	14,389	14,429
Student services	10,957	–	–	10,957	11,135
Institutional support	27,876	–	–	27,876	28,528
Auxiliary operations	23,660	–	–	23,660	23,789
Total operating expenses	148,113	–	–	148,113	150,868
Increase in net assets from operating activities	2,087	478	–	2,565	158
Non-Operating Activities					
Investment return, less amounts designated for operations	26,218	2,582	9,055	37,855	(191,140)
Grants and contributions for long-term investment	2,140	4,740	8,177	15,057	9,864
Change in value of split interest agreements	281	(2,063)	(153)	(1,935)	5,375
Postretirement benefit expense	(2,253)	–	–	(2,253)	(1,540)
Other	(2,947)	5	–	(2,942)	461
Net assets released from restrictions	4,000	(4,000)	–	–	–
Postretirement related charges other than net periodic benefit costs	(4,866)	–	–	(4,866)	2,363
Reclassification of net assets	(213)	(843)	1,056	–	–
Increase (decrease) in net assets from non-operating activities	22,360	421	18,135	40,916	(174,617)
Net increase (decrease) in net assets	24,447	899	18,135	43,481	(174,459)
Net assets at beginning of year	445,973	47,934	237,982	731,889	906,348
Net assets at end of year	**$ 470,420**	**$ 48,833**	**$ 256,117**	**$ 775,370**	**$ 731,889**

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

Consolidated Statement of Activities
Year Ended May 31, 2009
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Tuition and fees	$ 110,186	$ –	$ –	$ 110,186
Less: Scholarships	(34,250)	–	–	(34,250)
Net tuition and fees	75,936	–	–	75,936
Sales and services of auxiliaries	25,785	–	–	25,785
Government grants and contributions	2,678	–	–	2,678
Private grants and contributions	6,645	5,278	–	11,923
Investment return designated for operations	10,821	21,764	–	32,585
Other	2,119	–	–	2,119
Net assets released from restrictions	25,740	(25,740)	–	–
Total operating revenues	149,724	1,302	–	151,026
Operating Expenses				
Instruction and research	55,924	–	–	55,924
Athletics	17,063	–	–	17,063
Academic support	14,429	–	–	14,429
Student services	11,135	–	–	11,135
Institutional support	28,528	–	–	28,528
Auxiliary operations	23,789	–	–	23,789
Total operating expenses	150,868	–	–	150,868
(Decrease) increase in net assets from operating activities	(1,144)	1,302	–	158
Non-Operating Activities				
Investment return, less amounts designated for operations	(171,164)	(6,088)	(13,888)	(191,140)
Grants and contributions for long-term investment	3,289	274	6,301	9,864
Change in value of split interest agreements	99	3,463	1,813	5,375
Postretirement benefit expense	(1,540)	–	–	(1,540)
Other	461	–	–	461
Net assets released from restrictions	2,843	(2,843)	–	–
Net assets with changed restrictions	(781)	588	193	–
Postretirement related charges other than net periodic benefit costs	2,363	–	–	2,363
Decrease in net assets from non-operating activities	(164,430)	(4,606)	(5,581)	(174,617)
Net decrease in net assets	(165,574)	(3,304)	(5,581)	(174,459)
Net assets at beginning of year, as revised (Note 2)	611,547	51,238	243,563	906,348
Net assets at end of year	**$ 445,973**	**$ 47,934**	**$ 237,982**	**$ 731,889**

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

Consolidated Statements of Cash Flows
Years Ended May 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Cash Flows From Operating Activities		
Change in net assets	$ 43,481	$ (174,459)
Depreciation, amortization, and accretion	14,607	14,022
Adjustments to reconcile change in net assets		
to net cash (used in) operating activities		
Loss on defeasance	425	–
Accounts receivable	33	(141)
Inventories	6	(51)
Prepaid expenses and other assets	322	(88)
Pledges receivable, net	1,106	3,056
Funds held in trust by others	(736)	1,765
Accounts payable and accrued expenses	1,384	(5,285)
Deposits and deferred revenues	(459)	2,861
Annuities and deferred giving arrangements	1,224	(2,628)
Postretirement benefits	7,119	(823)
Conditional asset retirement obligation	(286)	(84)
Receipt of contributed securities	(6,328)	(2,965)
Contributions for long-term investments	(10,853)	(10,228)
Realized and unrealized loss (gain) on investments	(63,018)	164,974
Net cash (used in) operating activities	(11,973)	(10,074)
Cash Flows From Investing Activities		
Purchases of plant and equipment, net	(11,555)	(10,335)
Proceeds from student loans collected	431	304
Student loans issued	(553)	(464)
Purchases of investments	(173,773)	(99,262)
Proceeds from sales and maturities of investments	175,165	135,439
Net cash (used in) provided by investing activities	(10,285)	25,682
Cash Flows From Financing Activities		
Contributions for long-term investment	10,314	9,572
Increase in federal student loan funds	29	29
Proceeds from issuance of long-term debt	33,650	–
Payments on long-term debt	(25,361)	(2,341)
Premium on long-term debt issuance	2,883	–
Bond issuance costs	(650)	–
Net cash provided by financing activities	20,865	7,260
Net (decrease) increase in cash and cash equivalents	(1,393)	22,868
Cash and cash equivalents		
Beginning of year	28,036	5,168
End of year	$ 26,643	$ 28,036
Supplemental Data		
Noncash investing and financing activities		
Gifts in kind	$ 539	$ 656
Increase (decrease) in construction-related payables	634	(2,061)
Interest paid	8,366	7,913
Capital lease obligation incurred during the year	–	1,132

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

Colgate University
Notes to Consolidated Financial Statements May 31, 2010 and 2009
(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 by the University. 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 stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire with the passage of time. Temporarily restricted net assets are generally available for program purposes such as financial aid, facilities and equipment, and deferred giving arrangements.
- **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 such program activities 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.

Non-operating 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 non-operating activities.

(b) Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments consisting of demand deposit accounts, money market funds, and overnight repurchase agreements with initial maturities of three months or less at the time of purchase. 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 designated 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 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 at May 31, 2010 and 2009 are reported net of reserves for doubtful loans of $923 and $851, respectively. The reserve is intended to provide for loans, both in repayment status and not yet in repayment status (borrowers still in school or in the grace period following graduation), that may not be collected.

(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. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. 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.

(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 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 $30,908 and $28,078 on May 31, 2010 and 2009, respectively.

(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 spent.

The fair values 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.

(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.

Plan contributions and actuarial present value of accumulated plan benefits for the postretirement 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 estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

(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. Revisions to the Financial Statements

In 2010, the University determined that two items required a prior period revision to the financial statements. Total net assets at the beginning and end of 2009 were not impacted as a result of these revisions. However, certain line items and net asset classifications were as detailed in the table below.

First, at June 1, 2008, temporarily restricted net assets were overstated by $8,454 and unrestricted net assets were understated by the same. This revision was necessary because the spending allocated to a board-designated endowment fund was improperly recorded as temporarily restricted rather than unrestricted since its inception in 2000.

Second, at June 1, 2008, temporarily restricted net assets were overstated by $2,987 and permanently restricted net assets were understated by the same. This revision was necessary because certain funds held in trust by others were misclassified by the University between 2005 and 2008.

	2009	
	As Reported	**As Revised**
Unrestricted net assets, beginning of year	$ 603,093	$ 611,547
Temporarily restricted net assets, beginning of year	62,679	51,238
Permanently restricted net assets, beginning of year	240,576	243,563
Non-operating investment return - unrestricted	(172,631)	(171,164)
Non-operating investment return - temporarily restricted	(3,279)	(6,088)
Non-operating investment return - permanently restricted	(15,230)	(13,888)
Change in value of split interest agreements - temporarily restricted	1,720	3,463
Change in value of split interest agreements - permanently restricted	3,556	1,813
Net decrease in net assets - unrestricted	(167,041)	(165,574)
Net decrease in net assets - temporarily restricted	(2,238)	(3,304)
Net decrease in net assets - permanently restricted	(5,180)	(5,581)
Unrestricted net assets, end of year	436,052	445,973
Temporarily restricted net assets, end of year	60,441	47,934
Permanently restricted net assets, end of year	235,296	237,982
Total net assets, end of year	731,789	731,789

3. Pledges Receivable

Unconditional pledges at May 31 are expected to be realized in the following periods:

	2010	**2009**
Less than one year	$ 1,483	$ 1,403
One year to five years	3,385	3,754
More than five years	–	1,000
Subtotal	4,868	6,157
Less: Present value discount and allowance	(890)	(1,073)
Total pledges receivable, net	$ 3,978	$ 5,084

At May 31, 2010 and 2009, the University had outstanding conditional pledges and bequests of approximately $46,584 and $46,701, respectively.

4. Land, Buildings, and Equipment

Investments in land, buildings, and equipment consist of the following at May 31:

	2010	2009
Land and improvements	$ 25,975	$ 25,525
Buildings	373,302	366,350
Equipment, books, and art	82,107	78,915
	481,384	470,790
Less: Accumulated depreciation	(159,419)	(146,568)
Total land, buildings, and equipment, net	$ 321,965	$ 324,222

Outstanding commitments for construction contracts amounted to $4,418 as of May 31, 2010. There was no capitalized interest for the years ended May 31, 2010 or May 31, 2009.

5. Long-term Investments

Long-term investments by type consist of the following as of May 31:

	2010		2009	
	Cost	Market	Cost	Market
Cash equivalents	$ 55,004	$ 55,004	$ 78,856	$ 78,856
Fixed income investments - bonds	61,524	78,375	62,877	71,358
Equity investments - stocks	77,901	125,507	52,441	87,652
Private equity	83,290	103,824	66,194	64,782
Venture capital	20,383	24,639	17,590	18,194
Hedge	195,868	240,538	215,943	245,026
Real estate	29,015	22,399	27,594	26,658
Other	281	281	281	281
Total long-term investments	$ 523,266	$ 650,567	$ 521,776	$592,807

The components of total investment return from all sources for 2010 and 2009 are reflected below:

	2010	2009
Interest income and dividends	$ 7,182	$ 6,419
Realized and unrealized gains, net	63,018	(164,974)
Total return	$ 70,200	$(158,555)

Investment return, as reflected in the statement of activities as of May 31, is as follows:

	2010	2009
Operating		
Unrestricted	$ 10,257	$ 10,821
Temporarily restricted	22,088	21,764
	$ 32,345	$ 32,585
Non-operating		
Unrestricted	$ 26,218	$(171,164)
Temporarily restricted	2,582	(6,088)
Permanently restricted	9,055	(13,888)
	37,855	(191,140)
Total return	$ 70,200	$(158,555)

6. Endowment and Similar Funds

Endowment and similar funds are long-term assets of the University created either by donor gifts or by actions of the Board of Trustees. Their purpose is to generate, in perpetuity, operating revenue for specific activities or for the use of the University. Endowment and similar funds are invested under 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 statement of financial position as long-term investments, including cash balances held by external investment managers. The fair value of endowment investments (separately invested and pooled) was $619,216 and $560,537 as of May 31, 2010 and 2009, respectively.

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. The Board-approved spending policy is designed to insulate endowment support for programming from short-term fluctuations in capital markets.

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 $32,001 and $32,009 in fiscal 2010 and 2009, respectively, which included Board-approved special appropriations of $300 in 2009.

The Board of Trustees of the University has interpreted New York State's Not-for-Profit Corporation Law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment 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 the donor-restricted endowment fund 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 the donor-restricted endowment fund that is not classified as permanently or temporarily restricted net assets is classified as unrestricted net assets.

The following table provides (1) the net asset composition of the endowment as of May 31, 2010 and May 31, 2009; and (2) a rollforward of the net assets from June 1, 2009 to May 31, 2010 and June 1, 2008 to May 31, 2009. The net assets of the endowment include an interfund payable of $9,522 and $10,038 at May 31, 2010 and 2009, respectively.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net asset composition by type of fund as of May 31, 2010				
Donor-restricted funds	$ 191,992	$ 29,471	$ 247,195	$ 468,658
Funds functioning as endowment (quasi)	141,036	–	–	141,036
Total endowment funds at May 31, 2010	$ 333,028	$ 29,471	$ 247,195	$ 609,694

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net asset composition by type of fund as of May 31, 2009				
Donor-restricted funds	$ 175,289	$ 27,034	$ 232,366	$ 434,689
Funds functioning as endowment (quasi)	115,810	–	–	115,810
Total endowment funds at May 31, 2009 as revised (Note 2)	$ 291,099	$ 27,034	$ 232,366	$ 550,499

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year, June 1, 2009	$ 291,099	$ 27,034	$ 232,366	$ 550,499
Investment return:				
Investment income	1,133	4,121	–	5,254
Change in fair value, net of fees	31,773	17,967	5,066	54,806
Total investment return	32,906	22,088	5,066	60,060
New gifts	1,324	205	8,641	10,170
Amounts appropriated for expenditure	(9,913)	(22,088)	–	(32,001)
Other changes and reclassifications	17,612	2,232	1,122	20,966
Endowment net assets, end of year, May 31, 2010	$ 333,028	$ 29,471	$ 247,195	$ 609,694

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year, June 1, 2008 as revised (Note 2)	$ 461,931	$ 24,864	$ 236,246	$ 723,041
Investment return:				
Investment income	1,375	4,998	–	6,373
Change in fair value, net of fees	(161,650)	16,766	(12,512)	(157,396)
Total investment return	(160,275)	21,764	(12,512)	(151,023)
New gifts	947	99	7,861	8,907
Amounts appropriated for expenditure	(9,945)	(21,764)	–	(31,709)
Other changes and reclassifications	(1,559)	2,071	771	1,283
Endowment net assets, end of year, May 31, 2009 as revised (Note 2)	**$ 291,099**	**$ 27,034**	**$ 232,366**	**$ 550,499**

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 May 31:

	2010	2009
Fair value of investments in pooled funds, net	$ 608,784	$ 549,650
Total number of units	40,261	38,167
Market value per unit	$ 15.12	$ 14.40

Total return on endowment and similar funds, consisting of realized and unrealized gains and losses, dividends and interest income was 11.8% and (20.3%) for the years ended May 31, 2010 and 2009, respectively.

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 $4,351 and $11,832 as of May 31, 2010 and 2009, respectively. In addition, in 2010 and 2009, the University utilized unrestricted accumulated gains of $2,294 and $4,225, respectively, to support spending from endowment funds with deficits.

7. Fair Value Measurements

Effective June 1, 2008, the University adopted the "Fair Value Measurements" accounting standard, which 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 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 instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets as of the measurement date. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Market price data is generally obtained from exchange or dealer markets.

- **Level 2** – Pricing inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

- **Level 3** – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment.

The University uses the net asset value ("NAV") to determine the fair value of investments 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. As a result of adopting new guidance for estimating fair value of investments, certain investments in 2010 were reclassified as Level 2 assets subject to criteria above based upon the year-end recorded amount.

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 along with Treasury Inflation Protection Securities (TIPS). These investments, combined with cash and cash equivalents, are meant to provide liquidity to the University. The fair value of these investments at May 31, 2010 and 2009 was $78,375 and $71,358, respectively. These investments allow redemptions daily with one day notice or annually with 60 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 May 31, 2010 and 2009 was $125,507 and $87,652, respectively. These investments allow redemptions daily with one day notice or monthly with various notice requirements ranging from six to 30 days.

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 $188,292 with $48,019 unfunded at May 31, 2010 and $185,000 with $69,600 unfunded at May 31, 2009. The fair value of these investments at May 31, 2010 and 2009 was $103,824 and $64,782, respectively. 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 $6,710 unfunded at May 31, 2010 and $42,067 with $10,666 unfunded at May 31, 2009. The fair value of these investments at May 31, 2010 and 2009 was $24,639 and $18,194, respectively. 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 May 31, 2010 and 2009 was $159,217 and $176,750, respectively. These investments have varying redemption rights including monthly with 60–65 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 stock and fixed income markets. The fair value of these investments at May 31, 2010 and 2009 was $81,321 and $68,276, respectively. These investments allow redemptions monthly with 90 days notice, and annually with 30–90 days notice.

Real Estate

This category includes investments in residential and commercial real estate primarily in the United States and Europe. Total commitments for these investments were approximately $59,796 with $12,672 unfunded at May 31, 2010 and $63,341 with $17,001 unfunded at May 31, 2009. The fair value of these investments at May 31, 2010 and 2009 was $22,399 and $26,658, respectively. 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 May 31, 2010 and 2009, 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)	May 31, 2010 Total
Intermediate investments:				
Cash equivalents	$ 17,489	$ –	$ –	$ 17,489
Fixed income securities - bonds	–	1,044	–	1,044
Total intermediate investments	17,489	1,044	–	18,533
Funds held in trust by others	–	–	4,511	4,511
Long-term investments:				
Cash equivalents	55,004	–	–	55,004
Fixed income securities - bonds	42,534	770	35,071	78,375
Equity investments - stocks	42,873	72,519	10,115	125,507
Private equity	–	–	103,824	103,824
Venture capital	–	–	24,639	24,639
Hedge	–	58,118	182,420	240,538
Real estate	–	–	22,399	22,399
Other	47	–	234	281
Total long-term investments	140,458	131,407	378,702	650,567
	$ 157,947	$ 132,451	$ 383,213	$ 673,611

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	May 31, 2009 Total
Intermediate investments:				
Cash equivalents	$ 3,367	$ 3,000	$ –	$ 6,367
Fixed income securities - bonds	–	1,972	–	1,972
Total intermediate investments	3,367	4,972	–	8,339
Funds held in trust by others	–	–	3,775	3,775
Long-term investments:				
Cash equivalents	75,097	3,759	–	78,856
Fixed income securities - bonds	41,494	724	29,140	71,358
Equity investments - stocks	15,432	–	72,220	87,652
Private equity	–	–	64,782	64,782
Venture capital	–	–	18,194	18,194
Hedge	–	–	245,026	245,026
Real estate	–	–	26,658	26,658
Other	47	–	234	281
Total long-term investments	132,070	4,483	456,254	592,807
	$ 135,437	$ 9,455	$ 460,029	$ 604,921

The following table is a rollforward of the 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)							
	Total	Stocks	Bonds	Private Equity	Venture Capital	Hedge	Real Estate	Other
Beginning balance at June 1, 2009	$ 460,029	$ 75,995	$ 29,140	$ 64,782	$ 18,194	$ 245,026	$ 26,658	$ 234
Total realized and unrealized gains (losses)	84,556	11,203	5,931	21,948	3,652	47,602	(5,780)	–
Purchases, issuances, and settlements, net	(30,736)	(53)	–	17,094	2,793	(52,090)	1,521	–
Transfers in and/or out of Level 3	(130,636)	(72,519)	–	–	–	(58,118)	–	–
Ending balance at May 31, 2010	$ 383,213	$ 14,626	$ 35,071	$ 103,824	$ 24,639	$ 182,420	$ 22,399	$ 234
Amount of net unrealized gains or (losses) relating to assets still held at May 31, 2010	$ 75,315	$ 4,475	$ 15,071	$ 20,534	$ 4,256	$ 37,595	$ (6,616)	$ –

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Total	Stocks	Bonds	Private Equity	Venture Capital	Hedge	Real Estate	Other
Beginning Balance at June 1, 2008	$ 606,328	$ 156,023	$ 26,335	$ 72,965	$ 25,896	$ 286,622	$ 38,137	$ 349
Total realized and unrealized gains (losses)	(18,612)	(26,977)	2,805	(23,064)	3,066	(56,587)	(17,740)	(115)
Purchases, issuances and settlements, net	(27,687)	(53,051)	–	14,881	(10,768)	14,991	6,261	–
Transfers in and/or out of Level 3	–	–	–	–	–	–	–	–
Ending Balance at May 31,2009	$ 460,029	$ 75,995	$ 29,140	$ 64,782	$ 18,194	$245,026	$ 26,658	$ 234
Amount of net unrealized gains or (losses) relating to assets still held at May 31, 2009	$ 66,222	$ 29,743	$ 9,140	$ (1,412)	$ 604	$ 29,082	$ (936)	$ –

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 May 31, 2010 and 2009, respectively, approximately 58% and 73% of Level 3 assets held by the partnerships are invested in marketable securities and 42% and 27% as of May 31, 2010 and 2009, respectively, 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.

8. Debt Arrangements

The University has a line of credit available with a limit of $15,000. There were no amounts outstanding on the line as of May 31, 2010 or 2009.

Long-term obligations at May 31 are summarized as follows:

	2010	2009
New York State Dormitory Authority Issue		
Series 1996, 5.88%, due 2022	$ 13,350	$ 14,115
Series 1998, 4.67%, retired in 2010	–	22,960
Madison County Industrial Development Agency		
Tax-exempt Civil Facility Revenue Bonds		
Series 2003A, 4.79%, due 2023	12,550	13,185
Series 2003B, 4.89%, due 2034	20,325	20,775
Series 2004A, 4.70%, due 2040	45,905	45,905
Series 2005A, 5.00%, due 2041	43,690	43,690
Series 2010A, 4.35%, due 2041	33,650	–
Lease obligation	702	920
Note payable	–	332
Long-term debt - total principal	170,172	161,882
Premium and discounts on bond issuance, net	6,359	3,180
Long-term debt, net	$ 176,531	$ 165,062

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

2011	$ 2,161
2012	2,259
2013	2,356
2014	2,580
2015	3,225
2016-2042	157,591
Total principal payments	$ 170,172

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 $175,750 and $157,470 at May 31, 2010 and 2009, respectively. Interest expense is allocated to functional expenses according to the original purpose of the bond proceeds.

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 $15,087 at May 31, 2010 and deposits with trustees of debt obligations of $3,329 and $5,269 at May 31, 2010 and 2009, respectively.

9. 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. 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 $5,803 and $5,695 in 2010 and 2009, respectively.

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:

	2010	2009
Change in benefit obligation		
Benefit obligation at beginning of period	$ 20,726	$ 21,549
Service cost	761	713
Interest cost	1,377	1,310
Plan participants' contributions	407	394
Special termination cost	558	–
Actuarial (gain) loss	4,940	(2,289)
Benefits paid	(924)	(951)
Benefit obligation at end of period	$ 27,845	$ 20,726
Change in plan assets		
Fair value of plan assets at June 1	$ –	$ –
Employer contribution	517	557
Plan participants' contributions	407	394
Benefits paid	(924)	(951)
Fair value of plan assets at May 31	$ –	$ –
Funded status at May 31	$ (27,845)	$ (20,726)

	Unamortized Prior Service Cost	Unamortized Net (Gain) Loss	Amounts Recognized in Unrestricted Net Assets
Balance as of May 31, 2008	$ 421	$ 922	$ 1,343
Amortization	(74)	–	(74)
Actuarial (gain) loss	–	(2,289)	(2,289)
Total postretirement related charges other than net periodic benefit costs	(74)	(2,289)	(2,363)
Balance as of May 31, 2009	$ 347	$ (1,367)	$ 1,020
Amortization	(74)	–	(74)
Actuarial (gain) loss	–	4,940	4,940
Total postretirement related charges other than net periodic benefit costs	(74)	4,940	4,866
Balance as of May 31, 2010	$ 273	$ 3,573	$ 3,846

For measurement purposes, a 10% and 9% annual rate of increase was assumed for health care benefits and prescription drug coverage, respectively, for 2010. These rates are assumed to decrease gradually to 5% by 2018 and remain consistent thereafter.

The University has adopted a policy where the components of the postretirement benefit expense associated with prior service costs are shown as non-operating activity in the statement of activities. The University records contributions as operating expense and all other activity is recorded as non-operating.

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:

	1% Point Increase	1% Point Decrease
Effect on total service and interest cost components	$ 458	$ (409)
Effect on postretirement benefit obligation	4,772	(4,508)

Expected Cash Flows

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

2011	$ 1,265
2012	1,321
2013	1,363
2014	1,396
2015	1,445
2016-2018	8,305

Net Periodic Benefit Cost

	2010	2009
Service cost	$ 761	$ 713
Interest cost	1,377	1,310
Amortization of unrecognized actuarial net loss	–	–
Prior service cost	74	74
Special termination cost	558	–
Net periodic benefit cost	$ 2,770	$ 2,097

The prior service cost for the postretirement healthcare benefit plans that will be amortized from unrestricted net assets into net periodic benefit cost in 2011 is $74.

The weighted average rates forming the basis of net periodic benefit cost and amounts recognized in the University's statement of financial position at May 31, 2010 and 2009 were:

	2010	2009
Benefit obligations Discounted rate	5.90%	6.82%
Net periodic benefit cost Discounted rate	6.82%	6.82%
Healthcare cost trend rate for next year	10.00%	7.50%
Rate to which the cost trend rate is to decline	5.00%	5.00%
Year that rate reaches the ultimate trend rate	2018	2015

10. Related Party Activity

Certain investments held by the University are managed by investment firms in which Trustees of the University, or their family members, have a direct financial interest. Fair value of these investments total $54,051 and $10,075 at May 31, 2010 and 2009, respectively.

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 September 10, 2010, which is the date the financial statements were available to be issued.

On June 30, 2010, the New York State Senate and Assembly approved the Uniform Prudent Management of Institutional Funds Act ("the Act") which promulgates policies and procedures related to acceptance and administration of donor-restricted endowment funds. The legislation is expected to be signed into law by the Governor prior to September 30, 2010. The Act is effective immediately after being enacted and will be reflected in the University's fiscal year ending May 31, 2011. Management is currently evaluating the impact of the Act on its financial statements which is expected to have significant effect on the historical classification of net assets.

Colgate University Corporation 2009–2010

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