



**COLGATE UNIVERSITY**  
Consolidated Financial Statements  
June 30, 2020 and 2019  
(With Independent Auditors' Report Thereon)

**COLGATE UNIVERSITY**  
Consolidated Financial Statements  
June 30, 2020 and 2019

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KPMG LLP  
515 Broadway  
Albany, NY 12207-2974

## Independent Auditors' Report

The Board of Trustees  
Colgate University:

We have audited the accompanying consolidated financial statements of Colgate University, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Colgate University as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

**KPMG LLP**

October 8, 2020

**COLGATE UNIVERSITY**

Consolidated Statements of Financial Position

June 30, 2020 and 2019

(In thousands of dollars)

| <b>Assets</b>                              | <b>2020</b>  | <b>2019</b> |
|--|--------------|-------------|
| Cash and cash equivalents                  | \$ 37,344    | 23,341      |
| Accounts receivable, net                   | 3,650        | 3,671       |
| Intermediate-term investments              | 120,054      | 115,926     |
| Inventories                                | 2,001        | 1,884       |
| Prepaid expenses and other assets          | 1,104        | 1,935       |
| Pledges receivable, net                    | 23,906       | 31,151      |
| Student loans receivable, net              | 768          | 1,061       |
| Long-term investments                      | 978,376      | 966,927     |
| Land, buildings and equipment, net         | 454,275      | 457,450     |
| Funds held in trust by others              | 13,145       | 14,447      |
| Total assets                               | \$ 1,634,623 | 1,617,793   |
| <b>Liabilities and Net Assets</b>          |              |             |
| Accounts payable and accrued expenses      | \$ 18,327    | 20,209      |
| Deposits and deferred revenues             | 17,194       | 12,817      |
| Annuities and deferred giving arrangements | 16,759       | 17,028      |
| Postretirement benefits                    | 22,415       | 21,494      |
| Federal student loan funds                 | 645          | 858         |
| Conditional asset retirement obligations   | 11,067       | 10,635      |
| Long-term debt, net                        | 328,957      | 332,975     |
| Total liabilities                          | 415,364      | 416,016     |
| Net assets:                                |              |             |
| Without donor restrictions                 | 410,206      | 391,732     |
| With donor restrictions                    | 809,053      | 810,045     |
| Total net assets                           | 1,219,259    | 1,201,777   |
| Total liabilities and net assets           | \$ 1,634,623 | 1,617,793   |

See accompanying notes to consolidated financial statements.

**COLGATE UNIVERSITY**

Consolidated Statement of Activities

Year ended June 30, 2020

(with summarized information for the year ended June 30, 2019)

(In thousands of dollars)

|   | 2020                             |                               | Total          | 2019<br>Total  |
|---|----------------------------------|-------------------------------|----------------|----------------|
|   | Without<br>donor<br>restrictions | With<br>donor<br>restrictions |                |                |
| <b>Operating revenues:</b>  |                                  |                               |                |                |
| Tuition and fees, net of financial aid of \$58,194                | \$ 118,766                       | —                             | 118,766        | 111,339        |
| Room and dining income, net of financial aid of \$4,950           | 19,542                           | —                             | 19,542         | 25,795         |
| Student revenue   | 138,308                          | —                             | 138,308        | 137,134        |
| Sales and services of auxiliaries                                 | 8,891                            | —                             | 8,891          | 10,555         |
| Government grants and contributions                               | 626                              | 3,191                         | 3,817          | 1,934          |
| Private grants and contributions                                  | 8,818                            | 5,377                         | 14,195         | 14,056         |
| Investment return designated for operations                       | 15,156                           | 38,328                        | 53,484         | 57,594         |
| Other   | 3,496                            | 28                            | 3,524          | 4,636          |
| Nonoperating assets used in operations                            | 457                              | —                             | 457            | 212            |
| Net assets released from restrictions                             | 46,266                           | (46,266)                      | —              | —              |
| <b>Total operating revenues</b>                                   | <b>222,018</b>                   | <b>658</b>                    | <b>222,676</b> | <b>226,121</b> |
| <b>Operating expenses:</b>  |                                  |                               |                |                |
| Instruction and research  | 81,073                           | —                             | 81,073         | 81,408         |
| Athletics   | 27,859                           | —                             | 27,859         | 28,694         |
| Academic support  | 18,847                           | —                             | 18,847         | 19,517         |
| Student services  | 18,683                           | —                             | 18,683         | 18,562         |
| Institutional support   | 32,325                           | —                             | 32,325         | 36,126         |
| Auxiliary operations  | 31,382                           | —                             | 31,382         | 33,992         |
| <b>Total operating expenses</b>                                   | <b>210,169</b>                   | <b>—</b>                      | <b>210,169</b> | <b>218,299</b> |
| Increase in net assets from operating activities                  | 11,849                           | 658                           | 12,507         | 7,822          |
| <b>Nonoperating activities:</b>                                   |                                  |                               |                |                |
| Investment return, less amounts designated for current operations | (5,027)                          | (10,672)                      | (15,699)       | (5,850)        |
| Grants and contributions  | 1,187                            | 22,617                        | 23,804         | 54,348         |
| Change in value of split interest agreements                      | —                                | 174                           | 174            | 1,114          |
| Postretirement benefits   | (1,709)                          | —                             | (1,709)        | (4,242)        |
| Other   | (1,138)                          | —                             | (1,138)        | (289)          |
| Net assets released from restrictions                             | 13,274                           | (13,274)                      | —              | —              |
| Nonoperating assets used in operations                            | (457)                            | —                             | (457)          | (212)          |
| Changes in donor intent and other reclassifications               | 495                              | (495)                         | —              | —              |
| Increase (decrease) in net assets from nonoperating activities    | 6,625                            | (1,650)                       | 4,975          | 44,869         |
| Change in net assets  | 18,474                           | (992)                         | 17,482         | 52,691         |
| <b>Net assets:</b>  |                                  |                               |                |                |
| Beginning of year   | 391,732                          | 810,045                       | 1,201,777      | 1,149,086      |
| End of year   | \$ 410,206                       | 809,053                       | 1,219,259      | 1,201,777      |

See accompanying notes to consolidated financial statements.

**COLGATE UNIVERSITY**

Consolidated Statement of Activities

Year ended June 30, 2019

(In thousands of dollars)

|   | <b>2019</b>                               |  | <b>Total</b>   |
|---|---|--|----------------|
|   | <b>Without<br/>donor<br/>restrictions</b> | <b>With<br/>donor<br/>restrictions</b> |                |
| <b>Operating revenues:</b>  |   |  |                |
| Tuition and fees, net of financial aid of \$58,433                | \$ 111,339                                | —                                      | 111,339        |
| Room and dining income, net of financial aid of \$4,469           | 25,795                                    | —                                      | 25,795         |
| Student revenue   | 137,134                                   | —                                      | 137,134        |
| Sales and services of auxiliaries                                 | 10,555                                    | —                                      | 10,555         |
| Government grants and contributions                               | 629                                       | 1,305                                  | 1,934          |
| Private grants and contributions                                  | 8,100                                     | 5,956                                  | 14,056         |
| Investment return designated for operations                       | 18,905                                    | 38,689                                 | 57,594         |
| Other   | 4,636                                     | —                                      | 4,636          |
| Nonoperating assets used in operations                            | 212                                       | —                                      | 212            |
| Net assets released from restrictions                             | 45,841                                    | (45,841)                               | —              |
| <b>Total operating revenues</b>                                   | <b>226,012</b>                            | <b>109</b>                             | <b>226,121</b> |
| <b>Operating expenses:</b>  |   |  |                |
| Instruction and research  | 81,408                                    | —                                      | 81,408         |
| Athletics   | 28,694                                    | —                                      | 28,694         |
| Academic support  | 19,517                                    | —                                      | 19,517         |
| Student services  | 18,562                                    | —                                      | 18,562         |
| Institutional support   | 36,126                                    | —                                      | 36,126         |
| Auxiliary operations  | 33,992                                    | —                                      | 33,992         |
| <b>Total operating expenses</b>                                   | <b>218,299</b>                            | <b>—</b>                               | <b>218,299</b> |
| <b>Increase in net assets from operating activities</b>           | <b>7,713</b>                              | <b>109</b>                             | <b>7,822</b>   |
| <b>Nonoperating activities:</b>                                   |   |  |                |
| Investment return, less amounts designated for current operations | (5,117)                                   | (733)                                  | (5,850)        |
| Grants and contributions  | 2,636                                     | 51,712                                 | 54,348         |
| Change in value of split interest agreements                      | —   | 1,114                                  | 1,114          |
| Postretirement benefits   | (4,242)                                   | —                                      | (4,242)        |
| Other   | (289)                                     | —                                      | (289)          |
| Net assets released from restrictions                             | 17,357                                    | (17,357)                               | —              |
| Nonoperating assets used in operations                            | (212)                                     | —                                      | (212)          |
| Changes in donor intent and other reclassifications               | 403                                       | (403)                                  | —              |
| <b>Increase in net assets from nonoperating activities</b>        | <b>10,536</b>                             | <b>34,333</b>                          | <b>44,869</b>  |
| <b>Change in net assets</b>                                       | <b>18,249</b>                             | <b>34,442</b>                          | <b>52,691</b>  |
| <b>Net assets:</b>  |   |  |                |
| Beginning of year   | 373,483                                   | 775,603                                | 1,149,086      |
| End of year   | \$ 391,732                                | 810,045                                | 1,201,777      |

See accompanying notes to consolidated financial statements.

**COLGATE UNIVERSITY**

Consolidated Statements of Cash Flows

Years ended June 30, 2020 and 2019

(In thousands of dollars)

|   | <u>2020</u>      | <u>2019</u>      |
|---|------------------|------------------|
| Cash flows from operating activities:   |                  |                  |
| Change in net assets  | \$ 17,482        | 52,691           |
| Adjustments to reconcile change in net assets to net cash used in operating activities: |                  |                  |
| Depreciation, amortization and accretion  | 15,131           | 14,416           |
| Loss on extinguishment of debt  | 957              | —                |
| Receipt of contributed securities   | (8,383)          | (5,892)          |
| Contributions for long-term investment  | (22,597)         | (18,326)         |
| Realized and unrealized gain on investments   | (32,372)         | (42,217)         |
| Changes in assets and liabilities that provide (use) cash:                              |                  |                  |
| Accounts receivable, net  | 21               | (1,722)          |
| Inventories   | (117)            | (281)            |
| Prepaid expenses and other assets   | 831              | (472)            |
| Pledges receivable, net   | 7,245            | (30,214)         |
| Funds held in trust by others   | 1,302            | 175              |
| Accounts payable and accrued expenses   | (1,264)          | 2,012            |
| Deposits and deferred revenues  | 4,377            | (219)            |
| Annuities and deferred giving arrangements  | (269)            | 525              |
| Postretirement benefits   | 921              | 3,313            |
| Conditional asset retirement obligations  | (100)            | (84)             |
| Net cash used in operating activities   | <u>(16,835)</u>  | <u>(26,295)</u>  |
| Cash flows from investing activities:   |                  |                  |
| Purchases of land, buildings, and equipment, net  | (12,879)         | (33,824)         |
| Proceeds from student loan collections  | 293              | 405              |
| Purchases of investments  | (182,712)        | (176,402)        |
| Proceeds from sales and maturities of investments                                       | 199,507          | 208,658          |
| Sales of contributed securities   | 8,383            | 5,892            |
| Net cash provided by investing activities   | <u>12,592</u>    | <u>4,729</u>     |
| Cash flows from financing activities:   |                  |                  |
| Contributions for long-term investment  | 22,553           | 18,326           |
| Change in federal student loan funds  | (213)            | 37               |
| Proceeds from issuance of long-term debt  | 198,405          | —                |
| Payments on long-term debt  | (4,100)          | (3,895)          |
| Payments associated to refinancing  | (195,630)        | —                |
| Bond issuance costs   | (2,769)          | —                |
| Net cash provided by financing activities   | <u>18,246</u>    | <u>14,468</u>    |
| Net increase (decrease) in cash and cash equivalents                                    | 14,003           | (7,098)          |
| Cash and cash equivalents at beginning of year  | <u>23,341</u>    | <u>30,439</u>    |
| Cash and cash equivalents at end of year  | \$ <u>37,344</u> | \$ <u>23,341</u> |
| Supplemental data:  |                  |                  |
| Noncash investing and financing activities:   |                  |                  |
| Capital gifts-in-kind   | \$ 44            | 100              |
| Decrease in construction related payables   | (618)            | (3,018)          |
| Interest paid   | 10,129           | 12,750           |

See accompanying notes to consolidated financial statements.

## COLGATE UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

#### (1) Organization

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

#### (2) Summary of Significant Accounting Policies

##### (a) Basis of Presentation

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

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

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

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

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

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

## COLGATE UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

are included in nonoperating activities and released to operating to match depreciation over the life of the asset.

#### **(b) Cash and Cash Equivalents**

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

#### **(c) Fair Value**

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

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

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

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The University utilizes valuation techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs to the extent possible. Transfers between categories occur

## COLGATE UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

when there is an event that changes the inputs used to measure the fair value of an asset or liability. Transfers between fair value categories are recognized at the end of the reporting period.

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

#### **(d) Investments**

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

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

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

#### **(e) Inventories**

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

#### **(f) Student Loans Receivable**

Student loans receivable are reported net of reserves for doubtful loans of \$1,091 and \$1,164 at June 30, 2020 and 2019, 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.

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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

**(g) Land, Buildings and Equipment**

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

|                             | <u>Years</u> |
|-----------------------------|--------------|
| Land improvements           | 7–10         |
| Buildings and improvements  | 20–50        |
| Equipment and library books | 3–10         |

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

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

**(h) Funds Held in Trust by Others**

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

**(i) Annuities and Deferred Giving Arrangements**

Planned gifts are separately invested in accordance with trust instruments that provide for income distributions to beneficiaries and final distributions of the remainder value to the University. When the University serves as trustee, or has the power to appoint the trustee, the trust assets are included in long-term investments. The expected payments to beneficiaries are recorded as a liability on the consolidated statements of financial position at their net present value. The fair value of planned giving investments was \$30,010 and \$31,659 at June 30, 2020 and 2019, respectively.

**(j) Conditional Asset Retirement Obligations**

The University accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded. Accretion expense amounted to \$532 and \$510 in 2020 and 2019, respectively.

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### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

#### **(k) Revenue Recognition**

Tuition and fees revenue is recognized over the academic term to which it relates. Room and dining income is also recognized over the academic term with the exception of student debit card balances which are included in deferred revenue until utilized as goods or services are provided to the students. These amounts are reflected on the consolidated statement of activities, net of any student aid, and recognized as services are provided. To the extent such aid exceeds a student's tuition and fees, it is applied against room and dining charges. Payments received in advance of services to be rendered are reported within deposits and deferred revenues. Deferred revenues of approximately \$12,149 and \$8,479 at June 30, 2020 and 2019, respectively, generally represent prepayments of tuition and other student revenue amounts and are recognized in revenue as the services are provided to the students. A portion of the deferred revenues at June 30, 2020 consists of refunds of room and dining revenues associated with the disruption of in-person education due to the outbreak of COVID-19 that were elected to be applied to future periods. Revenue from other exchange transactions, including from athletics and certain retail operations, is recognized when goods or services are provided to customers.

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

#### **(l) Estimates**

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

#### **(m) Risks and Uncertainties**

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

In December 2019, an outbreak of a novel strain of corona virus (COVID-19) emerged globally, and in March 2020, the World Health Organization recognized COVID-19 as a pandemic. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, the University could be materially and possibly adversely affected by the risks, or the public perception of the risks, related to the outbreak of COVID-19. As a result of the pandemic, during the year ended

## COLGATE UNIVERSITY

### Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

June 30, 2020, the University experienced a disruption to its ability to provide in-person education to its students, with the most significant financial statement impact being associated with the refunding of a portion of spring room and dining income. The impact of the revenue loss was mitigated by expense reductions, which included the cancellation of a portion of the spring sports schedule, restricted academic and student travel, and a reduction of utilities and other operational spending budgets. Additionally, as a result of the University's actions and its endowment results, no change in the endowment draw was required.

The University is committed to the health and safety of its students, faculty, staff and local community. As a result, it has allocated significant resources to COVID-19 testing, personal protective equipment and education to reduce the transmission of the virus and provide a safe environment in which the University's students can live and learn in a residential setting. However, the pandemic could materially affect the ability of the University to conduct its normal operations and the cost of its operations. Other adverse consequences may include, but are not limited to, a decline in enrollment, a decline in demand for campus housing or programs involving travel or international connections, volatility in financial markets with the potential for declines in the fair value of the University's endowment, and declines in philanthropic donations. The full extent of the impact of COVID-19 on the University will depend on future developments, including the duration and spread of the outbreak.

#### **(n) Internal Revenue Code Status**

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

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

#### **(o) Recent Accounting Pronouncements**

In March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The primary intent is to improve the presentation of defined benefit pension costs and postretirement benefit costs (net periodic benefit cost) to reflect the employer's financial arrangements and the cost of benefits provided to employees. This ASU, effective for periods beginning after December 15, 2018, requires the service cost component to be reported in employee benefits within operating expenses and other components of net benefit cost to be reported outside of the operating measure. The University adopted this standard in the fiscal year ended June 30, 2020 and required \$929 in other components of net periodic benefit cost to be reclassified from operating to nonoperating expenses for the year ended June 30, 2019.

ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, issued by the FASB in November 2016, provides specific guidance on the cash flow classification and presentation of changes in restricted cash and cash equivalents on the statement of cash flows. This ASU became

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effective for the University for the year ended June 30, 2020 and did not have a material effect on the University's consolidated financial statements.

### (3) Financial Assets and Liquidity Resources

As of June 30, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditures, including operating expenses, scheduled principal payments on debt, and capital construction expenditures not financed with debt, include the below:

|   | <u>2020</u>      | <u>2019</u>   |
|---|------------------|---------------|
| Financial assets:                                       |                  |               |
| Cash and cash equivalents                               | \$ 37,344        | 23,341        |
| Accounts receivable, net                                | 3,650            | 3,671         |
| Long-term investments not subject to donor restrictions | 3,676            | 5,892         |
| Board-approved endowment spending distribution          | <u>52,512</u>    | <u>51,681</u> |
| Total financial assets available within one year        | <u>\$ 97,182</u> | <u>84,585</u> |

The University's working capital and cash flows have seasonal variations due to the timing of student related billings as well as a concentration of contributions received at calendar and fiscal year end. To manage liquidity, the University operates with a balanced budget on a cash flow basis in accordance with policies approved by the Board of Trustees. In addition to the liquidity resources stated in the above table, the University also has a revolving line of credit of \$15,000 for working capital needs. The University did not draw upon this line of credit during the years ended June 30, 2020 and 2019.

As of June 30, 2020 and 2019, the University had \$120,054 and \$115,926, respectively, in intermediate-term investments which can be made available for general expenditures. Additionally, as of June 30, 2020 and 2019, the University had \$196,601 and \$194,374, respectively, in quasi endowment which also can be made available for general expenditure with approval from the Board, subject to investment liquidity provisions. The University also anticipates collection of \$6,046 of amounts currently included in pledges receivable within the next year, which are restricted by the donors for construction projects and endowment.

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**(4) Pledges Receivable**

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

|  | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
| Less than one year                                       | \$ 6,046    | 5,718       |
| One year to five years                                   | 15,931      | 18,335      |
| More than five years                                     | 6,000       | 14,700      |
| Subtotal   | 27,977      | 38,753      |
| Less present value discount (3.4% to 4.5%) and allowance | (4,071)     | (7,602)     |
| Total pledges receivable, net                            | \$ 23,906   | 31,151      |

At June 30, 2020 and 2019, the University had outstanding conditional pledges and bequests of approximately \$141,796 and \$149,760, respectively, which due to their conditional nature, are not recorded by the University.

**(5) Long-Term Investments and Fair Value Measurements**

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

|                             | <b>2020</b> |                   | <b>2019</b> |                   |
|-----------------------------|-------------|-------------------|-------------|-------------------|
|                             | <b>Cost</b> | <b>Fair value</b> | <b>Cost</b> | <b>Fair value</b> |
| Cash equivalents            | \$ 46,115   | 46,115            | 37,144      | 37,144            |
| Equities                    | 180,148     | 307,348           | 176,946     | 309,146           |
| Fixed income                | 112,176     | 112,832           | 111,676     | 112,418           |
| Private equity              | 104,854     | 108,116           | 84,350      | 90,320            |
| Venture capital             | 60,666      | 78,075            | 51,374      | 63,736            |
| Hedge – long/short equity   | 60,569      | 98,890            | 86,871      | 120,980           |
| Hedge – absolute return     | 93,165      | 164,308           | 90,165      | 159,695           |
| Real assets                 | 84,147      | 61,848            | 75,939      | 72,714            |
| Other                       | 844         | 844               | 774         | 774               |
| Total long-term investments | \$ 742,684  | 978,376           | 715,239     | 966,927           |

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

**(a) Equities**

This category includes long-only equity funds in the United States, international developed markets and emerging markets. Over the long-term, these investments are expected to reflect the economic climate

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in which the University operates. There were no unfunded commitments for these investments as of June 30, 2020 and 2019. These investments allow redemptions daily with 7, 10, and 30 days notice, semi-monthly with seven days notice, monthly with 7, 10, and 30 days notice or quarterly with 60 days notice.

#### **(b) Fixed Income**

This category includes funds that invest in core fixed income positions. These investments, combined with cash and cash equivalents, are meant to provide liquidity to the University. There were no unfunded commitments for these investments as of June 30, 2020 and 2019. These investments allow redemptions daily.

#### **(c) Private Equity**

This category includes investments in private equity buyout and distressed credit opportunity funds that invest primarily in companies domiciled in the United States. Total commitments for these investments were approximately \$284,717, with \$96,576 unfunded at June 30, 2020, and approximately \$266,716, with \$87,821 unfunded at June 30, 2019. The University does not have any redemption rights in these investments and the investments have estimated remaining lives between one and fifteen years.

#### **(d) Venture Capital**

This category includes investments in venture capital funds that invest primarily in companies domiciled in the United States. Total commitments for these investments were approximately \$106,066, with \$38,889 unfunded at June 30, 2020, and approximately \$90,817, with \$23,473 unfunded at June 30, 2019. The University does not have any redemption rights in these investments and the investments have estimated remaining lives between one and fifteen years.

#### **(e) Hedge – Long/Short Equity**

This category includes funds that invest traditional equities but compliment the holdings with short positions in securities they believe are overvalued. The short portfolio acts as a hedge during market declines but may also serve as an additional source of investment return. Managers of these funds have the ability to shift between growth and value stocks across all capitalizations. There were no unfunded commitments for these investments as of June 30, 2020 and 2019. These investments have varying redemption rights including quarterly with 45, 60, 65, and 90 days notice.

#### **(f) Hedge – Absolute Return**

This category includes single and multi-strategy hedged investments such as merger and risk arbitrage, distressed securities, asset-backed securities, and other credit and volatility investments. These strategies are designed to provide equity-like returns regardless of the economic environment with limited correlation to the traditional equity and fixed income markets. Unfunded commitments to these investments were approximately \$8,067 at June 30, 2020 and \$7,561 at June 30, 2019. These investments allow redemptions, semi-annually with 60 days notice, quarterly with 45 days and 90 days notice or annually with 45 days notice.

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**(g) Real Assets**

This category includes global investments in residential and commercial real estate and interests in natural resources. Total commitments for these investments were approximately \$172,146, with \$43,945 unfunded at June 30, 2020, and approximately \$172,146, with \$52,120 unfunded at June 30, 2019. The University does not have any redemption rights in these investments and the investments have estimated remaining lives between one and fifteen years.

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

|                                    | <u>2020</u>      | <u>2019</u>   |
|------------------------------------|------------------|---------------|
| Interest income and dividends, net | \$ 5,413         | 9,527         |
| Realized and unrealized gains, net | <u>32,372</u>    | <u>42,217</u> |
| Total investment return            | \$ <u>37,785</u> | <u>51,744</u> |

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

|  | <u>2020</u>      | <u>2019</u>    |
|--|------------------|----------------|
| Investment return designated for operations: |                  |                |
| Without donor restrictions                   | \$ 15,156        | 18,905         |
| With donor restrictions                      | <u>38,328</u>    | <u>38,689</u>  |
|  | <u>53,484</u>    | <u>57,594</u>  |
| Nonoperating investment return:              |                  |                |
| Without donor restrictions                   | (5,027)          | (5,117)        |
| With donor restrictions                      | <u>(10,672)</u>  | <u>(733)</u>   |
|  | <u>(15,699)</u>  | <u>(5,850)</u> |
| Total investment return                      | \$ <u>37,785</u> | <u>51,744</u>  |

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

|                               | <b>2020</b>  |  |  |  |                  |
|-------------------------------|--|--|--|--|------------------|
|                               | <b>Quoted<br/>prices<br/>in active<br/>markets<br/>(Level 1)</b> | <b>Significant<br/>other<br/>observable<br/>inputs<br/>(Level 2)</b> | <b>Significant<br/>unobservable<br/>inputs<br/>(Level 3)</b> | <b>Investments<br/>measured at<br/>NAV</b> | <b>Total</b>     |
| Intermediate investments:     |  |  |  |  |                  |
| Cash equivalents              | \$ 120,054   | —  | —  | —  | 120,054          |
| Funds held in trust by others | —  | —  | 13,145   | —  | 13,145           |
| Long-term investments:        |  |  |  |  |                  |
| Cash equivalents              | 46,115   | —  | —  | —  | 46,115           |
| Equities                      | 188,517  | —  | —  | 118,831                                    | 307,348          |
| Fixed income                  | 112,297  | 535  | —  | —  | 112,832          |
| Private equity                | —  | —  | —  | 108,116                                    | 108,116          |
| Venture capital               | —  | —  | —  | 78,075                                     | 78,075           |
| Hedge – long/short equity     | —  | —  | —  | 98,890                                     | 98,890           |
| Hedge – absolute return       | —  | —  | —  | 164,308                                    | 164,308          |
| Real assets                   | —  | —  | 24,858   | 36,990                                     | 61,848           |
| Other                         | 4  | 840  | —  | —  | 844              |
| Total long-term investments   | <u>346,933</u>   | <u>1,375</u>   | <u>24,858</u>  | <u>605,210</u>                             | <u>978,376</u>   |
|                               | <u>\$ 466,987</u>  | <u>1,375</u>   | <u>38,003</u>  | <u>605,210</u>                             | <u>1,111,575</u> |

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|                               | <b>2019</b>  |  |  |  |                  |
|-------------------------------|--|--|--|--|------------------|
|                               | <b>Quoted<br/>prices<br/>in active<br/>markets<br/>(Level 1)</b> | <b>Significant<br/>other<br/>observable<br/>inputs<br/>(Level 2)</b> | <b>Significant<br/>unobservable<br/>inputs<br/>(Level 3)</b> | <b>Investments<br/>measured at<br/>NAV</b> | <b>Total</b>     |
| Intermediate investments:     |  |  |  |  |                  |
| Cash equivalents              | \$ 115,926   | —  | —  | —  | 115,926          |
| Funds held in trust by others | —  | —  | 14,447   | —  | 14,447           |
| Long-term investments:        |  |  |  |  |                  |
| Cash equivalents              | 37,144   | —  | —  | —  | 37,144           |
| Equities                      | 205,880  | —  | —  | 103,266                                    | 309,146          |
| Fixed income                  | 111,975  | 443  | —  | —  | 112,418          |
| Private equity                | —  | —  | —  | 90,320                                     | 90,320           |
| Venture capital               | —  | —  | —  | 63,736                                     | 63,736           |
| Hedge – long/short equity     | —  | —  | —  | 120,980                                    | 120,980          |
| Hedge – absolute return       | —  | —  | —  | 159,695                                    | 159,695          |
| Real assets                   | —  | —  | 27,433   | 45,281                                     | 72,714           |
| Other                         | 4  | 770  | —  | —  | 774              |
| Total long-term investments   | <u>355,003</u>   | <u>1,213</u>   | <u>27,433</u>  | <u>583,278</u>                             | <u>966,927</u>   |
|                               | <u>\$ 470,929</u>  | <u>1,213</u>   | <u>41,880</u>  | <u>583,278</u>                             | <u>1,097,300</u> |

There were no changes in methodologies used at June 30, 2020 and 2019 and there were no transfers among levels during the years ended June 30, 2020 and 2019.

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:

|                                    | <b>Level 3</b>   |
|------------------------------------|------------------|
| Balance at June 30, 2018           | \$ 40,141        |
| Net realized and unrealized gains  | 761              |
| Contributions                      | 3,022            |
| Settlements                        | <u>(2,044)</u>   |
| Balance at June 30, 2019           | 41,880           |
| Net realized and unrealized losses | (5,244)          |
| Contributions                      | 3,650            |
| Settlements                        | <u>(2,283)</u>   |
| Balance at June 30, 2020           | <u>\$ 38,003</u> |

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The value of certain alternative investments represents the ownership interest in the respective partnership. The fair values of alternative investments are determined by the respective general partners taking into consideration, among other things, the cost of the underlying securities, prices of recent significant placements of securities of the same issuer, subsequent developments concerning the companies to which the securities relate, appraisals, or other estimates that require varying degrees of judgment. These pricing inputs and methods may produce a fair value calculation that may not be indicative of the ultimate realizable value. Accordingly, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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

#### **(6) Endowment and Similar Funds**

Endowment and similar funds are long-term assets of the University created either by donor gifts or by actions of the Board of Trustees. Their purpose is to generate operating revenue for specific activities or for the use of the University. Endowment and similar funds are invested under the direction of the Board of Trustees to achieve maximum long-term total return with prudent concern for the preservation of investment capital. All investments of endowment and similar funds are recorded in the consolidated statements of financial position as long-term investments, including cash balances held by external investment managers. Unless otherwise directed in the gift instrument or required by applicable law, both donor-restricted and board-designated endowment funds are pooled for efficient investment purposes. These pooled funds are invested in a broadly diversified portfolio designed to produce long-term returns that equal or exceed the Board-approved spending rates plus the impacts of inflation. The fair value of endowment investments (separately invested and pooled) was \$947,486 and \$934,426 as of June 30, 2020 and 2019, respectively.

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

The Board of Trustees' interpretation of its fiduciary responsibilities for donor-restricted endowment funds under New York State's Not-for-Profit Corporation Law, including NYPMIFA, is to preserve intergenerational equity to the extent possible by prudently managing, investing, and spending from the endowment funds. This principle holds that future endowment beneficiaries should receive at least the same level of economic support that the current generation receives. As a result of this interpretation, the University classifies as net assets with restrictions the unappropriated portion of (a) the original value of

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gifts donated to a true endowment fund, (b) the original value of subsequent gifts to a true endowment fund, and (c) accumulations to a true endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unspent appropriations related to donor-restricted endowment funds are classified as net assets with restrictions until the amounts are expended by the University in a manner consistent with the donor's intent. The remaining portion of donor-restricted endowment funds that are not classified as net assets with restrictions are classified as net assets without restrictions.

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

Unless otherwise directed in the gift instrument or required by applicable law, annual spending will normally increase 2.5% over the prior year's spending, provided that the amount so determined is not greater than 5.5% of the average fair value for the preceding four quarters, or less than 4.0% of the average fair value for the preceding eight quarters. The endowment provided support for general operations of \$47,752 and \$48,189 in fiscal 2020 and 2019, respectively. The endowment also provided an additional regularly scheduled draw for unrestricted purposes of \$1,369 and \$5,462 in fiscal 2020 and 2019, respectively.

The following tables provide (1) the net asset composition of the endowment as of June 30 and (2) a rollforward of the net assets from July 1 to June 30. The net assets of the endowment include an interfund receivable of \$12,167 and \$14,804 at June 30, 2020 and 2019, respectively.

| <b>Endowment net asset<br/>composition by type of fund<br/>as of June 30, 2020</b> | <b>Without<br/>restrictions</b> | <b>With<br/>restrictions</b> | <b>Total</b> |
|--|---------------------------------|------------------------------|--------------|
| Donor-restricted funds   | \$ —                            | 748,787                      | 748,787      |
| Funds functioning as endowment (Quasi)   | 210,866                         | —                            | 210,866      |
| Total funds at June 30, 2020   | \$ 210,866                      | 748,787                      | 959,653      |

| <b>Endowment net asset<br/>composition by type of fund<br/>as of June 30, 2019</b> | <b>Without<br/>restrictions</b> | <b>With<br/>restrictions</b> | <b>Total</b> |
|--|---------------------------------|------------------------------|--------------|
| Donor-restricted funds   | \$ —                            | 741,613                      | 741,613      |
| Funds functioning as endowment (Quasi)   | 207,617                         | —                            | 207,617      |
| Total funds at June 30, 2019   | \$ 207,617                      | 741,613                      | 949,230      |

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|   | <b>2020</b>                     |                              |                |
|---|---------------------------------|------------------------------|----------------|
|   | <b>Without<br/>restrictions</b> | <b>With<br/>restrictions</b> | <b>Total</b>   |
| Net assets at beginning of year           | \$ 207,617                      | 741,613                      | 949,230        |
| Investment return                         | 6,309                           | 24,737                       | 31,046         |
| New gifts                                 | 1,130                           | 15,241                       | 16,371         |
| Amounts appropriated for expenditure      | (9,542)                         | (38,210)                     | (47,752)       |
| Total other changes and reclassifications | <u>5,352</u>                    | <u>5,406</u>                 | <u>10,758</u>  |
| Net assets at end of year                 | \$ <u>210,866</u>               | <u>748,787</u>               | <u>959,653</u> |

|   | <b>2019</b>                     |                              |                |
|---|---------------------------------|------------------------------|----------------|
|   | <b>Without<br/>restrictions</b> | <b>With<br/>restrictions</b> | <b>Total</b>   |
| Net assets at beginning of year           | \$ 206,671                      | 727,923                      | 934,594        |
| Investment return                         | 8,575                           | 35,537                       | 44,112         |
| New gifts                                 | 2,540                           | 14,072                       | 16,612         |
| Amounts appropriated for expenditure      | (9,511)                         | (38,678)                     | (48,189)       |
| Total other changes and reclassifications | <u>(658)</u>                    | <u>2,759</u>                 | <u>2,101</u>   |
| Net assets at end of year                 | \$ <u>207,617</u>               | <u>741,613</u>               | <u>949,230</u> |

*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:

|   | <b>2020</b> | <b>2019</b> |
|---|-------------|-------------|
| Fair value of investments in pooled funds | \$ 959,064  | 948,789     |
| Total number of units                     | 50,884      | 49,408      |
| Market value per unit                     | \$ 18.85    | 19.20       |

Total return on endowment and similar funds, consisting of realized and unrealized gains and losses, dividends and interest income, was 4.2% and 5.7% for the years ended June 30, 2020 and 2019, respectively.

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**(7) Land, Buildings and Equipment, Net**

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

|  | <u>2020</u>       | <u>2019</u>      |
|--|-------------------|------------------|
| Land and improvements                    | \$ 45,914         | 43,576           |
| Buildings                                | 593,639           | 586,245          |
| Equipment and library books              | 107,475           | 105,195          |
| Construction in progress                 | <u>—</u>          | <u>167</u>       |
| Total cost                               | 747,028           | 735,183          |
| Less accumulated depreciation            | <u>(292,753)</u>  | <u>(277,733)</u> |
| Total land, buildings and equipment, net | <u>\$ 454,275</u> | <u>457,450</u>   |

Depreciation expense for the years ended June 30, 2020 and 2019 was \$15,480 and \$14,734, respectively. Outstanding commitments for construction contracts amounted to \$1,319 and \$1,994 at June 30, 2020 and 2019, respectively. There was no capitalized interest for the years ended June 30, 2020 and 2019.

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**(8) Long-Term Debt**

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

|  | <u>2020</u>       | <u>2019</u>    |
|--|-------------------|----------------|
| New York State Dormitory Authority Issue:    |                   |                |
| Series 1996, 6.00%, due July 1, 2021         | \$ 2,915          | 4,250          |
| Madison County Capital Resource Corporation: |                   |                |
| Tax-exempt revenue bonds:                    |                   |                |
| Series 2010A, 5.00%, due July 1, 2040        | 1,160             | 28,355         |
| Series 2012A, 4.68%, due July 1, 2033        | 5,415             | 19,325         |
| Series 2013A, 5.00%, due July 1, 2039        | 1,790             | 42,975         |
| Series 2015A, 4.90%, due July 1, 2041        | 39,985            | 39,985         |
| Series 2015B, 4.71%, due July 1, 2044        | 49,670            | 49,670         |
| Colgate University:                          |                   |                |
| Taxable revenue bonds:                       |                   |                |
| Series 2013B, 4.11%, due July 1, 2043        | 25,000            | 25,000         |
| Series 2019, 3.02%, due July 1, 2051         | 198,405           | —              |
| Private placement:                           |                   |                |
| Series 2017, 3.37%, due July 1, 2052         | —                 | 107,594        |
| Total long-term debt – principal             | <u>324,340</u>    | <u>317,154</u> |
| Bond premium and issuance costs, net         | <u>4,617</u>      | <u>15,821</u>  |
| Total long-term debt, net                    | <u>\$ 328,957</u> | <u>332,975</u> |

The various notes and bonds are collateralized by the related property and equipment. Certain agreements require the establishment of debt service and building and equipment reserves. Included in intermediate investments are unexpended debt proceeds of \$106,911 and \$103,965 and deposits with bond trustees of \$12,969 and \$11,425 at June 30, 2020 and 2019, respectively.

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

|                          |                   |
|--------------------------|-------------------|
| 2021                     | \$ 4,625          |
| 2022                     | 8,185             |
| 2023                     | 8,475             |
| 2024                     | 8,745             |
| 2025                     | 9,005             |
| 2026–2053                | <u>285,305</u>    |
| Total principal payments | <u>\$ 324,340</u> |

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On November 20, 2019, the University issued \$198,405 of Series 2019 bonds. The proceeds of the 2019 bonds were used to (a) refund a portion of the Series 2010A bonds, a portion of the Series 2012A bonds, and a portion of the Series 2013A bonds; (b) refinance the Series 2017 private bank placement loan, and (c) pay certain costs incidental to the issuance of the Series 2019 bonds. In connection with this transaction, the University recorded a loss on the extinguishment of debt for the year ended June 30, 2020 of approximately \$957, included in Other nonoperating activities on the accompanying consolidated statement of activities.

The University has a line of credit available with a limit of \$15,000, with interest calculated on the outstanding balance at the 30, 60, or 90 day LIBOR rate plus 50 basis points or Prime. There were no amounts outstanding on the line as of June 30, 2020 and 2019. The terms of the line expire on February 26, 2021.

#### **(9) Retirement Benefits**

The University participates in a contributory retirement plan administered by the Teachers Insurance Annuity Association of America and College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments. In accordance with the current plan documents, all employees who have completed one year of full-time service at the University are eligible for participation in the plan. All retirement benefits are funded and vested under a defined contribution program. The University's contributions to the retirement plan amounted to \$8,788 and \$8,379 in 2020 and 2019, respectively.

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

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Information with respect to the plan is as follows:

|  | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
| Change in benefit obligation:                  |             |             |
| Benefit obligation at beginning of year        | \$ 21,494   | 18,180      |
| Service cost                                   | 363         | 337         |
| Interest cost                                  | 652         | 807         |
| Plan participants' contributions               | 548         | 557         |
| Amendment                                      | 396         | —           |
| Actuarial loss                                 | 975         | 3,605       |
| Benefits paid                                  | (2,013)     | (1,992)     |
| Benefit obligation at end of year              | 22,415      | 21,494      |
| Change in plan assets:                         |             |             |
| Fair value of plan assets at beginning of year | —           | —           |
| Employer contribution                          | 1,465       | 1,435       |
| Plan participants' contributions               | 548         | 557         |
| Benefits paid                                  | (2,013)     | (1,992)     |
| Fair value of plan assets at end of year       | —           | —           |
| Funded status at June 30                       | \$ 22,415   | 21,494      |

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(In thousands of dollars)

|                             | <b>Unamortized<br/>prior service<br/>cost (credit)</b> | <b>Unamortized<br/>net loss<br/>(gain)</b> | <b>Amounts<br/>recognized<br/>in net assets<br/>without<br/>donor<br/>restrictions</b> |
|-----------------------------|--|--|--|
| Balance as of June 30, 2018 | \$ (7,280)   | 1,520                                      | (5,760)  |
| Amortization                | 1,180  | (241)                                      | 939  |
| Actuarial loss              | —  | 3,605                                      | 3,605  |
|                             | <u>1,180</u>   | <u>3,364</u>                               | <u>4,544</u>   |
| Balance as of June 30, 2019 | (6,100)  | 4,884                                      | (1,216)  |
| Amortization                | 1,152  | (367)                                      | 785  |
| Amendment                   | 396  | —  | 396  |
| Actuarial loss              | —  | 975  | 975  |
|                             | <u>1,548</u>   | <u>608</u>                                 | <u>2,156</u>   |
| Balance as of June 30, 2020 | \$ <u>(4,552)</u>                                      | <u>5,492</u>                               | <u>940</u>   |
|                             |  | <u>2020</u>                                | <u>2019</u>  |
| Net periodic benefit cost:  |  |  |  |
| Service cost                |  | \$ 363                                     | 337  |
| Interest cost               |  | 652  | 807  |
| Amortization of:            |  |  |  |
| Actuarial net loss          |  | 367  | 241  |
| Prior service cost          |  | <u>(1,152)</u>                             | <u>(1,180)</u>   |
| Net periodic benefit cost   |  | \$ <u>230</u>                              | <u>205</u>   |

Prior service credit of \$1,123 and actuarial loss of \$422 for the postretirement health care benefit plan will be amortized from net assets without restrictions into net periodic benefit costs in 2021.

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(In thousands of dollars)

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 as of June 30, 2020:

|  | <u>One percent<br/>point<br/>increase</u> | <u>One percent<br/>point<br/>decrease</u> |
|--|---|---|
| Effect on total service and interest cost components | \$ 160                                    | (129)                                     |
| Effect on postretirement benefit obligation          | 2,770                                     | (2,326)                                   |

*Expected Cash Flows*

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

| Expected benefit payments for the year<br>ended June 30: |          |
|--|----------|
| 2021   | \$ 1,419 |
| 2022   | 1,445    |
| 2023   | 1,373    |
| 2024   | 1,397    |
| 2025   | 1,474    |
| 2026–2030  | 6,642    |

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

|   | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| Benefit obligations:                            |             |             |
| Discount rate                                   | 2.24 %      | 3.20 %      |
| Net periodic benefit cost:                      |             |             |
| Discount rate                                   | 3.20        | 4.01        |
| Healthcare cost trend rates:                    |             |             |
| Pre-age 65 health care benefits                 | 6.50        | 6.75        |
| Post-age 65 health care benefits                | 4.40        | 4.75        |
| Prescription drug coverage                      | 6.75        | 9.00        |
| Rate to which the cost trend rate is to decline | 3.78        | 3.78        |
| Year that rate reaches the ultimate trend rate  | 2075        | 2075        |

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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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**(10) Net Assets**

Net assets consist of the following at June 30:

|  | 2020                          |                            | 2019                          |                            |
|--|-------------------------------|----------------------------|-------------------------------|----------------------------|
|  | Without donor<br>restrictions | With donor<br>restrictions | Without donor<br>restrictions | With donor<br>restrictions |
| Operating, plant and other                                 | \$ 165,085                    | 2,884                      | 165,071                       | 2,925                      |
| Capital projects and equipment reserves                    | 34,255                        | 6,931                      | 19,044                        | 5,129                      |
| Pledges receivable   | —                             | 23,906                     | —                             | 31,151                     |
| Annuities, deferred giving<br>arrangements, and loan funds | —                             | 26,545                     | —                             | 29,227                     |
| Endowments and other funds treated<br>as endowments:       |                               |                            |                               |                            |
| Undesignated   | 59,542                        | —                          | 60,649                        | —                          |
| Board designated   | 137,059                       | —                          | 133,697                       | —                          |
| Financial aid  | 91                            | 349,815                    | 59                            | 342,604                    |
| Endowed chairs and salaries                                | 2,368                         | 137,686                    | 2,106                         | 134,537                    |
| Instruction, facilities, library,<br>and other             | 11,806                        | 261,286                    | 11,106                        | 264,472                    |
| Total net assets   | \$ <u>410,206</u>             | <u>809,053</u>             | <u>391,732</u>                | <u>810,045</u>             |

**(11) Related Party Activity**

Certain investments held by the University are managed by investment companies in which Trustees of the University, or their family members, have a direct financial interest. The fair value of these investments total \$26,806 and \$1,105 at June 30, 2020 and 2019, respectively, all of which were made in accordance with the University's conflict of interest policy,

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**(12) Natural Classification of Expenses**

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

|                     |    | 2020                     |               |                  |                  |                       |                      |                |
|---------------------|----|--------------------------|---------------|------------------|------------------|-----------------------|----------------------|----------------|
|                     |    | Program activities       |               |                  |                  | Support activities    |                      |                |
|                     |    | Instruction and research | Athletics     | Academic support | Student services | Institutional support | Auxiliary operations | Total          |
| Salaries and wages  | \$ | 47,014                   | 11,554        | 6,882            | 8,535            | 16,714                | 2,304                | 93,003         |
| Taxes and benefits  |    | 12,745                   | 2,499         | 2,021            | 2,513            | 4,885                 | 857                  | 25,520         |
| Supplies and other  |    | 12,953                   | 7,054         | 6,722            | 5,734            | 6,025                 | 5,398                | 43,886         |
| Contracted services |    | 929                      | 865           | 885              | 1,225            | 2,834                 | 10,760               | 17,498         |
| Depreciation        |    | 3,908                    | 2,969         | 1,208            | 322              | 1,006                 | 6,067                | 15,480         |
| Interest            |    | 2,544                    | 2,105         | 740              | 248              | 515                   | 4,025                | 10,177         |
| Utilities           |    | 980                      | 813           | 389              | 106              | 346                   | 1,971                | 4,605          |
| Total               | \$ | <u>81,073</u>            | <u>27,859</u> | <u>18,847</u>    | <u>18,683</u>    | <u>32,325</u>         | <u>31,382</u>        | <u>210,169</u> |

  

|                     |    | 2019                     |               |                  |                  |                       |                      |                |
|---------------------|----|--------------------------|---------------|------------------|------------------|-----------------------|----------------------|----------------|
|                     |    | Program activities       |               |                  |                  | Support activities    |                      |                |
|                     |    | Instruction and research | Athletics     | Academic support | Student services | Institutional support | Auxiliary operations | Total          |
| Salaries and wages  | \$ | 44,508                   | 10,913        | 7,215            | 8,269            | 17,199                | 2,321                | 90,425         |
| Taxes and benefits  |    | 11,021                   | 1,924         | 1,821            | 2,272            | 4,574                 | 929                  | 22,541         |
| Supplies and other  |    | 16,208                   | 8,286         | 6,726            | 5,966            | 8,894                 | 6,966                | 53,046         |
| Contracted services |    | 1,096                    | 780           | 941              | 1,272            | 3,429                 | 12,038               | 19,556         |
| Depreciation        |    | 3,870                    | 2,899         | 1,354            | 311              | 951                   | 5,349                | 14,734         |
| Interest            |    | 3,420                    | 2,830         | 995              | 334              | 693                   | 4,526                | 12,798         |
| Utilities           |    | 1,285                    | 1,062         | 465              | 138              | 386                   | 1,863                | 5,199          |
| Total               | \$ | <u>81,408</u>            | <u>28,694</u> | <u>19,517</u>    | <u>18,562</u>    | <u>36,126</u>         | <u>33,992</u>        | <u>218,299</u> |

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

Expenses associated with the operation and maintenance of the University's plant assets and depreciation are allocated to functional categories based on square footage. Borrowing costs are allocated based on usage of debt-financed space. Interest expense is allocated to functional expenses based on the original purpose of the bond proceeds and square footage. Expenses associated with fundraising activities of the University were \$6,050 and \$6,541 in 2020 and 2019, respectively, and are included in institutional support.

## **COLGATE UNIVERSITY**

Notes to Consolidated Financial Statements

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### **(13) Contingencies**

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

### **(14) Subsequent Events**

The University considers events or transactions that occur after the date of the consolidated statement of financial position, but before the consolidated financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These consolidated financial statements were available to be issued on October 8, 2020 and subsequent events have been evaluated through that date.