HOBART AND WILLIAM SMITH COLLEGES

Financial Statements as of
May 31, 2021
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 28, 2021

To the Board of Trustees of
Hobart and William Smith Colleges:

Report on the Financial Statements
We have audited the accompanying financial statements of Hobart and William Smith Colleges (a New York not-for-profit corporation) (collectively, the Colleges), which comprise the statement of financial position as of May 31, 2021, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hobart and William Smith Colleges as of May 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in Exhibit I is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bonadio & Co., LLP

HOBART AND WILLIAM SMITH COLLEGES

STATEMENT OF FINANCIAL POSITION
MAY 31, 2021

ASSETS	
Cash and cash equivalents	$ 22,096,939
Accounts receivable, net	2,468,789
Notes receivable, net	1,990,715
Contributions receivable, net	5,868,194
Funds held for deferred giving	3,631,985
Other assets	4,239,518
Long-term investments	297,710,861
Land, buildings and equipment, net	154,554,525
Total assets	$ 492,561,526
LIABILITIES AND NET ASSETS	
LIABILITIES:	
Accounts payable and accrued liabilities	$ 12,480,144
Deferred revenue and deposits	4,128,264
Deferred giving obligations	1,556,213
Refundable advances from government loan programs	1,758,376
Asset retirement obligations	3,132,831
Fair value of swap agreement	5,643,515
Bonds and note payable, net	58,757,014
Total liabilities	87,456,357
NET ASSETS:	
Without donor restrictions	138,909,146
With donor restrictions	266,196,023
Total net assets	405,105,169
	$ 492,561,526

The accompanying notes are an integral part of these statements.

HOBART AND WILLIAM SMITH COLLEGES

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2021

	Net assets without donor restrictions	Net assets with donor restrictions	Total
OPERATING REVENUES:			
Tuition and fees, net of student aid of $60,199,665	$ 45,283,589	$ -	$ 45,283,589
Residence and dining services, net of student aid of $605,165	19,148,478	-	19,148,478
Net student revenue	64,432,067	-	64,432,067
Sales and services of other auxiliaries	668,580	-	668,580
Government grants and contracts	5,368,610	-	5,368,610
Private gifts and grants	3,179,290	3,357,258	6,536,548
Investment return designated for current operations	1,587,724	9,057,736	10,645,460
Other investment income	14,061	-	14,061
Other income	61,845	15,551	77,396
Net assets released from donor restrictions	14,012,915	(14,012,915)	-
Total operating revenues	89,325,092	(1,582,370)	87,742,722
OPERATING EXPENSES:			
Instruction	27,494,868	-	27,494,868
Academic support	11,744,527	-	11,744,527
Student services	20,735,621	-	20,735,621
Institutional support	17,553,400	-	17,553,400
Auxiliaries operations	13,260,131	-	13,260,131
Total operating expenses	90,788,547	-	90,788,547
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(1,463,455)	(1,582,370)	(3,045,825)
NON-OPERATING ACTIVITIES:			
Investment return, net of amounts designated for operations	10,590,118	62,402,331	72,992,449
Private gifts	2,754,646	9,367,369	12,122,015
Other changes, net	(1,745,330)	-	(1,745,330)
Change in value of deferred giving arrangements	-	605,250	605,250
Change in fair value of swap agreement	1,285,444	-	1,285,444
Net assets released from donor restrictions	1,486,885	(1,486,885)	-
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	14,371,763	70,888,065	85,259,828
TOTAL CHANGE IN NET ASSETS	12,908,308	69,305,695	82,214,003
NET ASSETS - beginning of year	126,000,838	196,890,328	322,891,166
NET ASSETS - end of year	$ 138,909,146	$ 266,196,023	$ 405,105,169

The accompanying notes are an integral part of these statements.

HOBART AND WILLIAM SMITH COLLEGES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2021

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	$ 82,214,003
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Depreciation, amortization and accretion	7,781,140
Write-off of bond issuance costs	760,633
Bad debt expense	617,458
Change in allowance for uncollectible contributions receivable	42,511
Change in allowance for notes receivable	164,000
Loss on disposal of land, buildings and equipment	313,122
Change in deferred giving obligations	144,215
Change in fair value of swap agreement	(1,285,444)
Contributions restricted for long-term investment	(5,955,169)
Net realized and unrealized gains on investments	(82,003,270)
Changes in:	
Accounts receivable, net	(806,578)
Contributions receivable, net	(2,106,038)
Refundable advance from government	(104,716)
Funds held for deferred giving	(732,156)
Other assets	111,899
Accounts payable and accrued liabilities	(33,508)
Deferred revenues and deposits	(2,475,559)
Net cash flow from operating activities	(3,353,457)
CASH FLOW FROM INVESTING ACTIVITIES:	
Acquisition of land, buildings and equipment	(4,243,366)
Proceeds from sale of land, buildings and equipment	747,956
Advance of notes receivable	(67,580)
Assignment of notes receivable	(134,366)
Proceeds from notes receivable collections	417,238
Proceeds from sales and maturities of investments	34,525,560
Purchases of investments	(29,720,729)
Net cash flow from investing activities	1,524,713
CASH FLOW FROM FINANCING ACTIVITIES:	
Proceeds from contributions for:	
Investment in endowment	5,104,823
Investment in plant	712,972
Investment subject to deferred giving arrangements	137,374
Proceeds from bond issuance	36,660,000
Defeasance of Series 2012 and 2014 bonds	(30,160,000)
Deferred financing costs	(728,165)
Premium repayment	(3,450,082)
Payment of long-term debt	(2,688,500)
Net cash flow from financing activities	5,588,422
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,759,678
CASH AND CASH EQUIVALENTS - beginning of year	18,337,261
CASH AND CASH EQUIVALENTS - end of year	$ 22,096,939
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Interest paid	$ 2,477,124
Land, buildings and equipment acquired via operating lease	$ 2,499,835
SUPPLEMENTAL NONCASH INVESTING ACTIVITY:	
Change in construction related payables	$ (253,710)

The accompanying notes are an integral part of these statements.

HOBART AND WILLIAM SMITH COLLEGES

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2021

1. THE ORGANIZATION

Hobart and William Smith Colleges (the Colleges) are coordinate colleges located in the Finger Lakes Region of Central New York. Hobart College for men and William Smith College for women are selective, residential, liberal arts institutions. The Colleges share a single curriculum, campus, faculty, and central administration, but have separate deans, student governments, and athletics organizations. The Colleges' coordinate system provides men and women opportunities for independent learning and leadership in an environment of shared resources and objectives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The Colleges' financial statements have been prepared on the accrual basis of accounting and are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), to focus on the Colleges as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Financial Reporting
Based on the existence or absence of donor-imposed restrictions, the Colleges classify net assets into two categories, without donor restrictions and with donor restrictions.

- **Net assets without donor restrictions –** Net assets not subject to donor-imposed stipulations and available for the general operations of the Colleges. This net asset category principally consists of student revenue as well as investment returns on funds designated by the Board of Trustees to function as endowment, spending policy allocations, certain types of philanthropic support without restriction, such as the annual fund and related expenses associated with the core programs of the Colleges.

- **Net assets with donor restrictions –** Net assets subject to donor-imposed stipulations that will be met either by actions of the Colleges or the passage of time. Items that affect this net asset category include gifts or unconditional pledges and the related unallocated investment returns on donor-restricted endowment funds, gifts or grants for capital assets not yet placed in service, and annuity and life income funds.

The Colleges classify the following portions of donor-restricted endowment funds as net assets with donor restrictions: (a) the original value of assets contributed to endowment funds, (b) subsequent contributions to such funds valued at the date of contribution, (c) investment return available for appropriation and (d) reinvested earnings on endowment when specified by the donor.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle

ASC 842, *Leases*

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Colleges adopted the standard effective June 1, 2020 and recognized and measured leases existing at, or entered into after, June 1, 2020 (the beginning of the period of adoption) with certain practical expedients available, including no reassessment of lease classification for existing leases. The Colleges determined that the impact of the transition to the new standard is not significant to the Colleges' financial statements and accordingly, have not made an adjustment to beginning year net assets for the adoption of FASB ASC 842.

On June 1, 2020, the Colleges recognized a lease liability of $2,499,835, which represents the present value of the remaining operating lease payments of $3,644,893, discounted using an incremental borrowing rate of 4.52%, and a right-of-use asset of $2,499,835.

ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework- Changes to the Disclosure Requirement for Fair Value Measurement*

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements. The standard is effective for the Colleges' fiscal year ended May 31, 2021. The Colleges adopted this standard, using a retrospective approach. The adoption of this standard had no effect on total net assets or changes in net assets.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit with financial institutions or other highly liquid investments with an original maturity of three months or less or other similar interest-bearing accounts. At certain points in time, the Colleges may maintain funds in excess of amounts insured by the Federal Depository Insurance Corporation. The Colleges have not experienced any losses in such accounts and management believes they are not exposed to any significant credit risk with respect to cash and cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts and Notes Receivable

Accounts and notes receivable are reported net of reserves for doubtful accounts. The receivables are recorded at their current unpaid principal balance. Associated interest, if applicable, is accrued based on the principal amount outstanding and applicable interest rates. Allowances for doubtful accounts are recorded, representing amounts that, in the opinion of management of the Colleges, are necessary to account for probable losses related to the receivables. These allowances are determined based upon numerous considerations, including economic conditions, the specific composition of the receivable balance, as well as trends of delinquencies and write offs. On a periodic basis, these factors are considered and the allowances for doubtful accounts are adjusted accordingly, with a corresponding adjustment to the provision for allowances for doubtful accounts.

The Colleges participated in the Perkins Federal Revolving Loan Program (Perkins Loan Program). The Perkins Loan Program ended on September 30, 2017. The Department of Education is in the process of providing direction with regard to the disposition of the Colleges' Perkins loan funds. During fiscal year 2021, the Department of Education did not require the Colleges to return funds related to Perkins student loans.

The Colleges enhance student loans with their own supplemental loan program (HWS supplemental loans). The Colleges distributed $67,750 during fiscal year 2021.

Perkins student loans and HWS supplemental loans receivable, net, represent notes receivable due from students and are stated at unpaid principal balances less an allowance for uncollectible accounts. Interest on notes receivable is recognized over the term of the loans.

Contributions Receivable

Contributions receivable include unconditional pledges and funds held in trust by others. Contributions, including unconditional pledges, are recognized as revenue when donors' commitments are received. Conditional pledges are recognized as revenue when the conditions are substantially met. Contributions specified for the acquisition or construction of long-lived assets are reported as net assets without donor restrictions when the assets are placed in service. Unconditional pledges are recognized at their estimated net present value, net of an allowance for uncollectible amounts. Management periodically reviews the sufficiency of the allowance for uncollectible receivables, taking into consideration current economic conditions, its historical losses and specific amounts outstanding, and makes adjustments to the allowance as considered necessary.

Funds held in trust by others represent resources neither in the possession nor under the control of the Colleges, but paid and administered by outside trustees, with the Colleges deriving income or residual interest from the assets of such funds. Funds held in trust by others are recognized at the estimated fair value of the assets which approximates the net present value of the future cash flows when the irrevocable trust is established or the Colleges are notified of its existence and are subsequently adjusted for changes in the fair value annually.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Investments

Long-term investments are reported at fair value. If an investment is held directly by the Colleges and in an active market where quoted prices exists, the Colleges report the fair value as the market price of an identical security. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year. The Colleges also hold shares or units in alternative investment funds involving real assets, hedge, and private equity strategies. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets that require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers or partners and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

The Colleges utilize the net asset value (NAV) reported by each of the alternative investment funds as a practical expedient for determining the fair value of the investment. These investments are redeemable at NAV, under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment, as well as the liquidity positions of the funds, may significantly impact the NAV of the funds and, consequently, the fair value of the Colleges' investment in the funds.

Endowment investment return includes interest and dividends, management fees, realized gains and losses, and the change in unrealized appreciation (depreciation) of the associated investments. The cost of investment securities sold is used to determine the basis for computing realized gains or losses, and the Colleges account for investment sales and purchases on a trade date basis.

Investment securities are exposed to various risks, such as interest rate, market, currency, political, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair Value Measurement - Definition and Hierarchy

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Colleges use various valuation techniques in determining fair value. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement - Definition and Hierarchy (Continued)
Observable inputs are inputs that market participants would use in pricing the asset or liability developed, based on market data obtained from sources independent of the Colleges. Unobservable inputs are inputs that reflect the Colleges' assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Colleges have the ability to access at the measurement date. Assets and liabilities classified as Level 1 generally include listed equities and mutual funds. Level 1 also includes cash and cash equivalents given the short maturity of these investments.

- Level 2 inputs are quoted market prices for markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.

- Level 3 inputs include pricing inputs that are unobservable for the assets and reflect certain assumptions to determine fair value.

With respect to those investments reported at NAV as a practical expedient, fair value hierarchy categorization is not required. The fair value amounts presented as NAV are intended to permit reconciliation of the fair value hierarchy disclosure to the amounts presented in the statement of financial position. As of May 31, 2021, the Colleges had no specific plans or intentions to sell investments at amounts different than NAV.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes is not necessarily an indication of the risk associated with investing in those investments or a reflection of the liquidity of each fund's underlying assets and liabilities.

Land, Buildings and Equipment
Land, land improvements, buildings, equipment, and library books are recorded at cost at the date of acquisition or their fair value at the date of donation, less accumulated depreciation, computed on a straight line basis over the estimated useful lives of the land improvements (20 years), buildings (15 – 45 years), equipment (5 – 20 years), and library books (20 years). Expenditures for maintenance, repairs, and renewals of relatively minor items are not capitalized. Gifts of long-lived assets such as land, buildings, and equipment are reported as private gifts without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted private gifts. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Collections
Works of art are included in land, buildings, and equipment in the statement of financial position at cost or the fair market value, as of the date of donation. Collection items donated to the Colleges are recorded as income in the statement of activities. Works of art are not depreciated in accordance with GAAP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Giving Arrangements

The Colleges' funds held for deferred giving consist primarily of gift annuities, pooled life income funds, and charitable remainder trusts. Deferred giving assets of approximately $3,632,000 are included at their fair value as of May 31, 2021 in the statement of financial position. Contribution revenues are recognized at the date the arrangements are established, after recording liabilities for the present value of the estimated future payments to be made to the donors and/or beneficiaries. The deferred giving obligations are adjusted during the term of the arrangements for changes in the value of the assets, changes in the estimated present value of future cash outflows, and other changes in the estimates of future benefits. These obligations represent the net present value of future cash outflows over the beneficiary's life expectancy, as required by the deferred gift agreements. Discount rates are used to calculate the net present value of the obligations, and are based on market rates commensurate with the beneficiary's life expectancy. Deferred giving obligations of approximately $1,317,000 are classified as a liability in the statement of financial position.

Refundable Advances from Government Loan Programs

Refundable advances represent capital contributions received from the federal government to fund the Perkins loan program. This advance increases as students repay their loans. Funds advanced by the federal government of approximately $1,758,000 at May 31, 2021 are ultimately refundable to the government and are classified as a liability in the statement of financial position.

Asset Retirement Obligations

Asset retirement obligations (AROs) are legal obligations associated with the retirement of long lived assets. The Colleges accrue 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. The liability is accreted to its settlement value annually. Upon settlement of the liability, the Colleges will recognize a gain or loss for any difference between the settlement amount and liability recorded. Accretion expense was approximately $126,000 for the year ended May 31, 2021.

Derivative Instruments

A derivative instrument related to the Colleges' long-term debt is included in the fair value of the swap agreement in the statement of financial position. The Colleges selected the combination of a variable rate bond issue and an interest rate swap agreement to obtain fixed rate financing at the lowest available cost, at the time of the transaction. The fair value of the swap agreement is based on an evaluation of quotes provided by a financial institution of the estimated settlement amounts required of the Colleges, if the agreement was terminated, taking into consideration current interest rates. The Colleges are exposed to credit loss in the event of nonperformance by the counterparty to their long term rate swap. The interest rate swap does not qualify for cash flow hedge accounting. The change in the fair value of swap agreement is included in non-operating activities in the statement of activities.

Bond Issuance Costs

Bond issuance costs represent the legal and administrative costs and prepayment penalty incurred during the process of issuing and refinancing debt. Amortization of such costs is on a straight-line basis over the life of the related debt. Bond issuance costs are presented as a contra-liability of long-term debt in the related statement of financial position, and amortization expense is recognized as a component of depreciation and interest expense in Footnote 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

The Colleges are a not for profit organization as described in Section 501(c)(3) of the Internal Revenue Code and are generally exempt from income tax on related income. The Colleges have also been classified as organizations that are not private foundations.

Revenue Recognition

Students

Revenue is recognized when control of the promised good or service is transferred in an amount that reflects the consideration to which the Colleges' expects to be entitled in exchange for those goods or services (i.e., the transaction price). Amounts that remain uncollected at the end of the term are recorded as student accounts receivable. Accounts receivable from students, net of an allowance for uncollectible accounts were approximately $487,000 at May 31, 2021.

Tuition and fees, and residence and dining service revenue is recognized in the fiscal year in which the academic programs are delivered and auxiliary services used. The amount of revenue per student varies based on the specific program or class in which the student enrolls, as well as where the student lives on campus. Such revenues are recognized at amounts determined based on standard published rates for the services, less institutional scholarships awarded to qualifying students. Disbursements made directly to students for living costs or other purposes are reported as an expense.

In addition, students who adjust their course load, dining assignment, residence assignment, or withdraw completely within the drop/add period published in the Colleges' academic calendar may receive a full or partial refund in accordance with the Colleges' refund policy. Refunds reduce the amount of revenue recognized. Payment is due in full the day before the start of the academic term.

Grants and contracts

Grants and contracts awarded by federal and other sponsors, which are generally considered non-exchange transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreement are met. Grants and contracts whose conditions are met in the same fiscal year as their receipt are reported as revenue without donor restrictions.

Deferred Revenue and Deposits

Revenues received in advance of services provided are included in deferred revenue and deposits. The total deferred student revenues were approximately $1,229,000 in 2021. The deferred student revenues will be recognized as the related academic and auxiliary services are provided, within the fiscal year, following the most recent year-end. Student revenue deferred as of May 31, 2020 in the amount of approximately $3,444,000 was recognized in fiscal year 2021.

At May 31, 2021, the Colleges recorded deferred revenue of approximately $2,900,000 for payments received in advance of service provision under the term of grant and vendor contracts, and student deposits. These deferred revenues are expected to be recognized in years ranging from fiscal 2022 through 2029.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operations

The statement of activities presents expenses by functional classification and reflects a subtotal for the change in net assets from operations. This subtotal reflects revenues the Colleges received for operating purposes, including investment return used for operations and all expenses, including the allocation of certain expenses. Operation and maintenance of plant, depreciation, and interest expense are allocated based on relative square footage of facilities used for such functions. Information technology is allocated using a blended historical rate based upon an annual service analysis. Nonoperating activity reflects all other activity, including but not limited to, the investment return, net of the amount appropriated under the Board of Trustees' approved spending formula, contributions for endowment and plant purposes, the change in present value of deferred giving arrangements, as well as other net changes during 2021.

Leases

The Colleges lease land, various building space and equipment under the terms of lease contracts. The Colleges determine whether a contract is a lease at inception. In evaluating contracts to determine if they qualify for lease accounting, the Colleges consider whether or not they have obtained substantially all the rights to the underlying asset through exclusivity, whether or not they can direct the use of the asset by making decisions about how and for what purpose the asset will be used and whether or not the lessor has substantive substitution rights. This evaluation may require significant judgment.

Right of use (ROU) assets represent the Colleges' right to use an underlying asset for the lease term and lease liabilities represent the Colleges' obligation to make lease payments arising from the lease.

Operating ROU assets are included in other assets and the related liabilities are included in accounts payable and accrued liabilities in the accompanying statement of financial position.

Operating lease ROU assets and liabilities are recognized at the commencement date, based on the present value of lease payments over the lease term. An incremental borrowing rate, based on the information available at commencement date, is used in determining the present value of lease payments. Lease terms may include options to extend or terminate the lease, when it is reasonably certain that the Colleges will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Colleges use rates implicit in the lease, or if not readily available, they use their incremental borrowing rate. The Colleges' incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread, as secured by their assets. Determining a credit spread, as secured by the Colleges' assets, may require significant judgment.

3. COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The global pandemic caused by the virus disrupted world-wide economic activity.

As a result, the United States Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act which was signed into law by the President on March 27, 2020. The CARES Act established the Higher Education Emergency Relief Fund (HEERF). In December 2020, the HEERF program received additional funding allocated by the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and in March 2021, additional HEERF funding was allocated by the American Rescue Plan Act (ARPA).

HEERF grants contain specific requirements on how the funding can be used. HEERF grants are required to be awarded, in part, as direct emergency financial aid grants to students for expenses related to the disruption of campus operations due to the pandemic, with the remaining funding retained by institutions to offset the costs associated with changes to the delivery of instruction due to the pandemic and to defray institutional expenses, including resident and dining service credits.

In 2021, the Colleges were awarded and received HEERF funds totaling $2,298,243, of which $718,711 was distributed as direct emergency financial aid grants to students. Additionally, $785,790 was distributed as direct emergency financial aid and grants to students from funding awarded in 2020. HEERF grant revenue of approximately $3.1 million is recorded as government grants and contracts and the associated financial aid grants to students of approximately $1.5 million are recorded as student services expense in the statement of activities for the year ended May 31, 2021.

As of May 31, 2021, the Colleges had been awarded an additional $4,077,219 of HEERF funding, of which at least 50% is required to be distributed as emergency financial aid grants to students, and is therefore conditional. These funds have not been received, or recognized as revenue, given that certain conditions existed as of May 31, 2021, that are expected to be satisfied in fiscal 2022.

As of the date of issuance, the COVID-19 pandemic continues. The Colleges’ Fall 2021 semester is underway with on-campus operations having resumed. Operations will be modified as required in accordance with local, state, and federal health guidance. The overall short and long-term consequences of COVID-19 on a national, regional, and local level remain unknown, but there is an ongoing potential for a noteworthy negative economic impact. The impact of this situation specific on the Colleges’ future results and financial position is not presently determinable.

4. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of May 31, 2021, financial assets and liquidity resources available within one year for general expenditures, including operating expenses, scheduled principal payments on borrowings, and capital construction expenditures not financed with debt, include the following:

Total financial assets	$ 338,007,001
Less: amounts unavailable for general expenditures within one year:	
Board-designated and donor-restricted endowments	283,731,395
Donor-restricted gifts for capital projects	2,514,931
Donor-restricted gifts for operations	16,585,589
Other assets	3,179,436
Notes receivable, net	1,990,715
Contributions receivable not available for general expenditures, net	5,868,194
Funds held for deferred giving	3,631,985
Add: fiscal year 2022 Board-approved endowment appropriation	11,363,806
Total financial assets available for general expenditure within one year	$ 31,868,562

The Colleges' working capital and cash flows have seasonal variations during the year attributable to tuition, fees, and residence and dining service billing cycles. To manage liquidity, the Colleges operate with a balanced budget on a cash basis in accordance with policies approved by the Board of Trustees. In addition to the liquidity resources stated in the above table, the Colleges also have a line of credit amounting to $10,000,000 available for working capital needs that is subject to annual renewal. The Colleges did not draw upon this line of credit during the year ended May 31, 2021. In addition, board designated endowment of $39,060,240 can be made available for general expenditure with approval from the Colleges' Board of Trustees, subject to investment liquidity provisions further discussed in footnote 10.

5. ACCOUNTS RECEIVABLE

Accounts receivable are presented, net of the following allowance for doubtful accounts, in the accompanying statement of financial position as of May 31, 2021:

Student accounts receivable, gross	$ 772,339
Less: Allowance for doubtful accounts	(285,000)
Student accounts receivable, net	487,339
Other receivables	1,981,450
Accounts receivable, net	$ 2,468,789

6. NOTES RECEIVABLE

Perkins student loans receivable and HWS supplemental loans receivable are presented, net of the following allowance for doubtful loans in the accompanying statement of financial position as of May 31, 2021:

Notes receivable, gross	$ 2,360,715
Less: Allowance for doubtful loans	(370,000)
Notes receivable, net	$ 1,990,715

At May 31, 2021, the following amounts were currently due for Perkins student loans receivable:

	In-School and Currently Due	30-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due	Total
Perkins student loans receivable, gross	$ 974,618	$ 25,608	$ 74,803	$ 65,000	$ 1,140,029
Less: Allowance for doubtful loans	-	-	-	(65,000)	(65,000)
Perkins student loans receivable, net	$ 974,618	$ 25,608	$ 74,803	$ -	$ 1,075,029

At May 31, 2021, the following amounts were currently due for HWS supplemental loans receivable:

	In-School and Currently Due	30-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due	Total
HWS supplemental loans receivable, gross	$ 900,575	$ 19,509	$ 55,625	$ 244,977	$ 1,220,686
Less: Allowance for doubtful loans	-	(4,398)	(55,625)	(244,977)	(305,000)
HWS supplemental loans receivable, net	$ 900,575	$ 15,111	$ -	$ -	$ 915,686

7. CONTRIBUTIONS RECEIVABLE

Included in contributions receivable are multi-year gifts that are recorded at their net present value, based on an imputed rate of interest commensurate with the risk and term of the gift. The gross value of contributions receivable was approximately $8,154,000 as of May 31, 2021. These contributions totaled approximately $5,868,000, net of a present value discount and allowance for uncollectable receivables, as of May 31, 2021. The discount rates used to calculate the net present value for contributions receivable ranged from 0.12% to 5.04%. Included in contributions receivable are funds held in trust by others that represent resources neither in the possession nor under the control of the Colleges, but paid and administered by outside trustees, with the Colleges deriving income or residual interest from the assets of such funds. Funds held in trust by others are recognized at the estimated fair value of the assets which approximates the net present value of the future cash flows when the irrevocable trust is established or the Colleges are notified of its existence and are subsequently adjusted for changes in the fair value annually. Funds held in trust by others amounted to approximately $468,000 at May 31, 2021.

7. CONTRIBUTIONS RECEIVABLE (Continued)

Contributions receivable are expected to be collected as follows at May 31, 2021:

Less than one year	$ 5,071,518
One year to five years	3,022,356
Greater than five years	60,000
	8,153,874
Less: Present value discount	(35,711)
Allowance for uncollectible receivables	(2,249,969)
	$ 5,868,194

8. INVESTMENTS

The investment objective of the Colleges is to invest assets in a prudent manner to achieve a long term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The Colleges' investment strategy incorporates a diversified asset allocation approach that maintains, within defined limits, exposure to domestic and international equities, fixed income, real assets, commodities, and private equity markets. The majority of the Colleges' investments are managed in a pooled fund that consists primarily of endowment assets.

The Colleges' long term endowment investments at May 31, 2021 are summarized in the following table:

Cash and cash equivalents	$ 3,615,552
Fixed income and government securities	10,170,255
Common stock and preferred stock	159,964,030
Hedge funds	77,171,934
Private equity funds	38,642,246
Real asset funds	8,146,844
	$ 297,710,861

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Colleges' financial instruments include cash and cash equivalents, deferring giving arrangements, long-term investments, and derivative instruments.

The Colleges' cash and cash equivalents are stated at cost which approximates fair value. The Colleges' common stocks and preferred stocks, fixed income, and government securities are stated at fair value based on quoted market prices or at NAV.

The fair value of the swap agreement is based on an evaluation of quotes provided by a financial institution of the estimated settlement amounts required of the Colleges if the agreement was terminated, taking into consideration current interest rates.

Judgement is required in certain circumstances to develop estimates of fair value and estimates may not be indicative of the amounts that would be realized in a current market exchange.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following were measured at fair value on a recurring basis at May 31, 2021:

	Total	Level 1	Level 2	Investments measured at NAV	Redemption frequency	Days' notice
Investments:						
Cash and cash equivalents	$ 3,615,552	$ 3,615,552	$ -	$ -	Daily	Same day
Fixed income and government securities	10,170,255	10,170,255	-	-	Daily – monthly	Same day – 10 days
Common and preferred stocks (a)	159,964,030	80,442,599	-	79,521,431	Daily - annual	Same day – 90 days
Hedge (b)	77,171,934	-	-	77,171,934	Quarterly - Illiquid	N/A
Private equity (c)	38,642,246	-	-	38,642,246	Illiquid	N/A
Real assets (d)	8,146,844	-	-	8,146,844	Illiquid	N/A
	$ 297,710,861	$ 94,228,406	$ -	$203,482,455		
Funds held for deferred giving:	$ 3,631,985	$ 3,631,985	$ -	$ -		
Interest rate swap:	$ (5,643,515)	$ -	$ (5,643,515)	$ -		

The descriptions of the Colleges' investments valued at NAV as a practical expedient are as follows:

(a) This category includes investments primarily in equity securities. The Colleges can redeem the majority of these investments on a monthly, quarterly, or annual basis with notice ranging up to 90 days.

(b) This category includes investments with limited partnerships, limited liability companies or private investment companies that employ a multi strategy approach. The Colleges can redeem the majority of these investments on a quarterly basis with notice if liquid, however the Colleges do not have redemption rights in certain investments in this category.

(c) This category includes investments with limited partnerships or limited liability companies in domestic and international private sector businesses, and similar equity securities. The Colleges do not have redemption rights in these investments and their remaining lives are between one and six years.

(d) This category includes investments with limited partnerships or limited liability companies in commercial, residential improved and unimproved real assets and real assets primarily in the United States. The Colleges do not have redemption rights in these investments and their remaining lives are between one and ten years.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Liquidity

The following presents the fair value of the Colleges' investments as of May 31, 2021 by redemption period:

Investments redemption period:	
Daily	$ 94,228,406
Monthly	54,323,715
Quarterly	37,668,736
Annual	36,273,475
Illiquid (locked-up)	75,216,529
Total	$ 297,710,861

Investments that are in the Illiquid (locked-up) category are primarily related to certain real assets, private equity, and hedge investments. The period of time until liquidation is not necessarily determinable by management, as liquidation terms are at the discretion of the applicable funds' investment manager subject to market conditions and the underlying complexities of the individual investments. These liquidity restrictions have been in effect since the initial purchase of the applicable funds.

The Colleges participate in certain limited partnership arrangements as part of the endowment portfolio. Outstanding unfunded capital commitments on these investments approximate $33,896,000 as of May 31, 2021. The Colleges maintain sufficient liquidity in the investment portfolio to cover such commitments.

10. ENDOWMENT

Endowment funds are long-term assets of the Colleges 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 Colleges. Endowment 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 funds are recorded in the statement of financial position as long-term investments, including cash balances held by external investment managers. Unless otherwise directed in the gift instrument or required by applicable law, both donor-restricted and board-designated endowment funds are pooled for efficient investment purposes. These pooled funds are invested in a broadly diversified portfolio designed to produce long-term returns that equal or exceed the Board-approved spending rates plus the impacts of inflation.

10. ENDOWMENT (Continued)

The Colleges follow New York Prudent Management of Institutional Funds Act (NYPMIFA) in the management of their endowments. 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. NYPMIFA contains specific factors that must be considered prior to making investment decisions or appropriating funds for expenditure. In accordance with NYPMIFA, the Board of Trustees considers the following factors in making a determination to appropriate or accumulate endowment funds: the duration and preservation of the fund; the purposes of the Colleges and the endowment funds; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Colleges; where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of an endowment fund, giving due consideration to the effect that such alternatives may have on the Colleges; and the investment policies of the Colleges.

The Colleges' Board of Trustees has interpreted New York State's Not-for-Profit Corporation Law, including NYPMIFA, 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 Colleges classify as net assets with donor restrictions (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 net assets with donor restrictions until the amounts are expended by the Colleges in a manner consistent with the donor's intent.

Spending Policy

The Board of Trustees determines the appropriate amount to withdraw from endowment funds on an annual basis, to provide support for operations with prudent concern for the long-term growth in the underlying assets. The Colleges employ a total return spending policy which recognizes for spending purposes income equal to 5% of a multi-year moving average of the unit value of pooled investments. In any given year, the amount availed from the pooled investments may, therefore, be greater or less than the dividend or interest yield for that year. Investment returns earned in excess of the spending policy are classified as nonoperating revenue; any shortfall is made up from historically earned capital appreciation.

The following tables provide the net asset composition of the endowment as of May 31, 2021 and a rollforward of the net assets from June 1, 2020 to May 31, 2021.

	Without Donor Restriction	With Donor Restrictions	Total
Donor-restricted funds	$ -	$ 244,671,155	$ 244,671,155
Board-designated funds	39,060,240	-	39,060,240
Total funds	$ 39,060,240	$ 244,671,155	$ 283,731,395

10. ENDOWMENT (Continued)

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 28,277,448	$ 176,372,704	$ 204,650,152
Net appreciation	12,177,842	71,460,067	83,637,909
Contributions	-	5,104,823	5,104,823
Appropriations for expenditures	(1,587,724)	(9,057,736)	(10,645,460)
Other endowment changes, net	192,674	791,297	983,971
Endowment net assets, end of year	$ 39,060,240	$ 244,671,155	$ 283,731,395

Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds with donor restrictions may fall below the level that the donor requires the Colleges to retain as a fund of perpetual duration. At May 31, 2021, there were no funds with deficiencies.

11. LAND, BUILDING, AND EQUIPMENT

The components of land, building, and equipment as of May 31, 2021 were as follows:

Land	$ 3,622,656
Land improvements	15,342,202
Buildings	208,119,734
Equipment	56,212,532
Library books	22,713,321
Collections	9,471,280
Construction in progress	564,349
	316,046,074
Less: Accumulated depreciation	(161,491,549)
	$ 154,554,525

Depreciation expense amounted to $6,978,705 in 2021.

12. LEASES

The Colleges have entered into operating lease contracts for certain land, equipment and building space. The Colleges' leases have remaining terms up to 40 years, some of which include options to extend the leases for various renewal periods. All options to renew are included in the current lease term when it is reasonably certain that the renewal options will be exercised.

Operating Leases

Operating lease costs associated with amortization of the right of use asset and payment of the lease liability were approximately $689,000 for the year ended May 31, 2021.

12. LEASES (Continued)

Operating Leases (Continued)

As of May 31, 2021, assets and liabilities recorded under operating leases were approximately $1,890,000 and $1,827,000, respectively. Right-of-use assets related to operating leases are recorded as a component of other assets and operating lease liabilities are recorded as a component of accounts payable and accrued expenses in the accompanying statement of financial position.

Weighted average remaining lease term	16 years
Weighted average discount rate	4.52%

The maturities of operating lease liabilities as of May 31, 2021 were as follows:

2022	$ 810,559
2023	209,199
2024	52,500
2025	52,500
2026	52,500
Thereafter	1,704,875
Total lease payments	2,882,133
Less: net present value adjustments	(1,055,602)
Total operating lease liability	$ 1,826,531

13. BONDS AND NOTE PAYABLE

Bonds and note payable consisted of the following at May 31, 2021:

	Maturity Date	Interest Rate	Original Issue	
City of Geneva Industrial Development Agency Revenue Bonds:				
Series 2007	2037	Variable	$ 31,250,000	$ 22,275,000
City of Geneva Development Corporation Taxable Revenue Refunding Bonds:				
Series 2020A	2045	4.518%	36,660,000	36,660,000
				58,935,000
Bond issuance costs				(834,986)
				58,100,014
Manufacturers and Traders Trust Company				
Term note	2023	Variable		657,000
				$ 58,757,014

Series 2007 City of Geneva Industrial Development Agency Multi Modal Civic Facility Revenue Bonds are Variable Rate Demand bonds enhanced by a letter of credit with a financial institution. The interest rate is determined every 7 days. Interest is payable monthly and the rates paid during the fiscal year ended May 31, 2021 ranged from 0.05% to 0.23%. The bonds mature in 2037.

A letter of credit was issued in the amount of $31,599,316 and will remain in effect until notice that the outstanding bonds have been repaid, the related bonds have been converted to an interest rate other than a Daily Rate or Weekly Rate, or a substitute Credit Agreement or Liquidity Facility has been put in place. The current letter of credit will expire on September 3, 2023.

In September 2020, the Colleges issued $36,660,000 of Series 2020A City of Geneva Development Corporation Taxable Revenue Refunding Bonds. The proceeds of the bonds were used for the legal defeasance of the Series 2012 and 2014 bonds.

Interest on the term note is variable at LIBOR plus 2% until maturity in 2023. Rates during the fiscal year ended May 31, 2021 ranged from 2.11% to 2.17%.

13. BONDS AND NOTES PAYABLE (Continued)

The scheduled principal payments on bonds payable and term note for the next five years and thereafter is reflected in the following table:

2022	$ 1,193,500
2023	1,338,500
2024	1,000,000
2025	1,050,000
2026	1,655,000
Thereafter	53,355,000
	59,592,000
Bond issuance costs	(834,986)
	$ 58,757,014

The Series 2007 and 2020A agreements require the Colleges to meet certain financial covenants. At May 31, 2021 the Colleges were in compliance with these debt covenants.

Interest Rate Swap

On June 18, 2007, the Colleges entered into an interest rate swap agreement with an effective date of December 4, 2007 and a maturity date of December 1, 2037. Neither the Colleges nor the counterparty, which is a prominent financial investment institution, are required to collateralize their respective obligations under this swap. At May 31, 2021, the notional amount of the swap was $22,275,000. Under the agreement, the Colleges will pay the counterparty interest at a fixed rate of 4% until maturity.

The fair value of the Colleges' interest rate swap is as follows at May 31, 2021:

Derivatives Designated as Hedging Instruments	Location	Fair Value
Interest Rate Swap:		
Series 2007	Liabilities	$ (5,643,515)

Derivatives in Fair Value Hedging Relationships	Location of Gain Recognized (effective portion)	Amount of Gain Recognized (effective portion)	Location of Loss Recognized (ineffective portion)	Amount of Loss Recognized (ineffective portion)
Interest rate swap	Non-operating activities	$ 1,285,444	N/A	N/A

Line of Credit

The Colleges maintain a line of credit for $10 million which was unused during 2021. The line of credit is renewed on an annual basis and currently expires on May 31, 2022.

14. NET ASSETS

Net assets with donor restrictions at May 31, 2021 are available for the following purposes:

Endowment funds restricted in perpetuity	$ 150,441,724
Accumulated unspent earnings	94,229,431
Restricted for program and student support	14,365,469
Scholarships	665,472
Deferred giving arrangements	2,424,348
Restricted for capital projects	2,514,931
Restricted for faculty support	1,554,648
	$ 266,196,023

Net assets released from donor restrictions at May 31, 2021 were as follows:

Scholarships	$ 5,794,300
Program and student support	5,533,142
Faculty support	574,810
Capital project	3,597,548
	$ 15,499,800

15. FUNCTIONAL EXPENSE

The Colleges' primary program activity is instruction. Expenses reported as academic support, student services, institutional support, and auxiliaries operations are incurred in support of this primary program activity. Expenses presented by natural classification and function are as follows for the fiscal year ended May 31, 2021.

	Salaries and benefits	Supplies and services	Occupancy and related expenses	Depreciation and interest	Other expenses	Total
Instruction	$ 22,422,198	$ 954,654	$ 2,412,738	$ 1,653,069	$ 52,209	$ 27,494,868
Academic support	6,976,614	1,567,496	788,079	2,199,261	213,077	11,744,527
Student services	11,108,499	2,417,387	2,832,791	1,910,881	2,466,063	20,735,621
Institutional support	8,416,695	3,729,042	2,301,345	1,361,727	1,744,591	17,553,400
Auxiliaries operations	324,568	6,869,513	3,455,295	2,461,846	148,909	13,260,131
	$ 49,248,574	$ 15,538,092	$ 11,790,248	$ 9,586,784	$ 4,624,849	$ 90,788,547

16. RETIREMENT PLAN

The Colleges participate in a contributory retirement plan administered by Transamerica and the Teachers Insurance Annuity Association of America (TIAA) for full time employees. Total expense charged to operations relating to this plan was approximately $1,686,000 for 2021.

17. RELATED PARTIES

From time to time, members of the Colleges' Board of Trustees and the senior management team may be directly or indirectly associated with companies conducting business with the Colleges. Among other things, the Colleges' conflict of interest policy does not permit members of the Board of Trustees or its committees to participate in any decision in which a member (or any of their immediate family members) has a material financial interest. The Colleges require members of the Board of Trustees and the senior management team to complete an annual disclosure of significant financial interests in, or employment or consulting relationships with, entities who conduct business with the Colleges. When such financial interests or relationships are disclosed, procedures are taken to assess and address the actual or perceived conflict in order to protect the best interests of the Colleges and to ensure compliance with relevant conflict of interest laws or policy.

18. COMMITMENTS AND CONTINGENCIES

Self-Insurance
The Colleges are self-insured for risk of loss related to its employee health benefit coverage. The liability estimate is based on a lag analysis derived from specific, historical claims experience for incurred but not yet paid or reported claims. The liability amounted to approximately $525,000 at May 31, 2021, and is included as a component of accounts payable and accrued liabilities in the accompanying statement of financial position.

Litigation
The Colleges have been named as a defendant in several litigation actions. Due to the preliminary nature of these actions, no estimate of ultimate liability in excess of insured limits, if any, to the Colleges can be made. Consequently, no reserves have been recorded in the accompanying financial statements for the settlement of these matters. Management does not believe the settlement of these matters will have a material adverse effect on the Colleges' financial position.

19. DEPARTMENT OF EDUCATION REQUIRED DISCLOSURES

The following information is required by the Department of Education as supplemental support for Exhibit I - Financial Responsibility Supplemental Schedule, for the year ended May 31, 2021:

Annuities with donor restrictions	$ 981,384
Term endowments with donor restrictions	$ 437,670
Life income funds with donor restrictions	$ 1,442,964
Components of total revenues and gains:	
Total operating revenues without donor restriction	$ 89,325,092
Investment return, net of amounts designated for operations	10,590,118
Private gifts, non-operating	2,754,646
Change in fair value of swap agreement	1,285,444
Net asset released from donor restrictions, non-operating	1,486,885
Total	$ 105,442,185

20. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 28, 2021, which is the date the financial statements were issued.

HOBART AND WILLIAM SMITH COLLEGES

Exhibit I

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
MAY 31, 2021

PRIMARY RESERVE RATIO

	Expendable Net Assets		Financial Statement Location
=	Net assets without donor restrictions	$ 138,909,146	Statement of Financial Position - Net assets without donor restrictions
+	Net assets with donor restrictions	$ 266,196,023	Statement of Financial Position - Net assets with donor restrictions
-	Annuities with donor restrictions	$ 981,384	Notes to the Financial Statements - Department of Education Required Disclosures - FN 19
-	Term endowments with donor restrictions	$ 437,670	Notes to the Financial Statements - Department of Education Required Disclosures - FN 19
-	Life income funds with donor restrictions	$ 1,442,964	Notes to the Financial Statements - Department of Education Required Disclosures - FN 19
-	Net assets with donor restrictions in perpetuity	$ 150,441,724	Notes to the Financial Statements - Net Assets - FN 14
-	Secured and Unsecured related party receivable	$ -	N/A
-	Property, plant and equipment, net (includes Construction in progress):		
	Property, plant and equipment, net	$ 153,990,176	Notes to the Financial Statements - Land, Building, and Equipment - FN 11
	Construction in progress	$ 564,349	Notes to the Financial Statements - Land, Building, and Equipment - FN 11
-	Total Property, plant, and equipment, net	$ 154,554,525	
	Lease right-of-use asset, net:		
	Lease right-of-use asset, pre-implementation	$ -	
	Lease right-of-use asset, post-implementation	$ 1,890,099	Notes to the Financial Statements - Leases - FN 12
-	Total Lease Right-of-Use Asset, net	$ 1,890,099	
-	Intangible assets	$ -	N/A
+	Post-employment and defined benefit pension liabilities	$ -	N/A
+	Long-term debt - for long term purposes, not to exceed total net PP&E:		
	Long-term debt - for long term purposes pre-implementation	$ 58,757,014	Statement of Financial Position - Bonds and note payable, net
	Long-term debt - for long term purposes post-implementation	$ -	N/A
	Line of Credit for Construction in progress	$ -	N/A
	Total Long-term debt - for long term purposes	$ 58,757,014	
	Expendable Net Assets:	$ 154,113,817	
	Total Expenses and Losses:		
=	Total expenses without donor restrictions - taken directly from Statement of Activities	$ 90,788,547	Statement of Activities - Total Operating Expenses
+	Non-Operating and Net Investment (loss)	$ 1,745,330	Statement of Activities - Other changes, net
-	Net investment losses without donor restrictions	$ -	N/A
-	Post employment benefit plan related changes other than net periodic cost	$ -	N/A
	Total Expenses and Losses:	$ 92,533,877	

EQUITY RATIO

	Modified Net Assets		Financial Statement Location
=	Net assets without donor restrictions	$ 138,909,146	Statement of Financial Position - Net Assets without Donor Restrictions
+	Net assets with donor restrictions	$ 266,196,023	Statement of Financial Position - Net Assets with Donor Restriction
-	Intangible assets	$ -	N/A
-	Unsecured related party receivables	$ -	N/A
	Modified Net Assets:	$ 405,105,169	
	Modified Assets		
=	Total assets	$ 492,561,526	Statement of Financial Position - Total assets
-	Lease right-of-use asset pre-implementation	$ -	Notes to the Financial Statements - Leases - FN 12
+	Pre-implementation right-of-use asset liability	$ -	N/A
-	Intangible assets	$ -	N/A
-	Unsecured related party receivables	$ -	N/A
	Modified Assets:	$ 492,561,526	

NET INCOME RATIO

		Financial Statement Location
Change in Net Assets Without Donor Restrictions	$ 12,908,308	Statement of Activities - Change in Net Assets Without Donor Restrictions
Total Revenues and Gains	$ 105,442,185	Notes to the Financial Statements - Department of Education Required Disclosures - FN 19

The accompanying notes are an integral part of this schedule.