HOBART AND WILLIAM SMITH COLLEGES

Financial Statements as of
June 30, 2023
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

December 21, 2023

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

Opinion

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 June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Colleges as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Colleges and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Adjustment

As described in Note 3 to the financial statements, the Colleges' reclassified approximately $27,900,000 of endowment funds previously recorded as net assets with donor restrictions to net assets without donor restrictions upon review of underlying documentation. Accordingly, an adjustment has been made to net assets as of July 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Colleges' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Colleges' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Colleges' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 it 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
JUNE 30, 2023

ASSETS	
Cash and cash equivalents	$ 9,997,516
Accounts receivable, net	2,817,860
Notes receivable, net	1,184,024
Contributions receivable, net	12,231,067
Funds held for deferred giving	2,444,633
Other assets	2,311,432
Long-term investments	234,314,036
Land, buildings and equipment, net	154,666,961
Total assets	$ 419,967,529
LIABILITIES AND NET ASSETS	
LIABILITIES:	
Accounts payable and accrued liabilities	$ 12,231,582
Deferred revenue and deposits	2,718,557
Deferred giving obligations	1,210,697
Refundable advances from government loan programs	631,112
Asset retirement obligations	3,365,120
Fair value of swap agreement	1,864,753
Bonds and note payable, net	56,297,916
Total liabilities	78,319,737
NET ASSETS:	
Without donor restrictions	134,157,587
With donor restrictions	207,490,205
Total net assets	341,647,792
	$ 419,967,529

The accompanying notes are an integral part of these statements.

HOBART AND WILLIAM SMITH COLLEGES

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Net assets without donor restrictions	Net assets with donor restrictions	Total
OPERATING REVENUES:			
Tuition and fees, net of student aid of $61,817,589	$ 32,942,803	$ -	$ 32,942,803
Residence and dining services, net of student aid of $1,209,312	19,607,277	-	19,607,277
Net student revenue	52,550,080	-	52,550,080
Sales and services of other auxiliaries	1,387,095	-	1,387,095
Government grants and contracts	3,167,733	-	3,167,733
Private gifts and grants	4,163,473	3,543,579	7,707,052
Investment return designated for current operations	28,087,035	10,170,988	38,258,023
Other income	1,678,665	437,117	2,115,782
Net assets released from donor restrictions	13,465,119	(13,465,119)	-
Total operating revenues	104,499,200	686,565	105,185,765
OPERATING EXPENSES:			
Instruction	30,140,212	-	30,140,212
Academic support	13,430,283	-	13,430,283
Student services	30,022,401	-	30,022,401
Institutional support	13,291,343	-	13,291,343
Auxiliary operations	19,062,461	-	19,062,461
Total operating expenses	105,946,700	-	105,946,700
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(1,447,500)	686,565	(760,935)
NON-OPERATING ACTIVITIES:			
Investment return, net of amounts designated for operations	(23,925,463)	5,083,668	(18,841,795)
Private gifts, net	434,328	8,194,498	8,628,826
Contribution of collection items	2,588,300	-	2,588,300
Other changes, net	(465,787)	-	(465,787)
Change in value of deferred giving arrangements	-	65,495	65,495
Change in fair value of swap agreement	1,087,134	-	1,087,134
Net assets released from donor restrictions	8,459,239	(8,459,239)	-
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	(11,822,249)	4,884,422	(6,937,827)
TOTAL CHANGE IN NET ASSETS	(13,269,749)	5,570,987	(7,698,762)
NET ASSETS - beginning of year, as previously stated	119,566,021	229,780,533	349,346,554
PRIOR PERIOD ADJUSTMENT	27,861,315	(27,861,315)	-
NET ASSETS - beginning of year, as restated	147,427,336	201,919,218	349,346,554
NET ASSETS - end of year	$ 134,157,587	$ 207,490,205	$ 341,647,792

The accompanying notes are an integral part of these statements.

HOBART AND WILLIAM SMITH COLLEGES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	$ (7,698,762)
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Depreciation, amortization and accretion	7,503,486
Return of Perkins institutional capital contribution	(87,163)
Provision for bad debt on accounts receivable, net	7,624
Provision for bad debt on contributions receivable, net	1,280,634
Change in discount on contributions receivable, net	312,789
Change in allowance for notes receivable, net	42,614
Loss on disposal of land, buildings and equipment	528,768
Change in deferred giving obligations	(87,709)
Change in fair value of swap agreement	(1,087,134)
Contributions restricted for long-term investment	(9,909,460)
Net realized and unrealized gains on investments	(20,392,293)
Changes in:	
Accounts receivable, net	(29,100)
Contributions receivable, net	(1,663,196)
Funds held for deferred giving	189,715
Other assets	1,189,475
Accounts payable and accrued liabilities	(143,271)
Deferred revenues and deposits	(726,060)
Net cash flow from operating activities	(30,769,043)
CASH FLOW FROM INVESTING ACTIVITIES:	
Acquisition of land, buildings and equipment	(6,928,343)
Advance of notes receivable	(14,800)
Assignment of notes receivable	37,500
Proceeds from notes receivable collections	292,413
Proceeds from sales and maturities of investments	100,122,582
Purchases of investments	(77,895,386)
Net cash flow from investing activities	15,613,966
CASH FLOW FROM FINANCING ACTIVITIES:	
Proceeds from contributions for:	
Investment in endowment	3,794,391
Investment in plant	1,475,058
Investment subject to deferred giving arrangements	80,837
Repayment of refundable advances from government loan programs	(137,064)
Payment of long-term debt	(1,338,500)
Net cash flow from financing activities	3,874,722
NET CHANGE IN CASH AND CASH EQUIVALENTS	(11,280,355)
CASH AND CASH EQUIVALENTS - beginning of year	21,277,871
CASH AND CASH EQUIVALENTS - end of year	$ 9,997,516
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	$ 2,444,313
SUPPLEMENTAL NONCASH INVESTING ACTIVITY:	
Capital expenditures in accounts payable and accrued liabilities	$ 1,421,128

The accompanying notes are an integral part of these statements.

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.

Recent Accounting Pronouncements

During the year ended June 30, 2023, the Colleges adopted Accounting Standards Update 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which changed the presentation and disclosures regarding contributed nonfinancial assets. The adoption of this guidance had no impact on total net assets or change in net assets.

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)

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.

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 bad debt.

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.

The Colleges enhance student loans with their own supplemental loan program (HWS supplemental loans).

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 loans. Interest on notes receivable is recognized over the term of the loans. 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 bad debt.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 receivables. 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. 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 June 30, 2023, 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. Property and equipment equal to or greater than $5,000, which have a useful life greater than 2 years are 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. During 2023 the Colleges' received donated works of art in the amount of $2,588,300 as contribution of collection items. The art was recorded at fair market value using third party appraisals. The art will be displayed in accordance with the Colleges' policies. Works of art are not depreciated in accordance with GAAP.

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 $2,445,000 are included in the statement of financial position at their fair value as of June 30, 2023. 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, beneficiary payments, 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 at June 30, 2023. 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 $1,211,000 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. Funds advanced by the federal government of approximately $631,000 at June 30, 2023 are ultimately refundable to the government and are classified as a liability in the statement of financial position. During the year ended June 30, 2023, the Department of Education required the Colleges to return funds related to Perkins student loans in the amount of $137,064 as the program winds down.

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 identified as an obligation and will remediate in a future year. 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 $90,000 for the year ended June 30, 2023 and is included as a component of depreciation and interest expense in footnote 15.

Derivative Instruments

A derivative instrument related to the Colleges' long-term debt is included in the fair value of 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 fair value of swap agreement is included in non-operating activities in the statement of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 13.

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

Student

Revenue is recognized when control of the promised good or service is transferred in an amount that reflects the consideration to which the Colleges expect 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 doubtful accounts totaled approximately $188,000 and $210,000 at June 30, 2023 and 2022, respectively.

Tuition and fees, and residence and dining services 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.

Government 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 $505,000 for the year ended June 30, 2023. 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 June 30, 2022 in the amount of approximately $898,000 was recognized in the year ended June 30, 2023.

At June 30, 2023, deferred revenue and deposits included approximately $2,018,000 for payments received in advance of service provision under the term of a vendor contract. This deferred revenue is expected to be recognized ratably in fiscal 2024 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, information technology, and interest expense are allocated based on relative square footage of facilities used for such functions. 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 fiscal 2023.

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 ROU assets and the related 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 the 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 ROU asset and related 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. PRIOR PERIOD ADJUSTMENT

In fiscal 2023, the Colleges' management performed an analysis of the Colleges' donor restricted endowment funds, to gain a better understanding of the original restricted purposes. During the review, management developed a rubric to guide the internal analysis, including utilization of original donor documentation as the most authoritative source, and searching through historical wills, bequests, trust documents with the assistance of an attorney, as well as consideration of internal communication that either supported or belied a donor restriction verses an internal designation. As a result of this process the Colleges reclassified $27,861,315 of endowment funds previously recorded as with donor restrictions to without donor restrictions.

4. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2023, 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	$ 263,985,377
Less: amounts unavailable for general expenditures within one year:	
Donor-restricted endowments	181,347,857
Donor-restricted gifts for capital projects	13,485,658
Donor-restricted gifts for operations	11,084,415
Notes receivable, net	1,184,024
Contributions receivable not available for general expenditures, net	8,262,334
Funds held for deferred giving	2,444,633
Add: fiscal year 2024 Board-approved endowment appropriation	6,845,647
Total financial assets available for general expenditure within one year	$ 53,022,103

The Colleges' working capital and cash flows have seasonal variations during the year attributable to tuition, fees, and residence and dining service billing cycles. The Colleges' policy is to regularly monitor liquidity required to meet their operating needs and other contractual commitments, while also striving to maximize the investment of their available funds.

5. ACCOUNTS RECEIVABLE

Accounts receivable are presented, net of an allowance for doubtful accounts, in the accompanying statement of financial position as of June 30, 2023:

Student accounts receivable, gross	$ 533,094
Less: Allowance for doubtful accounts	(345,000)
Student accounts receivable, net	188,094
Grant and other receivables	2,629,766
Accounts receivable, net	$ 2,817,860

Accounts receivable, net, was $2,796,384 at June 30, 2022.

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 June 30, 2023:

Notes receivable, gross	$ 1,554,024
Less: Allowance for doubtful loans	(370,000)
Notes receivable, net	$ 1,184,024

At June 30, 2023, 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	$ 534,932	$ 9,871	$ 8,535	$ 83,988	$ 637,326
Less: Allowance for doubtful loans	-	-	-	(65,000)	(65,000)
Perkins student loans receivable, net	$ 534,932	$ 9,871	$ 8,535	$ 18,988	$ 572,326

At June 30, 2023, 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	$ 582,234	$ 20,000	$ -	$ 314,464	$ 916,698
Less: Allowance for doubtful loans	(101,493)	(3,507)	-	(200,000)	(305,000)
HWS supplemental loans receivable, net	$ 480,741	$ 16,493	$ -	$ 114,464	$ 611,698

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 $12,858,000 as of June 30, 2023. These contributions totaled approximately $12,231,000, net of a present value discount and allowance for uncollectable receivables, as of June 30, 2023. The discount rates used to calculate the net present value for contributions receivable ranged from 0.12% to 5.40%. Included in contributions receivable are funds held in trust by others. Funds held in trust by others amounted to approximately $1,009,000 at June 30, 2023.

7. CONTRIBUTIONS RECEIVABLE (Continued)

Contributions receivable are expected to be collected as follows at June 30, 2023:

Less than one year	$ 5,532,678
One year to five years	7,278,346
Greater than five years	47,143
	12,858,167
Less: Present value discount	(528,892)
Allowance for uncollectible receivables	(98,208)
	$ 12,231,067

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 investments at June 30, 2023 are summarized in the following table:

Cash and cash equivalents	$ 13,449,308
Fixed income and government securities	14,918,724
Common stock and preferred stock	83,807,906
Hedge funds	43,048,531
Private equity funds	72,206,917
Real asset funds	6,882,650
	$ 234,314,036

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Colleges' financial instruments include cash and cash equivalents, deferred 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 June 30, 2023:

	Total	Level 1	Level 2	Investments measured at NAV	Redemption frequency	Days' notice
Investments:						
Cash and cash equivalents	$ 13,449,308	$ 13,449,308	$ -	$ -	Daily	Same day
Fixed income and government securities	14,918,724	14,918,724	-	-	Daily – monthly	Same day – 10 days
Common and preferred stocks (a)	83,807,906	41,004,323	-	42,803,583	Monthly - annual	Same day – 90 days
Hedge (b)	43,048,531	-	-	43,048,531	Illiquid	N/A
Private equity (c)	72,206,917	-	-	72,206,917	Quarterly- Illiquid	90 days
Real assets (d)	6,882,650	-	-	6,882,650	Illiquid	N/A
	$ 234,314,036	$ 69,372,355	$ -	$ 164,941,681		
Funds held for deferred giving	$ 2,444,633	$ 2,444,633	$ -	$ -		
Interest rate swap	$ (1,864,753)	$ -	$ (1,864,753)	$ -		

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 do not have redemption rights in these investments and their remaining lives are between one and ten years.

(c) 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.

(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 at June 30, 2023 by redemption period:

Investments redemption period:	
Daily	$ 69,795,377
Monthly	42,803,579
Quarterly	19,196,382
Annual	16,532,607
Illiquid (locked-up)	85,986,091
Total	$ 234,314,036

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 $9,161,000 as of June 30, 2023. 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 Board of Trustees appropriated a 5% endowment spend for the year ending June 30, 2023.

The following tables provide the net asset composition of the endowment as of June 30, 2023 and a rollforward of the net assets from July 1, 2022 to June 30, 2023.

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	$ -	$ 181,347,857	$ 181,347,857

10. ENDOWMENT (Continued)

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year as previously stated	$ 28,087,035	$ 209,108,360	$ 237,195,395
Prior period adjustment (see Note 3)	-	(27,861,315)	(27,861,315)
Endowment net assets, beginning of year as restated	28,087,035	181,247,045	209,334,080
Net appreciation	-	15,433,057	15,433,057
Contributions	-	1,919,822	1,919,822
Appropriations for expenditures	-	(10,170,988)	(10,170,988)
Release of Board designations	(28,087,035)	-	-
Release from restrictions	-	(7,029,413)	(7,029,413)
Other endowment changes, net	-	(51,666)	(51,666)
Endowment net assets, end of year	$ -	$ 181,347,857	$ 181,347,857

During 2023, the Board of Trustees passed a resolution releasing previously Board designated funds, allowing them to be used for operations. This has been reflected in the endowment disclosure above as a release from board-designated endowment, and has been added to “Investment return designated for current operations” on the accompanying statement of activities.

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 June 30, 2023 the fair value of funds with deficiencies was approximately $11,028,000 The original value of the funds with deficiencies was approximately $11,904,000, resulting in underwater funds of approximately $876,000 at June 30, 2023.

11. LAND, BUILDING, AND EQUIPMENT

The components of land, building, and equipment as of June 30, 2023 were as follows:

Land	$ 3,622,656
Land improvements	15,719,973
Buildings	213,714,712
Equipment	57,179,254
Library books	12,996,814
Collections	13,583,318
Construction in progress	2,059,169
	318,875,896
Less: Accumulated depreciation	(164,208,935)
	$ 154,666,961

Depreciation expense amounted to $7,377,008 for the year ended June 30, 2023.

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 ROU asset and payment of the lease liability were approximately $325,000 for the year ended June 30, 2023. ROU assets obtained in exchange for operating lease obligations were $147,194 for the year ended June 30, 2023.

As of June 30, 2023, assets and liabilities recorded under operating leases were approximately $953,000 and $950,000, respectively and are recorded in other assets and accounts payable and accrued expenses on the accompanying statement of financial position.

Other information related to leases as of June 30, 2023 is as follows:

Weighted average remaining lease term	28 years
Weighted average discount rate	4.52%

The components of total lease cost for the year ended June 30, 2023, was as follows:

Operating lease cost	$ 391,520

The maturities of operating lease liabilities as of June 30, 2023 were as follows:

2024	$ 97,557
2025	97,557
2026	97,557
2027	45,000
2028	45,000
Thereafter	1,421,250
Total lease payments	1,803,921
Less: net present value adjustments	(853,565)
Total operating lease liability	$ 950,356

13. BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2023:

	Maturity Date	Interest Rate	Original Issue	Amount Outstanding
City of Geneva Industrial Development Agency Revenue Bonds:				
Series 2007	2037	Variable	$ 31,250,000	$ 20,400,000
City of Geneva Development Corporation Taxable Revenue Refunding Bonds:				
Series 2020A	2045	4.518%	36,660,000	36,660,000
				57,060,000
Bond issuance costs				(762,084)
				$ 56,297,916

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 year ended June 30, 2023 ranged from 0.68% to 4.31%. The bonds mature in 2037.

A standby letter of credit is in place in connection with the Series 2007 bonds 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 notional value of the letter of credit is $21,184,181. In August 2023, the Colleges' letter of credit was renewed and will expire on January 2, 2026.

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.

The Colleges are a party in an intercreditor agreement and pledge and security agreements in connection with the Series 2007 and Series 2020A bond issues. Under the terms of these agreements, the Colleges have collateralized these bond issues with gross receipts, as defined by the agreements. Gross receipts are generally defined as receipts from operations, including investment earnings, excluding donor restricted receipts and earnings.

13. BONDS PAYABLE (Continued)

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

2024	$ 1,000,000
2025	1,050,000
2026	1,655,000
2027	1,725,000
2028	1,800,000
Thereafter	49,830,000
	57,060,000
Bond issuance costs	(762,084)
	$ 56,297,916

The Series 2007 and 2020A agreements require the Colleges to meet certain financial covenants. At June 30, 2023 management has determined the Colleges were in compliance with these debt covenants.

Interest Rate Swap

In connection with the 2007 Series bonds, the Colleges have entered into an interest rate swap agreement with 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 June 30, 2023, the notional amount of the swap was $20,400,000. 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 June 30, 2023:

Derivatives Designated as Hedging Instruments	Location	Fair Value
Interest Rate Swap:		
Series 2007	Liabilities	$ (1,864,753)

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	$ 1,087,134	N/A	N/A

14. NET ASSETS

Net assets with donor restrictions at June 30, 2023 are available for the following purposes:

Endowment funds restricted in perpetuity	$ 135,071,788
Accumulated unspent earnings	46,276,069
Restricted for program and student support	7,544,023
Scholarships	1,942,328
Deferred giving arrangements	1,572,275
Restricted for capital	13,485,658
Restricted for faculty support	1,598,064
	$ 207,490,205

Net assets released from donor restrictions at June 30, 2023 were as follows:

Scholarships	$ 5,795,274
Program and student support	12,485,286
Faculty support	1,366,399
Capital	2,277,399
	$ 21,924,358

15. FUNCTIONAL EXPENSE

The Colleges' primary program activity is instruction. Expenses reported as academic support, student services, institutional support, and auxiliary operations are incurred in support of this primary program activity. Expenses presented by natural classification and function are as follows for the year ended June 30, 2023.

	Salaries and benefits	Supplies and services	Occupancy and related expenses	Depreciation and interest	Other expenses	Total
Instruction	$ 21,827,605	$ 3,720,329	$ 2,251,809	$ 2,150,706	$ 189,763	$ 30,140,212
Academic support	7,514,363	2,591,964	1,172,660	821,857	1,329,439	13,430,283
Student services	14,312,538	6,213,007	2,919,258	2,578,529	3,999,069	30,022,401
Institutional support	7,454,098	1,574,095	2,193,517	428,076	1,641,557	13,291,343
Auxiliary operations	1,579,326	8,925,209	4,314,917	4,016,588	226,421	19,062,461
	$52,687,930	$23,024,604	$ 12,852,161	$ 9,995,756	$ 7,386,249	$105,946,700

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 $2,053,000 for 2023.

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 $524,000 at June 30, 2023, 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.

Conditional Grants and Contributions

As of June 30, 2023, the Colleges received grants and contributions from governmental entities and individuals, in the aggregate amount of approximately $4,650,000 that have not been recorded in the accompanying financial statements. These grants and contributions require the Colleges to overcome certain barriers, including performance obligations and other milestones. If such barriers are not overcome, the governmental entities and individuals have a right of return or release, and will not contribute the funds to the Colleges.

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 June 30, 2023:

Annuities with donor restrictions	$ 283,134
Term endowments with donor restrictions	$ 339,986
Life income funds with donor restrictions	$ 331,625
Long-term debt - for long term purposes pre-implementation	$ 20,284,779
Long-term debt - for long term purposes post-implementation	$ 36,013,137
Components of total revenues and gains:	
Total operating revenues without donor restriction	$ 104,499,200
Private gifts, non-operating (including collections)	3,022,628
Other changes, net	(465,787)
Change in fair value of swap agreement	1,087,134
Net asset released from donor restrictions, non-operating	8,459,239
Total	$ 116,602,414

20. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 21, 2023, which is the date the financial statements were issued.

HOBART AND WILLIAM SMITH COLLEGES Exhibit I

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
JUNE 30, 2023

PRIMARY RESERVE RATIO

	Expendable Net Assets		Financial Statement Location
=	Net assets without donor restrictions	$ 134,157,587	Statement of Financial Position - Net assets without donor restrictions
+	Net assets with donor restrictions	$ 207,490,205	Statement of Financial Position - Net assets with donor restrictions
-	Annuities with donor restrictions	$ 283,134	Notes to the Financial Statements - Department of Education Required Disclosures - FN 19
-	Term endowments with donor restrictions	$ 339,986	Notes to the Financial Statements - Department of Education Required Disclosures - FN 19
-	Life income funds with donor restrictions	$ 331,625	Notes to the Financial Statements - Department of Education Required Disclosures - FN 19
-	Net assets with donor restrictions in perpetuity	$ 135,071,788	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	$ 152,607,792	Notes to the Financial Statements - Land, Building, and Equipment - FN 11
	Construction in progress	$ 2,059,169	Notes to the Financial Statements - Land, Building, and Equipment - FN 11
-	Total Property, plant, and equipment, net	$ 154,666,961	
	Lease right-of-use asset, net:		
	Lease right-of-use asset, pre-implementation	$ -	
	Lease right-of-use asset, post-implementation	$ 950,356	Notes to the Financial Statements - Leases - FN 12
-	Total Lease Right-of-Use Asset, net	$ 950,356	
-	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	$ 20,284,779	Notes to the Financial Statements - Department of Education Required Disclosures - FN 19
	Long-term debt - for long term purposes post-implementation	$ 36,013,137	Notes to the Financial Statements - Department of Education Required Disclosures - FN 19
	Line of Credit for Construction in progress	$ -	N/A
	Total Long-term debt - for long term purposes	$ 56,297,916	
	Expendable Net Assets:	$ 106,301,858	
	Total Expenses and Losses:		
=	Total expenses without donor restrictions - taken directly from Statement of Activities	$ 105,946,700	Statement of Activities - Total Operating Expenses
+	Non-Operating and Net Investment (loss)	$ 465,787	Statement of activities - Other changes, net
-	Net investment losses without donor restrictions	$ -	Statement of Activities - Investment return, net of amounts designated for operations
-	Post employment benefit plan related changes other than net periodic costs	$ -	N/A
	Total Expenses and Losses:	$ 106,412,487	

EQUITY RATIO

	Modified Net Assets		Financial Statement Location
=	Net assets without donor restrictions	$ 134,157,587	Statement of Financial Position - Net Assets without Donor Restrictions
+	Net assets with donor restrictions	$ 207,490,205	Statement of Financial Position - Net Assets with Donor Restriction
-	Intangible assets	$ -	N/A
-	Unsecured related party receivables	$ -	N/A
	Modified Net Assets:	$ 341,647,792	
	Modified Assets		
=	Total assets	$ 419,967,529	Statement of Financial Position - Total assets
-	Lease right-of-use asset pre-implementation	$ -	N/A
+	Pre-implementation right-of-use asset liability	$ -	N/A
-	Intangible assets	$ -	N/A
-	Unsecured related party receivables	$ -	N/A
	Modified Assets:	$ 419,967,529	

NET INCOME RATIO

		Financial Statement Location
Change in Net Assets Without Donor Restrictions	$ (13,269,749)	Statement of Activities - Change in Net Assets Without Donor Restrictions
Total Revenues and Gains	$ 116,602,414	Notes to the Financial Statements - Department of Education Required Disclosures - FN 19

The accompanying notes are an integral part of this schedule.