HOBART AND WILLIAM SMITH COLLEGES

Financial Statements as of
May 31, 2020
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

December 18, 2020

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, 2020, 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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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, 2020, 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.

Change in Accounting Principle
As described in Note 3 to the financial statements, the Colleges changed their policy for accounting for collection items and elected to capitalize all collection items. Our opinion is not modified with respect to this matter.

Prior Period Adjustment
As described in Note 4 to the financial statements, investment return on funds designated by the Board of Trustees were previously recorded as net assets with donor restrictions, overstating net assets with donor restrictions and understating net assets without donor restrictions. Accordingly, an adjustment has been made to net assets as of June 1, 2019. Our opinion is not modified with respect to this matter.

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, 2020

ASSETS	
Cash and cash equivalents	$ 18,337,261
Accounts receivable, net	1,662,211
Notes receivable, net	2,370,007
Contributions receivable, net	4,422,125
Funds held for deferred giving	2,899,829
Other assets	1,851,582
Long-term investments	220,512,422
Land, buildings and equipment, net	158,604,652
Total assets	$ 410,660,089
LIABILITIES AND NET ASSETS	
LIABILITIES:	
Accounts payable and accrued liabilities	10,267,527
Deferred revenue and deposits	6,603,823
Deferred giving obligations	1,411,998
Refundable advances from government loan programs	1,863,092
Asset retirement obligations	3,007,234
Fair value of swap agreement	6,928,959
Bonds and note payable, net	57,686,290
Total liabilities	87,768,923
NET ASSETS:	
Without donor restrictions	126,000,838
With donor restrictions	196,890,328
Total net assets	322,891,166
	$ 410,660,089

The accompanying notes are an integral part of these statements.

HOBART AND WILLIAM SMITH COLLEGES

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2020

	Net assets without donor restrictions	Net assets with donor restrictions	Total
OPERATING REVENUES:			
Tuition and fees, net of student aid of $55,605,026	$ 57,563,858	$ -	$ 57,563,858
Residence and dining services, net of student aid of $2,501,311	15,391,311	-	15,391,311
Net student revenue	72,955,169	-	72,955,169
Sales and services of other auxiliaries	1,077,423	-	1,077,423
Government grants and contracts	3,274,726	262,748	3,537,474
Private gifts and grants	2,773,455	4,534,988	7,308,443
Investment return designated for current operations	7,238,839	8,933,401	16,172,240
Other investment income	152,296	4,005	156,301
Other income	251,559	414,285	665,844
Net assets released from donor restrictions	10,853,876	(10,853,876)	-
Total operating revenues	98,577,343	3,295,551	101,872,894
OPERATING EXPENSES:			
Instruction	34,901,371	-	34,901,371
Academic support	12,233,486	-	12,233,486
Student services	24,250,470	-	24,250,470
Institutional support	19,042,540	-	19,042,540
Auxiliaries operations	13,388,975	-	13,388,975
Total operating expenses	103,816,842	-	103,816,842
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(5,239,499)	3,295,551	(1,943,948)
NON-OPERATING ACTIVITIES:			
Investment return, net of amounts designated for operations	(6,294,498)	(4,170,860)	(10,465,358)
Private gifts	2,204,549	6,072,517	8,277,066
Other changes, net	623,256	(1,342,523)	(719,267)
Change in value of deferred giving arrangements	-	312,174	312,174
Change in fair value of swap agreement	(903,530)	-	(903,530)
Net assets released from donor restrictions	699,886	(699,886)	-
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	(3,670,337)	171,422	(3,498,915)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	4,308,955	-	4,308,955
TOTAL CHANGE IN NET ASSETS	(4,600,881)	3,466,973	(1,133,908)
NET ASSETS - beginning of year, as previously stated	118,442,414	205,582,660	324,025,074
PRIOR PERIOD ADJUSTMENT	12,159,305	(12,159,305)	-
NET ASSETS - beginning of year, as restated	130,601,719	193,423,355	324,025,074
NET ASSETS - end of year	$ 126,000,838	$ 196,890,328	$ 322,891,166

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, 2020

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	$ (1,133,908)
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Depreciation, amortization and accretion	7,057,294
Bad debt expense	1,276,341
Change in allowance for uncollectible contributions receivable	818,829
Change in allowance for notes receivable	7,749
Loss on disposal of land, buildings and equipment	9,030
Change in deferred giving obligations	(173,983)
Change in fair value of swap agreement	903,530
Cumulative effect of change in accounting principle	(4,308,955)
Receipt of contributed collections	(1,765,450)
Contributions restricted for long-term investment	(4,852,617)
Interest and dividends restricted for long-term investment	(45,467)
Net realized and unrealized gains on investments	(5,479,591)
Changes in:	
Accounts receivable, net	(1,945,390)
Contributions receivable, net	(2,521,026)
Refundable advance from government	26,676
Funds held for deferred giving	311,015
Other assets	416,179
Accounts payable and accrued liabilities	3,262,337
Deferred revenues and deposits	1,757,342
Net cash flow from operating activities	(6,380,065)
CASH FLOW FROM INVESTING ACTIVITIES:	
Acquisition of land, buildings and equipment	(3,277,889)
Advance of notes receivable	(678,843)
Proceeds from notes receivable collections	950,094
Proceeds from sales and maturities of investments	19,776,951
Purchases of investments	(2,217,819)
Net cash flow from investing activities	14,552,494
CASH FLOW FROM FINANCING ACTIVITIES:	
Proceeds from contributions for:	
Investment in endowment	3,660,090
Investment in plant	1,180,126
Investment subject to deferred giving arrangements	12,401
Deferred financing costs	(30,500)
Payment of long-term debt	(2,536,501)
Net cash flow from financing activities	2,285,616
NET CHANGE IN CASH AND CASH EQUIVALENTS	10,458,045
CASH AND CASH EQUIVALENTS - beginning of year	7,879,216
CASH AND CASH EQUIVALENTS - end of year	$ 18,337,261
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Interest paid	$ 2,012,316
SUPPLEMENTAL NONCASH INVESTING ACTIVITY:	
Change in construction related payables	$ 253,710

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 United States generally accepted accounting principles (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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit with financial institutions or other highly liquid investments with a 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 allowances for doubtful accounts.

The Colleges participate 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 2020, the Department of Education did not require the Colleges to return funds related to Perkins student loans.

The Colleges enhanced student loans with their own supplemental loan program (HWS supplemental loans) through fiscal year 2020, when the program ended.

Perkins student loans and HWS supplemental loans receivable, net, represent loans receivable due from students and are stated at unpaid principal balances. Interest on loans 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 its historical losses and specific amounts outstanding, and makes adjustments to the allowance as considered necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable (Continued)

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.

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 estate, 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 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' interests in the funds.

Endowment and investment return includes interest and dividends, management fees, realized gains and losses, and the change in unrealized appreciation (depreciation) on the associated investments. The average 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.

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. 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, 2020, 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 on the liquidity of each fund's underlying assets and liabilities.

Land, Buildings and Equipment
Grounds, site 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 site 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.

Collections
Works of art are included in land, buildings, and equipment on the statement of financial position at cost or the fair market value as of the date of donation. As of June 1, 2019, the Colleges adopted a policy of recording all collection items at fair value on the statement of financial position. Collection items donated to the Colleges are recorded as income on 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 funds of approximately $2,900,000 are included at their fair value as of May 31, 2020 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.

Refundable Advances from Government Loan Programs

Refundable advances represent capital contributions received from the federal government to fund the Perkins loan program. This is a revolving fund that increases as students repay their loans and decreases as new loans are disbursed. Funds advanced by the federal government of approximately $1,863,000 at May 31, 2020, 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. Over time, the liability is accreted to its settlement value. 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 $146,000 in 2020.

Derivative Instruments

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

Bond Premium Amortization

Bond premiums related to the issuance of debt obligations are amortized over the life of the related debt and are included as a component of long-term debt in the accompanying statement of financial position. Amortization of the premium is included as a component of interest expense in the accompanying financial statements.

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 interest expense in the accompanying financial statements.

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

Tuition and fees, and residence and dining services are recognized over the academic year as services are provided. Funds received in advance of services provided are included in deferred revenue and deposits in the accompanying statement of financial position.

Revenue is recognized when control of the promised good or service is transferred in an amount that reflects the consideration to which the College 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 $776,857 and $492,421 at May 31, 2020 and 2019, respectively.

Students

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 whether 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. Payments are due the day before the start of the academic term.

Revenues received in advance of services provided are included in deferred revenue and deposits. The total deferred student revenues were approximately $2,811,000 in 2020. The deferred revenue will be recognized as the related academic and auxiliary services are provided, within the fiscal year following the most recent year-end. Revenue deferred as of May 31, 2019 in the amount of approximately $856,000 was recognized in fiscal year 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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.

The Colleges had recorded deferred revenue of approximately $3,039,000 under a vendor arrangement at May 31, 2020, which will be recognized annually through May 31, 2029.

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 2020.

3. CHANGE IN ACCOUNTING PRINCIPLE

In fiscal 2020, management evaluated its policy for recognizing works of art and other collections. Prior to June 1, 2019, the Colleges did not capitalize collections. ASC 958-360-25 allows for three acceptable approaches for reporting collections; (1) capitalization of all collection items, (2) capitalization of all collection items on a prospective basis, and (3) no capitalization of collection items.

As of June 1, 2019, the Colleges changed their policy and elected to capitalize all collection items. The adoption of this policy resulted in an increase to beginning of the year net assets without donor restrictions of $4,308,955 and an increase in land, buildings and equipment, net. The Colleges have determined that the inclusion of collections in the statement of financial position provides a preferable and more accurate representation of assets held by the Colleges.

4. PRIOR PERIOD ADJUSTMENT

In fiscal 2020, the Colleges determined that investment return on funds designated by the Board of Trustees were previously recorded as net assets with donor restrictions. As a result, net assets with donor restrictions were overstated by $12,159,305 and net assets without donor restrictions were understated by $12,159,305. This item has been recorded as an adjustment to net assets as of June 1, 2019, in the accompany statement of activities. See footnote 12 for further discussion.

5. 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. After closely monitoring the situation and with guidance from federal, state and local governments, on March 13, 2020, the Colleges announced they were canceling the option of face-to-face instruction after spring break and moving to remote learning from March 23, 2020 through the end of the spring 2020 semester. As a result, the Colleges issued approximately $3.2 million of net residence and dining service credits to students. In response to the partial curtailment of operations the Colleges were able to reduce costs associated with athletic competitions, non-essential travel, utilities, and some service contracts to offset a portion of these net residence and dining service credits.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by the United States Congress and signed into law by the President on March 27, 2020. The CARES Act established the Education Stabilization Fund (ESF) to provide emergency relief funds to elementary and secondary schools and institutions of higher education. The ESF funds appropriated for higher education were established under the Higher Education Emergency Relief Fund (HEERF). HEERF funds were allocated to institutions based on criteria established by the Department of Education. No less than 50% of the HEERF grant received by an institution was required to be awarded 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 room and board refunds.

As a result of the CARES Act, the Colleges were eligible to receive HEERF funds totaling approximately $1.57 million, of which no less than 50% is required to be distributed as direct emergency financial aid grants to students. The Colleges recognized grant revenue of approximately $785,000 related to the HEERF institutional funds during the year ended May 31, 2020 but did not recognize any grant revenue related to the HEERF student funds as the financial aid grants to students were provided subsequent to year end.

As of the date of issuance, the COVID-19 pandemic continues. The Colleges reopened campus for the fall 2020 semester and are using a combination of remote and in-person modalities to provide instruction and other services to students. The overall short and long-term consequences of COVID-19 on a national, regional and local level are unknown, but there is the potential of a noteworthy negative economic impact. The impact of this situation specific to the Colleges, their future results, and financial position is not presently determinable.

6. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of May 31, 2020, 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 as of May 31, 2020	$ 252,055,437
Less: amounts unavailable for general expenditures within one year:	
Board-designated and donor-restricted endowments	204,650,152
Donor-restricted gifts for capital projects	4,756,370
Donor-restricted gifts for operations	15,761,256
Notes receivable, net	2,370,007
Contributions receivable not available for general expenditures, net	4,422,125
Funds held for deferred giving	2,899,829
Add: fiscal year 2021 Board-approved endowment appropriation	7,392,276
Total financial assets available for general expenditure within one year	$ 24,587,974

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, 2020. In addition, the board designated endowment of $28,277,448 can be made available for general expenditure with approval from the Colleges' Board of Trustees, subject to investment liquidity provisions further discussed in footnote 12.

7. 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, 2020:

Student accounts receivable, gross	$ 1,081,857
Less: Allowance for doubtful accounts	(305,000)
Student accounts receivable, net	776,857
Other receivables	885,354
Accounts receivable, net	$ 1,662,211

8. 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, 2020:

Notes receivable, gross	$ 2,904,007
Less: Allowance for doubtful loans	(534,000)
Notes receivable, net	$ 2,370,007

At May 31, 2020, 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	$ 1,264,142	$ 8,709	$ 78,475	$ 190,856	$ 1,542,182
Less: Allowance for doubtful loans	-	-	-	(189,000)	(189,000)
Perkins student loans receivable, net	$ 1,264,142	$ 8,709	$ 78,475	$ 1,856	$ 1,353,182

At May 31, 2020, 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	$ 1,096,794	$ 32,082	$ 40,343	$ 192,606	$ 1,361,825
Less: Allowance for doubtful loans	(79,969)	(32,082)	(40,343)	(192,606)	(345,000)
HWS supplemental loans receivable, net	$ 1,016,825	$ -	$ -	$ -	$ 1,016,825

9. 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 $6,635,000 as of May 31, 2020. These contributions were recorded at their present value of approximately $4,422,000, net of discount and allowance for uncollectable receivables, as of May 31, 2020. The discount rates used to calculate the net present value for contributions receivable ranged from 0.16% to 5.04%.

9. CONTRIBUTIONS RECEIVABLE (Continued)

Contributions receivable are expected to be repaid as follows at May 31, 2020:

Less than one year	$ 5,720,682
One year to five years	914,116
	6,634,798
Less: Present value discount	(5,215)
Allowance for uncollectible receivables	(2,207,458)
	$ 4,422,125

10. 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 estate, 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' short term and long term investments at May 31, 2020 are summarized in the following table:

Cash and cash equivalents	$ 14,172,018
Fixed income and government securities	11,083,848
Common stock and preferred stock	111,472,114
Hedge funds	51,837,483
Private equity funds	24,468,451
Real estate	7,478,508
	$ 220,512,422

11. 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.

The fair value of the swap agreement is based on evaluation of quotes provide 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 could be realized in current market exchange.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following were measured at fair value on a recurring basis at May 31, 2020:

	Total	Level 1	Level 2	Investments measured at NAV	Redemption frequency	Days' notice
Investments:						
Cash and cash equivalents	$ 14,172,018	$ 14,172,018	$ -	$ -	Daily	Same day
Fixed income and government securities	11,083,848	11,083,848	-	-	Daily – monthly	Same day – 10 days
Common and preferred stocks	111,472,114	61,175,600	-	50,296,514	Daily - annual	Same day – 90 days
Hedge (a)	51,837,483	-	-	51,837,483	Monthly - illiquid	N/A
Private equity (b)	24,468,451	-	-	24,468,451	Illiquid	N/A
Real estate (c)	7,478,508	-	-	7,478,508	Illiquid	N/A
	$ 220,512,422	$ 86,431,466	$ -	$ 134,080,956		
Funds held for deferred giving:	$ 2,899,829	$ -	$ -	$ -		
Interest rate swap:	$ -	$ (6,928,959)	$ -	$ -		

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

(a) This category includes investments with limited partnerships, limited liability companies or private investment companies that employ a multi strategy approach. The Colleges may redeem the majority of these investments on a monthly, quarterly or annual basis with notice ranging from 30 to 90 days, however the Colleges do not have redemption rights in certain investments in this category.

(b) 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.

(c) This category includes investments with limited partnerships or limited liability companies in commercial, residential improved and unimproved real estate 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.

The Colleges' policy is to recognize transfers in and transfers out of different levels as of the actual date of the event or circumstance that caused the transfer. No transfers occurred for the year ended May 31, 2020.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Liquidity

The following presents the fair value of the Colleges' investments as of May 31, 2020 by redemption period:

Investments redemption period:	
Daily	$ 86,431,466
Monthly	40,975,274
Quarterly	20,321,326
Annual	27,456,775
Illiquid (locked-up)	45,327,581
Total	$ 220,512,422

Investments that are in the Illiquid (locked-up) category are primarily related to certain real estate, 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 fund's 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 $35,469,000 as of May 31, 2020. The Colleges maintain sufficient liquidity in the investment portfolio to cover such commitments.

12. 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.

12. ENDOWMENT (Continued)

The Colleges follow New York Prudent Management of Institutional Funds Act (NYPMIFA) in the management of its 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. However, 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 fund; 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.

12. ENDOWMENT (Continued)

The following tables provide the net asset composition of the endowment as of May 31, 2020 and a rollforward of the net assets from June 1, 2019 to May 31, 2020.

	Without Donor Restriction	With Donor Restrictions	Total
Donor-restricted funds	$ -	$ 176,372,704	$ 176,372,704
Board-designated funds	28,277,448	-	28,277,448
Total funds	$ 28,277,448	$ 176,372,704	$ 204,650,152

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 22,097,161	$ 187,593,716	$ 209,690,877
Reclassification of endowment net assets	12,159,305	(12,159,305)	-
Endowment net assets, beginning of year, restated	34,256,466	175,434,411	209,690,877
Net appreciation	944,342	4,762,541	5,706,883
Contributions	-	4,879,991	4,879,991
Appropriations for expenditures	(7,238,839)	(8,933,401)	(16,172,240)
Other endowment changes, net	315,479	229,162	544,641
Endowment net assets, end of year	$ 28,277,448	$ 176,372,704	$ 204,650,152

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, 2020, the fair value of funds with deficiencies was approximately $41,841,020. The original value of the funds with deficiencies was approximately $43,614,818, resulting in underwater funds of approximately $1,773,798 at May 31, 2020.

13. LAND, BUILDING, AND EQUIPMENT

The components of land, building, and equipment as of May 31, 2020 were as follows:

Grounds	$ 3,566,190
Site improvements	14,898,129
Buildings	208,818,573
Equipment	56,015,953
Library books	22,250,009
Collections	7,733,080
Construction in progress	596,873
	313,878,807
Less: Accumulated depreciation	(155,274,155)
	$ 158,604,652

Depreciation expense amounted to $7,058,976 in 2020.

14. BONDS AND NOTE PAYABLE

Bonds and note payable consist of the following at May 31:

	Maturity Date	Interest Rate	Original Issue	2020
City of Geneva Industrial Development Agency Revenue Bonds:				
Series 2007 (a)	2037	Variable	$ 31,250,000	$ 23,150,000
City of Geneva Development Corporation Refunding Bonds:				
Series 2012 (b)	2032	1.00% - 5.00%	26,695,000	18,615,000
Revenue Bonds:				
Series 2014 (c)	2044	3.00% - 5.25%	14,295,000	13,090,000
				54,855,000
Net bond premium				2,808,205
Bond issuance costs				(902,415)
				56,760,790
Manufacturers and Traders Trust Company				
Term note (d)	2023	Variable		925,500
				$ 57,686,290

14. BONDS AND NOTE PAYABLE (Continued)

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, 2020 ranged from 0.17% to 1.42%. The bonds mature in 2037.

The 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, 2021.

In June 2012, the Colleges issued $26,695,000 of Series 2012 City of Geneva Development Corporation Refunding Bonds. The proceeds of the bonds were used for the legal defeasance of the Series 2001, 2003A and 2003B bonds.

In March 2014, the Colleges issued $14,295,000 of Series 2014 City of Geneva Development Corporation Revenue Bonds. The proceeds were used to partially fund the construction of an academic building for the performing arts program.

Interest on the note is variable at LIBOR plus 2% until maturity in 2023. Rates during the fiscal year ended May 31, 2020 ranged from 2.67% to 4.35%.

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

2021	$ 2,843,500
2022	2,978,500
2023	2,848,500
2024	2,585,000
2025	2,690,000
Thereafter	41,835,000
	55,780,500
Net bond premium	2,808,205
Bond issuance costs	(902,415)
	$ 57,686,290

The bond agreements require the Colleges to meet certain financial covenants. At May 31, 2020 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, 2020, the notional amount of the swap was $24,000,000. Under the agreement, the Colleges will pay the counterparty interest at a fixed rate of 4% until maturity. The notional amount does not represent the amounts exchanged by the parties, and is thus not a measure of exposure of the Colleges. The amounts exchanged are based on the notional amounts and other terms of the swap. At May 31, 2020, the Colleges have recognized a change in the swap agreement of $903,530 as a result of the increase in fair value of the swap agreement.

14. BONDS AND NOTE PAYABLE (Continued)

Interest Rate Swap (Continued)
The fair value of the Colleges' interest rate swap is as follows at May 31, 2020, is as follows:

Derivatives Designated as Hedging Instruments	Location	Fair Value
Interest Rate Swap:		
Series 2007	Liabilities	$ (6,928,959)

Derivatives in Fair Value Hedging Relationships	Location of Loss Recognized (effective portion)	Amount of Loss Recognized (effective portion)	Location of Loss Recognized (ineffective portion)	Amount of Loss Recognized (ineffective portion)
Interest rate swap	Non-operating activities	$ (903,530)	N/A	N/A

The fair value disclosures related to Colleges' interest rate swap are included in Note 2.

Line of Credit
The Colleges maintain a line of credit for $10 million which was unused during 2020. The line of credit is renewed on an annual basis and currently expires on March 31, 2022.

15. NET ASSETS

Net assets with donor restrictions at May 31, 2020 are available for the following purposes:

Endowment funds restricted in perpetuity	$ 143,112,262
Accumulated unspent earnings	33,260,442
Restricted for program and student support	13,823,148
Scholarships	1,118,780
Restricted for capital projects	4,756,370
Restricted for faculty support	819,326
	$ 196,890,328

Net assets released from donor restrictions at May 31, 2020 were as follows:

Scholarships	$ 5,437,527
Program and student support	4,332,344
Faculty support	1,110,066
Capital project	673,825
	$ 11,553,762

16. FUNCTIONAL EXPENSES

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, 2020.

	Salaries and benefits	Supplies and services	Occupancy and related expenses	Depreciation and interest	Other expenses	Total
Instruction	$ 25,964,208	$ 4,601,540	$ 2,322,442	$ 1,662,688	$ 350,493	$ 34,901,371
Academic support	7,299,071	1,693,260	434,645	2,252,405	554,105	12,233,486
Student services	13,026,896	2,636,450	4,369,898	2,217,590	1,999,636	24,250,470
Institutional support	10,908,615	2,407,301	2,117,077	478,753	3,130,794	19,042,540
Auxiliaries operations	569,475	5,223,827	4,147,634	3,069,523	378,516	13,388,975
	$ 57,768,265	$ 16,562,378	$ 13,391,696	$ 9,680,959	$ 6,413,544	$ 103,816,842

17. 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. The Colleges' policy is to accrue the costs of these defined contribution plans currently. Total expense charged to operations relating to this plan was approximately $3,489,000 for 2020.

18. 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.

19. COMMITMENTS AND CONTINGENCIES

Commitments

The Colleges have agreements with a third party for facilities maintenance and food service provision. Under the terms of the facilities maintenance agreement, the Colleges will pay the third party a rate of approximately $6,765,000 for the period August 1, 2020 through May 31, 2021. Under the terms of the food service agreement, the Colleges pay the third party a management fee equal to 6.7% of operating expenses as determined by the agreement for the period September 1, 2020 through August 31, 2021.

19. COMMITMENTS AND CONTINGENCIES (Continued)

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 $552,000 at May 31, 2020, and is included as a component of payroll and benefit obligations 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.

20. 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, 2020:

Annuities with donor restrictions	$ 337,070
Term endowments with donor restrictions	$ 434,045
Life income funds with donor restrictions	$ 889,049
Components of total revenues and gains:	
Total operating revenues without donor restriction	$ 98,577,343
Investment return, net of amounts designated for operations	(6,294,498)
Private gifts, non-operating	2,204,549
Other changes, net	623,256
Net asset released from donor restrictions, non-operating	699,886
Cumulative effect of change in accounting principle	4,308,955
Total	$ 100,119,491

21. SUBSEQUENT EVENTS

Subsequent to year-end, the Colleges refinanced the Series 2012 and 2014 City of Geneva Development Corporation Refunding Bonds through the issuance of $36,660,000 City of Geneva Development Corporation Taxable Revenue Refunding Bonds, Series 2020A. Interest on the bonds is charged at rate of 4.518% and the bonds are due September 1, 2045. Mandatory sinking fund payments are due annually commencing on September 1, 2025.

Subsequent events have been evaluated through December 18, 2020, which is the date the financial statements were issued.

HOBART AND WILLIAM SMITH COLLEGES Exhibit I

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
MAY 31, 2020

PRIMARY RESERVE RATIO

	Expendable Net Assets		Financial Statement Location
=	Net assets without donor restrictions	$ 126,000,838	Statement of Financial Position - Net assets without donor restrictions
+	Net assets with donor restrictions	$ 196,890,328	Statement of Financial Position - Net assets with donor restrictions
-	Annuities with donor restrictions	$ 337,070	Notes to the Financial Statements - Department of Education Required Disclosures - FN 20
-	Term endowments with donor restrictions	$ 434,045	Notes to the Financial Statements - Department of Education Required Disclosures - FN 20
-	Life income funds with donor restrictions	$ 889,049	Notes to the Financial Statements - Department of Education Required Disclosures - FN 20
-	Net assets with donor restrictions in perpetuity	$ 143,112,262	Notes to the Financial Statements - Net Assets - FN 15
-	Secured and Unsecured related party receivable	$ -	N/A
-	Property, plant and equipment, net (includes Construction in progress):		
	Property, plant and equipment pre-implementation	$ 158,007,779	Notes to the Financial Statements - Land, Building, and Equipment - FN 13
	Property, plant and equipment post-implementation with outstanding debt for original purchase	$ -	N/A
	Property, plant and equipment post-implementation without outstanding debt for original purchase	$ -	N/A
	Construction in progress	$ 596,873	Notes to the Financial Statements - Land, Building, and Equipment - FN 13
-	Total Property, plant, and equipment, net	$ 158,604,652	
	Lease right-of-use asset, net:		
	Lease right-of-use asset, pre-implementation	$ -	N/A
	Lease right-of-use asset, post-implementation	$ -	N/A
-	Total Lease Right-of-Use Asset, net	$ -	
-	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	$ 57,686,290	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	$ 57,686,290	
	Expendable Net Assets:	$ 77,200,378	
	Total Expenses and Losses:		
=	Total expenses without donor restrictions - taken directly from Statement of Activities	$ 103,816,842	Statement of Activities - Total Operating Expenses
+	Non-Operating and Net Investment (loss)	$ 903,530	Statement of Activities - Change in fair value of swap agreement
-	Net investment losses without donor restrictions	$ -	N/A
-	Post employment benefit plan related changes other than net periodic costs	$ -	N/A
	Total Expenses and Losses:	$ 104,720,372	

EQUITY RATIO

	Modified Net Assets		Financial Statement Location
=	Net assets without donor restrictions	$ 126,000,838	Statement of Financial Position - Net Assets without Donor Restrictions
+	Net assets with donor restrictions	$ 196,890,328	Statement of Financial Position - Net Assets with Donor Restriction
-	Intangible assets	$ -	N/A
-	Unsecured related party receivables	$ -	N/A
	Modified Net Assets:	$ 322,891,166	
	Modified Assets		
=	Total assets	$ 410,660,089	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:	$ 410,660,089	

NET INCOME RATIO

		Financial Statement Location
Change in Net Assets Without Donor Restrictions	$ (4,600,881)	Statement of Activities - Change in Net Assets Without Donor Restrictions
Total Revenues and Gains	$ 100,119,491	Notes to the Financial Statements - Department of Education Required Disclosures - FN 20

The accompanying notes are an integral part of this schedule.