



UNION COLLEGE

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

UNION COLLEGE
Financial Statements
June 30, 2020 and 2019

Table of Contents

	Page(s)
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Cash Flows	5
Notes to Financial Statements	6-29



KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Trustees
Union College:

We have audited the accompanying financial statements of Union College, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, and cash flows for the years 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

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

Opinion

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

KPMG LLP

October 22, 2020

UNION COLLEGE

Statements of Financial Position

June 30, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents	\$ 43,245,806	43,307,663
Deposits with bond trustees	5,099,538	7,571,875
Pledges receivable, net	71,865,988	39,020,546
Notes and accounts receivable, net	9,771,815	11,552,765
Other assets	3,980,111	3,298,292
Investments	486,279,738	484,579,367
Receivable for investments	—	10,002,375
Beneficial interest in irrevocable trusts	4,322,554	4,351,809
Land, buildings, and equipment, net	270,360,338	255,010,867
Total assets	\$ 894,925,888	858,695,559
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 15,236,032	16,012,983
Construction costs payable	746,439	3,065,818
Deposits and advances	3,517,258	2,667,992
Pooled life income and charitable gift annuities payable	4,107,697	4,255,002
Asset retirement obligations	527,540	729,040
Refundable federal student loan funds	1,464,347	1,965,151
Accrued postretirement benefits	9,274,385	9,785,158
Long-term debt, net	165,459,663	168,102,222
Total liabilities	200,333,361	206,583,366
Net assets:		
Without donor restrictions	251,759,482	244,344,308
With donor restrictions	442,833,045	407,767,885
Total net assets	694,592,527	652,112,193
Total liabilities and net assets	\$ 894,925,888	858,695,559

See accompanying notes to financial statements.

UNION COLLEGE

Statement of Activities

Year ended June 30, 2020

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

	2020			2019 Total
	Without donor restrictions	With donor restrictions	Total	
Operating activities:				
Revenue:				
Tuition, fees, room and board, net of financial aid	\$ 91,375,490	—	91,375,490	97,031,028
Investment return	24,033,953	—	24,033,953	24,888,381
Government grants	2,863,602	76,141	2,939,743	2,515,289
Private gifts and grants	6,569,745	568,925	7,138,670	6,999,410
Intercollegiate athletics and other sources	2,448,556	—	2,448,556	4,664,575
Auxiliaries enterprises	2,282,271	—	2,282,271	3,383,778
Net assets released from restrictions	8,363,449	(8,363,449)	—	—
Total revenue	<u>137,937,066</u>	<u>(7,718,383)</u>	<u>130,218,683</u>	<u>139,482,461</u>
Expenses:				
Instructional and departmental research	47,943,152	—	47,943,152	48,939,379
Sponsored research programs	478,595	—	478,595	1,042,075
Academic support	13,013,584	—	13,013,584	11,235,403
Student services	9,963,191	—	9,963,191	10,100,293
Institutional support	27,275,565	—	27,275,565	26,353,602
Auxiliaries operations	21,969,945	—	21,969,945	25,226,133
Intercollegiate athletics and other	9,858,246	—	9,858,246	10,902,888
Total expenses	<u>130,502,278</u>	<u>—</u>	<u>130,502,278</u>	<u>133,799,773</u>
Increase (decrease) in net assets from operating activities	<u>7,434,788</u>	<u>(7,718,383)</u>	<u>(283,595)</u>	<u>5,682,688</u>
Endowment and other net assets:				
Investment return	5,940,659	14,043,028	19,983,687	27,286,657
Endowment gains used to meet spending policy	(5,625,813)	(16,310,857)	(21,936,670)	(20,422,446)
Private gifts and grants	521,620	45,167,139	45,688,759	6,944,236
Accrued postretirement benefits and other	(971,847)	—	(971,847)	(876,612)
Net assets released from restrictions	115,767	(115,767)	—	—
Increase (decrease) in endowment and other net assets	<u>(19,614)</u>	<u>42,783,543</u>	<u>42,763,929</u>	<u>12,931,835</u>
Increase in net assets	7,415,174	35,065,160	42,480,334	18,614,523
Net assets at beginning of year	<u>244,344,308</u>	<u>407,767,885</u>	<u>652,112,193</u>	<u>633,497,670</u>
Net assets at end of year	\$ <u>251,759,482</u>	<u>442,833,045</u>	<u>694,592,527</u>	<u>652,112,193</u>

See accompanying notes to financial statements.

UNION COLLEGE

Statement of Activities

Year ended June 30, 2019

	2019		
	Without donor restrictions	With donor restrictions	Total
Operating activities:			
Revenue:			
Tuition, fees, room and board, net of financial aid	\$ 97,031,028	—	97,031,028
Investment return	24,888,381	—	24,888,381
Government grants	2,443,519	71,770	2,515,289
Private gifts and grants	4,548,022	2,451,388	6,999,410
Intercollegiate athletics and other sources	4,664,575	—	4,664,575
Auxiliaries enterprises	3,383,778	—	3,383,778
Net assets released from restrictions	7,009,279	(7,009,279)	—
Total revenue	<u>143,968,582</u>	<u>(4,486,121)</u>	<u>139,482,461</u>
Expenses:			
Instructional and departmental research	49,738,435	—	49,738,435
Sponsored research programs	1,042,075	—	1,042,075
Academic support	12,040,261	—	12,040,261
Student services	9,546,598	—	9,546,598
Institutional support	26,234,698	—	26,234,698
Auxiliaries operations	24,165,046	—	24,165,046
Intercollegiate athletics and other	11,032,660	—	11,032,660
Total expenses	<u>133,799,773</u>	<u>—</u>	<u>133,799,773</u>
Increase (decrease) in net assets from operating activities	<u>10,168,809</u>	<u>(4,486,121)</u>	<u>5,682,688</u>
Endowment and other net assets:			
Investment return	8,380,993	18,905,664	27,286,657
Endowment gains used to meet spending policy	(7,979,371)	(12,443,075)	(20,422,446)
Private gifts and grants	16,571	6,927,665	6,944,236
Accrued postretirement benefits and other	(876,612)	—	(876,612)
Net assets released from restrictions	749,990	(749,990)	—
Increase in endowment and other net assets	<u>291,571</u>	<u>12,640,264</u>	<u>12,931,835</u>
Increase in net assets	10,460,380	8,154,143	18,614,523
Net assets at beginning of year	<u>233,883,928</u>	<u>399,613,742</u>	<u>633,497,670</u>
Net assets at end of year	<u>\$ 244,344,308</u>	<u>407,767,885</u>	<u>652,112,193</u>

See accompanying notes to financial statements.

UNION COLLEGE

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 42,480,334	18,614,523
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and change in asset retirement obligations	10,303,336	10,096,346
Realized gains and change in unrealized appreciation from investments and deposits with bond trustees, net	(19,899,242)	(27,754,864)
Change in gifts of securities	122,100	(94,232)
Change in present value of pooled life income annuities payable	(43,784)	115,114
Contributions for endowment or long-lived assets	(13,145,273)	(13,911,771)
Loss on disposal of equipment	6,071	5,200
Amortization of discount/premium of long-term debt, net	(326,245)	(311,875)
Changes in assets and liabilities:		
Accounts receivable	2,135,984	(546,208)
Pledges receivable, net	(32,845,442)	7,737,637
Irrevocable trusts	29,255	1,249,382
Other assets	(681,819)	(44,462)
Accounts payable and accrued expenses	(776,951)	(75,892)
Deposits and advances	849,266	23,865
Accrued postretirement benefits	(510,773)	399,341
Net cash used in operating activities	(12,303,183)	(4,497,896)
Cash flows from investing activities:		
Purchases of investments	(207,796,696)	(167,573,879)
Proceeds from the sales and maturities of investments	235,817,467	204,258,926
Change in deposits with bond trustees	2,530,712	12,400,395
Purchases of land, buildings, and equipment	(28,179,757)	(38,517,895)
Student loans issued	(1,309,910)	(1,200,615)
Proceeds from collections of student loans	954,876	902,115
Net cash provided by investing activities	2,016,692	10,269,047
Cash flows from financing activities:		
Decrease in federal student loan funds	(500,804)	57,558
Payments of long-term debt	(2,316,314)	(2,238,759)
Contributions for:		
Investment in endowment	5,200,323	5,402,351
Investment in long-lived assets	7,897,197	8,486,999
Investment in life income and charitable gift annuity agreements	47,753	22,421
Change in charitable gift annuities payable	(103,521)	(501,167)
Net cash provided by financing activities	10,224,634	11,229,403
Net (decrease) increase in cash and cash equivalents	(61,857)	17,000,554
Cash and cash equivalents, beginning of year	43,307,663	26,307,109
Cash and cash equivalents, end of year	\$ 43,245,806	43,307,663
Supplemental data:		
Interest paid	\$ 7,755,254	7,838,157
Noncash investing and financing activities:		
Change in construction costs payable	\$ (2,319,379)	(2,639,537)
Change in receivable for investments sold	(10,002,375)	(2,191,259)

See accompanying notes to financial statements.

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies

(a) Organization

Union College (the College) was founded in 1795 and is a coeducational, independent, liberal arts and engineering college located in Schenectady, New York. The College is a scholarly community dedicated to shaping the future and to understanding the past. Faculty, staff and administrators welcome diverse and talented students into the community, work closely with them to provide a broad and deep education, and guide them in finding and cultivating their passions. The College does this with a wide range of disciplines and interdisciplinary programs in Liberal Arts and Engineering, as well as academic, athletic, cultural, and social activities, including opportunities to study abroad and to participate in undergraduate research and community service. The College develops in its students the analytic and reflective abilities needed to become engaged, innovative, and ethical contributors to an increasingly diverse, global and technologically complex society.

(b) Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles (GAAP). Accordingly, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets having similar characteristics have been classified into the following categories:

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

Unconditional contributions are recognized as contributions receivable at their estimated net present value when pledged. Contributions and investment return with donor-imposed restrictions are reported as revenues and net assets with donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the College satisfies the donor-imposed restriction. Contributions with donor restrictions and investment return received and expended for the restricted purpose in the same fiscal year are recorded in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Endowment net assets include donor-restricted net assets and certain board designated net assets. Endowment net asset activities include realized and unrealized gains on investments not used to support current operations, investment return in excess or deficit of the College's spending policy for the year, and additions to or changes in the value of split-interest arrangements and life income and endowment gifts.

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

The statement of activities reflects a subtotal for the increase (decrease) in net assets from operations. This subtotal reflects revenues the College received for operating purposes, including investment return used for operations and all expenses. Changes in endowment and other net assets reflects all other activity, including, but not limited to, the investment return in excess of the amount appropriated under the Board of Trustees' approved spending formula and contributions for endowment and plant purposes.

(c) Risks and Uncertainties – COVID-19 Pandemic

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on communities and businesses globally, including institutions of higher education. As a result of COVID-19, the College's campus closed in March 2020, and education during the spring trimester was delivered through a remote learning environment. The College refunded room and board charges for the spring trimester.

Although students and employees have returned to campus in the fall of 2020, COVID-19 may continue to impact various parts of the College's operations and financial results, including, but not limited to, fluctuations in enrollment, loss of auxiliary revenues, negative impacts to international and other programs that require travel, and cost increases related to technology and health and safety services and supplies. Other adverse consequences of COVID-19 may include impacts to financial markets and philanthropic donations. Management believes the College is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

(d) Use of Estimates

The preparation of financial statements in conformity 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. Significant items subject to such estimates and assumptions include the fair value of certain nonmarketable investments, valuation allowances for receivables and the accrual for postretirement benefits. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

(e) Cash and Cash Equivalents

Cash and cash equivalents, representing operating funds, include investments with an original maturity of three months or less, unless they are part of deposits with bond trustees or the endowment.

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(f) Investments

Investments are reported in the financial statements at fair value. Investment return includes interest income and dividends and net realized and unrealized gains (losses). The fair value of fixed income and publicly traded equity securities is based upon quoted market prices obtained from active markets, or observable prices that are based on inputs not in quoted markets, but corroborated by market data, as applicable. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year. Limited partnership interests, private equity and venture capital, as well as other nonmarketable investments, including hedge funds, for which a readily determinable fair value does not exist, are carried at net asset value or its equivalent (NAV) provided by the investment managers. Such alternative investment funds may hold securities or other financial instruments for which an active 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 consider variables such as financial performance of investments, including comparison of comparable companies' earnings multiples, cash flows analysis, recent sales prices of investments, and other pertinent information and may reflect discounts for the illiquid nature of certain investments held. Because of the inherent uncertainty of valuation for these investments, the investment manager's estimate may differ from the values that would have been used had an active market existed.

The College utilizes the NAV reported by the managers of each of the alternative investment funds as a practical expedient for estimating the fair value of each 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 may significantly impact the NAV of the funds and, consequently, the fair value of the College's interests in the funds. Changes to the liquidity provisions of the funds may also significantly impact the fair value of the College's interest in the funds. Additionally, although certain investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the College were to sell a fund in the secondary market, the sale could occur at an amount different from the reported value, and the difference could be material.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. The Investment Committee of the College's Board of Trustees continually monitors investment market conditions and the impact on the College's investment portfolio. 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 statements of financial position.

(g) Irrevocable Trusts

Several donors have established irrevocable trusts whereby the College is a beneficiary, but not the trustee. The present value of the portion of the trusts estimated to be distributable to the College upon the termination of the trusts is recorded as an asset of the College.

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(h) Land, Buildings, and Equipment, Net

Land, buildings, and equipment are recorded at cost, including interest on funds borrowed to finance construction, at the date of acquisition or estimated fair value at the date of donation. The College's policy is to capitalize assets of \$2,000 and over. Depreciation is recorded using the straight-line method with estimated useful lives used in the calculation of depreciation by major category of assets are as follows:

Buildings and building improvements	40 years
Equipment:	
Furniture and other improvements	10 years
Vehicles	7 years
Computer equipment	3 years
Library books	10 years

(i) Deposits and Advances

Deposits and advances include student fees related to the College's summer session and other unearned revenue. These amounts are recognized as revenue as the services are provided to the students, generally in the following fiscal year. Included in deposits are student refunds for Spring 2020 room and board that were applied to Fall 2020 charges.

(j) Federal Student Loan Funds

This liability represents Perkins Loan funds provided to students by the federal government through the College. The College is required to collect the loans on behalf of the federal government. The amount due from the students is reported in the College's financial statements as a component of notes receivable.

(k) Pooled Life Income and Charitable Gift Annuities Payable

The liability for the present value of the deferred gifts is based upon estimates of the life expectancy of donors and beneficiaries and discount rates. Circumstances affecting these estimates can change the estimate of the liability in future periods. The total amount representing Charitable Gift Annuity Payable at June 30, 2020 and 2019 was \$3,737,715 and \$3,928,804, respectively.

(l) Revenue Recognition

Tuition, fees, room and board revenue is recognized as services are provided over the academic term to which it relates. These amounts are presented net of financial aid. Revenue from other exchange transactions, generally presented as auxiliaries enterprises on the accompanying statements of activities, is recognized as revenue when goods or services are provided to customers, includes dining services that are not part of student contracts with the College, bookstore, and ice hockey rink.

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

Revenue from tuition, fees, student housing, and student meal plans is determined based on published rates, and is billed and reported in the statement of activities net of institutional aid. The components of tuition, fees, room and board, net of financial aid include:

	<u>2020</u>	<u>2019</u>
Tuition and fees	\$ 123,892,110	120,358,325
Room and board	19,077,392	27,190,248
Gross student charges	142,969,502	147,548,573
Less scholarships	<u>(51,594,012)</u>	<u>(50,517,545)</u>
Net student charges	<u>\$ 91,375,490</u>	<u>97,031,028</u>

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

Sponsored activities include various research and instructional programs funded by external parties including the federal government, state governments, and private foundations. Sponsored activities revenue related to exchange contracts is recognized as the College fulfills the terms of the agreements, which generally span less than five years, and sponsored activities revenue related to nonexchange contracts is recognized as the related costs are incurred.

(m) Tax Status

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income tax on related income.

The College recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the relevant tax authority. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The College believes it has taken no significant uncertain tax positions.

(n) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, and other sources are recorded when it is possible that a liability has been incurred and the amount can be reasonably estimated. Legal costs associated with loss contingencies are expensed as incurred.

The College is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of any ultimate liability with respect to those actions will not materially affect the College's financial statements.

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

The College recognizes a liability for the fair value of conditional asset retirement obligations if their fair values can be reasonably estimated. This liability is initially recorded as an increase to the associated asset and depreciated over the remaining useful life of the asset. The College has identified asbestos abatement as a conditional asset retirement obligation. Asbestos abatement costs are estimated using a per square foot estimate for each impacted location. As of June 30, 2020 and 2019, the College has recorded a liability of \$527,540 and \$729,040, respectively, representing the estimated present value of these conditional asset retirement obligations.

Other conditional asset retirement obligations may exist that are not estimable until a triggering event occurs (e.g., building sold) due to the absence of a range of potential settlement dates. Presently, the College does not have sufficient information to estimate the fair value of these obligations but does not believe these items are material to the College's financial statements.

(o) Recent Accounting Pronouncements

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

ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, issued by the FASB in November 2016, provides specific guidance on the cash flow classification and presentation of changes in restricted cash and cash equivalents on the statement of cash flows. This ASU became effective for the College for the year ended June 30, 2020 and did not have a material effect on the College's financial statements.

(p) Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(2) Financial Assets and Liquidity Resources

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

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 43,245,806	43,307,663
Notes and accounts receivable, net	4,396,000	5,970,000
Investments, undesignated	—	14,300,000
Pledges receivable, net, undesignated and collectible within one year	1,468,600	1,338,059
Subsequent year board approved endowment appropriation	25,346,000	23,100,000
Total financial assets available within one year	\$ 74,456,406	88,015,722

The College's working capital and cash flows have seasonal variations due to the timing of student billing as well as a concentration of contributions received at calendar and fiscal year end. To manage liquidity, the College operates with a balanced budget on a cash flow basis in accordance with policies approved by the Board of Trustees. In addition to the liquidity resources stated in the above table, the College also has revolving lines of credit of \$30,000,000 for working capital needs, which includes a new revolving line of credit of \$25,000,000 opened during the year ended June 30, 2020.

Additionally, as of June 30, 2020, the College has \$144,131,550 in quasi endowment which can be made available for general expenditure with approval from the Board, subject to investment liquidity provisions. The College also anticipates collection of \$16,595,525 of amounts currently included in pledges receivable within the next year, which are restricted by the donors for construction projects and endowment.

(3) Pledges Receivable, Net

Pledges receivable are expected to be collected as follows at June 30:

	2020	2019
Within one year	\$ 18,064,125	16,668,500
Between one year and five years	31,163,273	17,704,758
Greater than five years	26,309,766	7,964,195
	75,537,164	42,337,453
Less:		
Present value discount (0.29%–4.92%)	2,491,200	2,077,490
Allowance for doubtful pledges	1,179,976	1,239,417
	\$ 71,865,988	39,020,546

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(4) Notes and Accounts Receivable, Net

The College extends credit, primarily to students, in the form of notes and accounts receivable for educational expenses. Notes receivable for student loans are expected to be collected within 15 years and interest rates average approximately 7%.

Notes receivable are recorded at their current unpaid principal balance and associated interest income is accrued based on the principal amount outstanding and applicable interest rates. An allowance for doubtful accounts is recorded, which represents the amount which, in the opinion of management of the College, is necessary to account for probable losses related to current notes receivable. This allowance is determined based upon numerous considerations, including economic conditions, the specific composition of the notes receivable balance, as well as trends of delinquencies and write-offs. On a periodic basis, these factors are considered and the allowance for doubtful accounts is adjusted accordingly with a corresponding adjustment to the provision for allowance for doubtful notes and accounts receivable.

Notes and accounts receivable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Notes receivable	\$ 7,963,451	7,640,765
Accounts receivable	3,762,098	5,740,061
	11,725,549	13,380,826
Less allowance for doubtful accounts	1,953,734	1,828,061
	<u>\$ 9,771,815</u>	<u>11,552,765</u>

(5) Investments and Fair Value

(a) Basis of Reporting

Investments include endowment, charitable gift annuities, pooled life income funds, and unrestricted operating investments. Investments are reported at estimated fair value.

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Except for investments reported at NAV as a practical expedient to estimate fair value, the College uses a three-tiered hierarchy to categorize those assets and liabilities carried at fair value based on the valuation methodologies employed. Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at the measurement date.
- Level 2 inputs are observable prices that are based on inputs not quoted in active markets, but corroborated by market data.
- Level 3 inputs are unobservable inputs that are used when little or no market data is available.

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Receivable for investments represents amounts receivable from unsettled sales and is classified as Level 1 in the fair value hierarchy.

The College's investments as of June 30, 2020, are summarized in the following table:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Redemption frequency</u>	<u>Days' notice</u>
Investments measured at fair value:					
Short-term investments	\$ 54,413,346	54,413,346	—	Daily	1
Common stocks and mutual funds	41,818,832	41,818,832	—	Daily	4
Fixed income – bonds	9,163,180	9,163,180	—	Daily	1
Mortgages and other	1,064,549	—	1,064,549	Daily	1
Real assets	7,347,883	7,347,883	—	Daily	1
Assets held in beneficial trust	4,388,849	3,987,240	401,609	Illiquid	N/A
	<u>118,196,639</u>	<u>\$ 116,730,481</u>	<u>1,466,158</u>		
Total investments at fair value					
Investments measured at NAV:					
Commingled funds:					
U.S. equities	61,574,838			Annual rolling – 3 years	45–90
International equities	46,022,221			Monthly – Quarterly	10–60
Private equity and venture capital	60,342,246			Illiquid	N/A
Multistrategy funds	23,101,137			Annual – Illiquid	45–N/A
Hedged equity funds	81,994,095			Monthly – Illiquid	60–N/A
Emerging markets funds	42,877,260			Monthly – Quarterly	60
Distressed debt	24,126,158			Semi Annual – Illiquid	60
Real assets	28,045,144			Illiquid	N/A
	<u>368,083,099</u>				
Total investments measured at NAV					
Total investments	<u>\$ 486,279,738</u>				

UNION COLLEGE
Notes to Financial Statements
June 30, 2020 and 2019

The College's investments as of June 30, 2019, are summarized in the following table:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Redemption frequency</u>	<u>Days' notice</u>
Investments measured at fair value:					
Short-term investments	\$ 17,414,343	17,414,343	—	Daily	1
Common stocks and mutual funds	81,000,347	81,000,347	—	Daily	4
Fixed income – bonds	35,005,086	35,005,086	—	Daily	1
Mortgages and other	1,239,404	—	1,239,404	Daily	1
Emerging markets funds	4,790,441	—	4,790,441	Daily	1
Real assets	11,430,702	11,430,702	—	Daily	1
Assets held in beneficial trust	4,141,699	3,749,661	392,038	Illiquid	N/A
Total investments at fair value	155,022,022	\$ 148,600,139	6,421,883		
Investments measured at NAV:					
Commingled funds:					
U.S. equities	59,377,190			Annual rolling – 3 years	45–90
International equities	48,487,768			Monthly – Quarterly	10–60
Private equity and venture capital	54,536,954			Illiquid	N/A
Multistrategy funds	27,096,072			Annual – Illiquid	60–N/A
Hedged equity funds	61,339,981			Monthly – Illiquid	60–N/A
Emerging markets funds	31,148,911			Monthly – Quarterly	6–90
Distressed debt	22,381,241			Semi Annual – Illiquid	60–N/A
Real assets	25,189,228			Illiquid	N/A
Total investments measured at NAV	329,557,345				
Total investments	\$ 484,579,367				

There were no Level 3 investments, nor were there transfers between Level 1 and Level 2 investments during the years ended June 30, 2020 or 2019.

(b) Liquidity and Commitments

The limitations and restrictions on the College's ability to redeem or sell these investments vary by investment and range from required notice periods (generally 30 to 180 days after initial lock-up periods) for certain limited partnership and hedge funds, to specified terms at inception (generally 10 years) associated with private equity and venture capital interests.

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

Based upon the terms and conditions in effect at June 30, 2020, the College's investment funds can be redeemed or sold as follows:

Investments redemption period:	
Daily	\$ 113,807,790
Monthly	46,890,186
Quarterly	97,894,925
Semi-annual	24,126,158
Annual	24,583,553
1 year	93,239,482
3 years	29,262,282
Locked-up until liquidated	<u>56,475,362</u>
Total	<u>\$ 486,279,738</u>

Investment funds that are in the locked-up until liquidated category are primarily related to private equity and venture capital 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, which date back as far as 2002.

Under the terms of certain limited partnership agreements, the College is obligated periodically to advance additional funding for certain funds that the College is invested in. At June 30, 2020, the College had commitments of approximately \$53,356,000, due through June 2029, for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses. The College maintains sufficient liquidity in its investment portfolio to cover such calls.

(c) Investment Return

The College utilizes an endowment spending policy that emphasizes total return. Total return consists of current yield (primarily interest and dividends) as well as the realized and unrealized gains and losses of pooled investments. The College's Board of Trustees designates a portion of the College's total investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The pooled endowment total return for the years ended June 30, 2020 and 2019, was approximately 5.1% and 6.5%, respectively.

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

The following schedule summarizes the investment return and its classification in the statements of activities:

	2020	2019
Interest income and dividends	\$ 2,097,283	4,465,935
Net realized and unrealized gains	19,983,687	27,286,657
Total return on investments	22,080,970	31,752,592
Investment return designated for current operations	24,033,953	24,888,381
Investment return net of amounts designated for current operations	\$ (1,952,983)	6,864,211

(6) Endowment

The College's endowment and similar funds consist of gifts restricted by donors, net assets without donor restrictions designated by management and the Board of Trustees for long-term support of the College's activities, and the accumulated investment return on these gifts and designated assets. Accumulated investment return consists of total endowment net investment return that has not been appropriated by the Board of Trustees for expenditure to support the operating activities of the College. Generally, only a portion of accumulated net investment return is made available for spending each year in accordance with an endowment utilization policy approved by the Board of Trustees and in accordance with the laws of the State of New York.

College designated endowment funds are net assets without donor restrictions that may be re-designated for authorized expenditures. At June 30, 2020 and 2019, endowment and similar funds balances are approximately \$478,000,000 and \$470,300,000, respectively, which includes pooled endowment net assets of approximately \$450,900,000 and \$443,200,000, respectively.

The College follows the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA) in the management of its endowment. The College has interpreted NYPMIFA as allowing the College to spend or accumulate the amount of an endowment fund that the College determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The College classifies as net assets with donor restrictions (a) the original values of gifts donated to permanent endowments, (b) the original values of subsequent gifts to permanent endowments, (c) accumulations to permanent endowments made in accordance with the directions of the applicable donors' gift instruments at the times the accumulations are added to the funds, and (d) unspent endowment earnings until those amounts are appropriated for spending by the College's Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Investment Committee of the College's 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 College and the endowment fund
- General economic conditions

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

- The expected total return from income and the appreciation of investments
- Other resources of the College
- Where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of and endowment fund, giving due consideration to the effect that such alternatives may have on the College
- The investment policies of the College

Total endowment net assets are classified as follows at June 30:

	2020		
	Without donor restrictions	With donor restrictions	Total
Donor restricted	\$ —	333,888,176	333,888,176
Board designated	144,131,550	—	144,131,550
Total	<u>\$ 144,131,550</u>	<u>333,888,176</u>	<u>478,019,726</u>

	2019		
	Without donor restrictions	With donor restrictions	Total
Donor restricted	\$ —	331,729,699	331,729,699
Board designated	138,579,417	—	138,579,417
Total	<u>\$ 138,579,417</u>	<u>331,729,699</u>	<u>470,309,116</u>

UNION COLLEGE
Notes to Financial Statements
June 30, 2020 and 2019

The following is a summary of the changes in endowment net assets for the year ended June 30, 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Pooled endowment net assets, June 30, 2019	\$ 129,659,547	313,515,900	443,175,447
Gifts and other additions:			
Contributions (excluding pledges)	521,620	4,678,703	5,200,323
Transfers from (to) other funds	4,363,800	—	4,363,800
Subtotal	<u>4,885,420</u>	<u>4,678,703</u>	<u>9,564,123</u>
Investment income:			
Interest and dividends	649,791	—	649,791
Net realized and unrealized gains	6,099,185	14,043,028	20,142,213
Subtotal	<u>6,748,976</u>	<u>14,043,028</u>	<u>20,792,004</u>
Income distributed for operating purposes:			
Cash and accrued interest and dividends	649,791	—	649,791
Gains used to meet endowment spending	5,625,813	16,310,857	21,936,670
Subtotal	<u>6,275,604</u>	<u>16,310,857</u>	<u>22,586,461</u>
Pooled endowment net assets, June 30, 2020	<u>135,018,339</u>	<u>315,926,774</u>	<u>450,945,113</u>
Other endowment and similar net assets, June 30, 2019	8,919,870	18,213,799	27,133,669
Investment income:			
Interest and dividends	192,605	—	192,605
Net realized and unrealized gains	(596,006)	—	(596,006)
Subtotal	<u>(403,401)</u>	<u>—</u>	<u>(403,401)</u>
Contributions (excluding pledges)	—	47,753	47,753
Actuarial adjustments	244,875	—	244,875
Other changes	351,867	(300,150)	51,717
Other endowment and similar net assets, June 30, 2020	<u>9,113,211</u>	<u>17,961,402</u>	<u>27,074,613</u>
Total endowment and similar net assets, June 30, 2020	<u>\$ 144,131,550</u>	<u>333,888,176</u>	<u>478,019,726</u>

UNION COLLEGE
Notes to Financial Statements
June 30, 2020 and 2019

The following is a summary of the changes in endowment net assets for the year ended June 30, 2019:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Pooled endowment net assets, June 30, 2018	\$ 128,350,208	299,462,695	427,812,903
Gifts and other additions:			
Contributions (excluding pledges)	16,571	6,327,628	6,344,199
Investment income added to principal	849,428	—	849,428
Transfers from (to) other funds	75,417	1,262,988	1,338,405
Subtotal	<u>941,416</u>	<u>7,590,616</u>	<u>8,532,032</u>
Investment income:			
Interest and dividends	416,204	—	416,204
Net realized and unrealized gains	8,347,295	18,905,664	27,252,959
Subtotal	<u>8,763,499</u>	<u>18,905,664</u>	<u>27,669,163</u>
Income distributed for operating purposes:			
Cash and accrued interest and dividends	416,205	—	416,205
Gains used to meet endowment spending	7,979,371	12,443,075	20,422,446
Subtotal	<u>8,395,576</u>	<u>12,443,075</u>	<u>20,838,651</u>
Pooled endowment net assets, June 30, 2019	<u>129,659,547</u>	<u>313,515,900</u>	<u>443,175,447</u>
Other endowment and similar net assets, June 30, 2018	9,054,770	19,659,913	28,714,683
Investment income:			
Interest and dividends	197,263	—	197,263
Net realized and unrealized gains	(246,739)	—	(246,739)
Subtotal	<u>(49,476)</u>	<u>—</u>	<u>(49,476)</u>
Contributions (excluding pledges)	—	22,419	22,419
Actuarial adjustments	83,174	—	83,174
Other changes	(168,598)	(1,468,533)	(1,637,131)
Other endowment and similar net assets, June 30, 2019	<u>8,919,870</u>	<u>18,213,799</u>	<u>27,133,669</u>
Total endowment and similar net assets, June 30, 2019	<u>\$ 138,579,417</u>	<u>331,729,699</u>	<u>470,309,116</u>

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(a) Spending Policy

The College has a policy of appropriating for distribution to the budget each year a percentage of its pooled endowment based on the three-year average market value as of June 30, with a one-year lag. For the year ended June 30, 2020, the three fiscal years used in the calculation are the fiscal years ended June 30, 2016, 2017, and 2018. For the year ended June 30, 2019, the three fiscal years used in the calculation are the fiscal years ended June 30, 2015, 2016, and 2017.

The total pooled endowment spending was 5.72% and 5.41% for the fiscal years ended June 30, 2020 and 2019, respectively.

(b) Return Objectives and Risk Parameters

Investment objectives focus on generating a return sufficient to cover the spending rate, inflation, and the preservation of the purchasing power of the endowment while minimizing investment risk in the portfolio. The College is committed to a long-term investment policy that is based on balancing principles of strong growth over time, diversity of the portfolio, liquidity for the annual draw, and benchmarking against market indices and appropriate peer schools. Growth in the endowment depends on contributions to the endowment from capital campaigns, the success of investment management, and the rate at which income is withdrawn from the endowment in support of the College's operating budget. The Investment Committee of the College's Board of Trustees meets quarterly to discuss various issues such as investment performance, market outlook, and liquidity needs.

(c) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (underwater). When underwater endowment funds exist, they are classified as a reduction of net assets with donor restrictions. Deficiencies of this nature exist in 88 donor-restricted endowment funds, which together have an original gift value of approximately \$22,087,000, a current fair value of \$20,041,000, and a deficiency of \$2,046,000 as of June 30, 2020. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs for which donor permission was received as required by NYPMIFA and as was deemed prudent by the Board of Trustees. As of June 30, 2019, deficiencies of this nature existed in 87 donor-restricted endowment funds, which together have an original gift value of approximately \$21,627,000, a current fair value of \$19,721,000, and a deficiency of \$1,906,000.

For funds that are underwater, the gap between the current income and the spending formula is covered through appropriations from other board designated endowments and accumulated realized gains on these board designated endowments or other funds without donor restrictions.

UNION COLLEGE
Notes to Financial Statements
June 30, 2020 and 2019

(7) Land, Buildings, and Equipment

The following is a summary of land, buildings, and equipment at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 101	101
Buildings	167,912,643	167,907,643
Improvements	133,879,280	126,683,965
Equipment	104,137,440	102,080,976
Library books	41,627,226	41,609,993
Construction in progress	<u>97,076,286</u>	<u>80,650,142</u>
	544,632,976	518,932,820
Less accumulated depreciation	<u>(274,272,638)</u>	<u>(263,921,953)</u>
	<u>\$ 270,360,338</u>	<u>255,010,867</u>

Capitalized interest was \$3,200,756 and \$3,221,406 during the years ended June 30, 2020 and 2019, respectively. Depreciation expense \$10,303,336 and \$10,096,346 for the years ended June 30, 2020 and 2019, respectively. For the years ended June 30, 2020 and 2019, fixed assets (original cost) disposed were \$160,222 and \$396,687, respectively, resulting in losses on disposal of \$6,071 and \$5,200, respectively.

At June 30, 2020, the College has outstanding contracts totaling approximately \$6,150,000 a majority of which relates to the renovation of the Science and Engineering Center. Completion of this project is expected to occur within the next year.

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(8) Long-Term Debt

The following is a summary of long-term debt, including associated premiums, discounts, and deferred costs of issuance:

	<u>Maturity date</u>	<u>Interest rate</u>	<u>Outstanding at June 30</u>	
			<u>2020</u>	<u>2019</u>
2012A Issue – Refunding Revenue Bond	2032	Fixed at 3.82%	\$ 19,011,734	20,298,545
2013 Taxable Bonds – M&T Trust Company	2043	Fixed at 5.642%	39,203,354	39,153,078
2013 Capital Lease – First American	2019	Fixed at 4.006%	—	66,314
2015 Taxable Bonds – M&T Trust Company	2036	Fixed at 4.877%	10,057,398	10,047,548
2015A Taxable Bonds – M&T Trust Company	2032	Fixed at 3.95%	24,787,802	25,825,952
2017 Tax-exempt Bond – M&T Trust Company	2047	Fixed at 5.00%	<u>72,399,375</u>	<u>72,710,785</u>
Total debt			<u>\$ 165,459,663</u>	<u>168,102,222</u>

Interest expense on long-term debt was \$4,409,450 and \$4,526,874 for 2020 and 2019.

Proceeds of long-term debt have been used by the College to primarily finance building and construction programs. The College is required to maintain various reserve accounts in conjunction with the debt agreements that are reported as deposits with bond trustees on the statements of financial position. Deposits with bond trustees are classified as Level 1 in the fair value hierarchy. Certain debt is collateralized by municipal bond insurance.

In April 2012, the College borrowed \$21,640,000 through the Schenectady County Capital Resource Corporation, utilizing a tax-exempt revenue bond. The debt was used to refinance amounts outstanding on prior debt issues. The final maturity of the bond will be July 1, 2032, subject to the College's optional redemption on June 1, 2022.

In November 2013, the College borrowed \$40,410,000 through taxable financing, with JPMorgan acting as the underwriter. The debt was used for the project costs of various building renovation/construction projects. The final maturity of the bond will be November 15, 2043 with a balloon payment due.

In June 2015, the College borrowed \$10,215,000 through taxable financing, with JPMorgan acting as the underwriter. The debt was used for the project costs of various building renovation/construction projects. The final maturity of the bond will be July 1, 2035 with a balloon payment due.

In October 2015, the College borrowed \$28,325,000 through taxable financing, with JP Morgan Chase acting as the underwriter. The debt was used to refinance amounts outstanding on prior debt issue. The final maturity of the bond will be July 1, 2031.

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

In April 2017, the College borrowed \$74,702,514 through the Schenectady County Capital Resource Corporation, utilizing a tax-exempt revenue bond. \$50,000,000 of the debt will be used toward the financing of the renovation/construction of the Science and Engineering Center. \$15,300,000 was used to refund the Series 2010 bonds. The remaining amount of the debt proceeds was used to fund the Capitalized Interest Fund in the amount of \$7,900,000, as well as costs of issuance. The final maturity of the bond will be January 1, 2047. The bonds were issued at a premium of approximately \$10,000,000.

Principal payments and maturities of long-term debt at June 30, 2020 are summarized as follows:

Year ending June 30:	
2021	\$ 5,430,000
2022	5,525,000
2023	5,635,000
2024	8,335,000
2025	7,735,000
Thereafter	<u>125,200,000</u>
Principal maturities	157,860,000
Add unamortized bond premium	10,829,890
Less unamortized bond discounts	(1,088,594)
Less deferred cost of issuance	<u>(2,141,633)</u>
Total long-term debt	<u>\$ 165,459,663</u>

Lines of Credit

The College has an unsecured line of credit in the amount of \$5,000,000 with Bank of America, which expires March 22, 2021. Each advance under the line of credit will carry one of two interest rates: a variable rate equal to the Bank of America prime rate or a fixed rate equal to the one-month LIBOR rate plus 0.70% (adjusted each month).

The College obtained an additional revolving line of credit in June 2020 in the amount of \$25,000,000 with Bank of America, which expires on June 18, 2021. Each advance under the line of credit will carry one of two interest rates: a variable rate equal to the Bank of America prime rate or a fixed rate equal to the one-month LIBOR rate plus 1.75% (adjusted each month).

(9) Benefit Plans

(a) Retirement Plan

The College has a defined contribution retirement plan under arrangements with Teachers' Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) and Fidelity, which provide for purchases of annuities and investments for all of its faculty members and nonacademic employees. Effective July 2020 the College contribution to this plan has been suspended for one year.

The College's contribution expense under this plan was \$5,515,558 and \$5,462,995 for the years ended June 30, 2020 and 2019, respectively.

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(b) Postretirement Healthcare Plan

The College has also elected to pay for a portion of healthcare benefits for retired employees based upon years of service at retirement date. The College recognizes the cost of healthcare benefits on an accrual basis over the working lifetime of employees.

The College provides health insurance benefits for eligible employees upon retirement and recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability and recognizes changes in that funded status in the year they occur. The College uses a June 30 measurement date for its postretirement healthcare plan (the Plan).

The Plan's funded status, amounts recognized, significant assumptions used, contributions made, and benefits paid as of and for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Change in benefit obligations:		
Benefit obligation at beginning of year	\$ 9,785,158	9,385,817
Service cost	337,027	343,910
Interest cost	241,567	339,802
Actuarial (gain) loss	113,895	922,673
Benefits paid	<u>(1,203,262)</u>	<u>(1,207,044)</u>
Benefit obligation at end of year	\$ <u>9,274,385</u>	<u>9,785,158</u>

There are no plan assets as of June 30, 2020 and 2019. All assets contributed to the plan were used to pay for benefits.

	<u>2020</u>	<u>2019</u>
Accrued benefit cost:		
Funded status	\$ (9,274,385)	(9,785,158)
Weighted average assumptions as of June 30:		
Discount rate – benefit obligation	1.63 %	2.78 %
Discount rate – periodic postretirement benefit cost	2.78	3.70

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

For measurement purposes, a 6.6% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2020. The rate was assumed to decrease to 6.2% for 2021, and then decrease gradually from 5.4% to 3.8% for 2022 and thereafter.

	2020	2019
Components of net periodic benefit cost:		
Service cost	\$ 337,027	343,910
Interest cost	241,567	339,802
Amortization of actuarial loss	93,865	96,144
Amortization of prior service credit	(354,373)	(365,805)
Net periodic postretirement benefit cost	\$ 318,086	414,051

Amounts recorded in net assets without donor restrictions as of June 30, 2020 and 2019, but not yet amortized as components of net periodic benefit costs are as follows:

	2020	2019
Unamortized prior service credit	\$ 1,445,438	1,799,811
Unamortized actuarial loss	(2,179,441)	(2,159,411)
Amount recognized as a (decreased) increase in net assets without donor restrictions	\$ (734,003)	(359,600)

The amortization of the above items expected to be recognized in net periodic costs for the year ending June 30, 2021 is (\$186,000).

Assumed healthcare cost trend rates may have a significant effect on the amounts reported for the healthcare plan. A one-percentage-point change in the healthcare trend rates would have the following effect on the postretirement benefit obligation at June 30, 2020:

	One-percentage-point	
	Increase	Decrease
Effect on total of service and interest cost components	\$ 23,505	(21,111)
Effect on postretirement benefit obligation	262,931	(239,857)

UNION COLLEGE
Notes to Financial Statements
June 30, 2020 and 2019

The following benefit payments, which reflect expected future service and the impact of the Medicare Part D subsidy, as appropriate, are expected to be paid:

	Postretirement benefit payments
2021	\$ 864,641
2022	891,165
2023	906,947
2024	912,990
2025	848,845
2026–2030	<u>3,915,488</u>
Total	<u>\$ 8,340,076</u>

(10) Net Assets

Net assets consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
With donor restrictions:		
Pledges for instruction, scholarship, facilities, and other departmental support	\$ 71,865,988	39,020,546
Capital projects	33,845,085	33,651,445
Pooled term endowments	315,926,774	313,515,900
Life income and annuity agreements	2,833,447	3,085,844
Funds in trust and other nonpooled endowments	15,127,955	15,127,955
Annual restricted scholarships and other funds	<u>3,233,796</u>	<u>3,366,195</u>
Total	<u>\$ 442,833,045</u>	<u>407,767,885</u>
Without donor restrictions:		
Operating, plant and other	\$ 107,627,932	105,764,891
Quasi endowments	<u>144,131,550</u>	<u>138,579,417</u>
Total	<u>\$ 251,759,482</u>	<u>244,344,308</u>

UNION COLLEGE
Notes to Financial Statements
June 30, 2020 and 2019

(11) Natural Expenses

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

	2020						Total
	Salaries and wages	Benefits	Supplies, services and other	Depreciation	Interest	Utilities, maintenance and other	
Instructional and departmental research	\$ 27,693,437	10,336,541	5,361,953	2,561,763	396,611	1,592,847	47,943,152
Sponsored research programs	—	—	478,595	—	—	—	478,595
Academic support	4,263,606	1,586,357	5,598,889	564,466	646,300	353,966	13,013,584
Student services	4,641,196	1,619,104	2,461,138	688,991	316,785	235,977	9,963,191
Institutional support	12,418,868	4,695,759	7,530,677	1,439,387	288,260	902,614	27,275,565
Auxiliaries operations	4,668,024	1,736,829	6,961,081	3,966,837	2,501,578	2,135,596	21,969,945
Intercollegiate athletics and other	3,690,114	1,372,978	2,774,911	1,081,892	259,916	678,435	9,858,246
Total expenses	<u>\$ 57,375,245</u>	<u>21,347,568</u>	<u>31,167,244</u>	<u>10,303,336</u>	<u>4,409,450</u>	<u>5,899,435</u>	<u>130,502,278</u>

	2019						Total
	Salaries and wages	Benefits	Supplies, services and other	Depreciation	Interest	Utilities, maintenance and other	
Instructional and departmental research	\$ 27,592,501	9,723,682	6,351,868	2,901,509	588,514	1,781,305	48,939,379
Sponsored research programs	—	—	1,042,075	—	—	—	1,042,075
Academic support	4,587,656	1,375,141	3,792,276	515,243	646,387	318,700	11,235,403
Student services	4,323,037	1,585,675	2,974,058	662,310	338,952	216,261	10,100,293
Institutional support	11,895,053	4,356,987	7,733,586	1,315,710	238,443	813,823	26,353,602
Auxiliaries operations	5,175,436	1,822,321	10,085,524	3,717,092	2,473,723	1,952,037	25,226,133
Intercollegiate athletics and other	3,765,053	1,325,712	3,977,841	984,482	240,855	608,945	10,902,888
Total expenses	<u>\$ 57,338,736</u>	<u>20,189,518</u>	<u>35,957,228</u>	<u>10,096,346</u>	<u>4,526,874</u>	<u>5,691,071</u>	<u>133,799,773</u>

Depreciation, operations and maintenance costs, interest expense, and employee benefits are allocated to the functional expense categories reported within the operating section of the statements of activities. Depreciation and operations and maintenance costs are allocated based upon the estimated use of facilities and equipment. Interest expense is allocated based on specific identification of the use of debt proceeds. Employee benefits are allocated in relation to salary expense.

Expenses associated with fundraising activities of the College were \$5,253,689 and \$5,088,017 in 2020 and 2019, respectively, and are included in institutional support. Costs incurred include expenses related to solicitation activities to obtain gifts and bequests, as well as special cultivation events that may result in contributions that will be received in future periods.

UNION COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(12) Collections

The College's collections are made up of approximately 19,000 objects and their estimated fair value is approximately \$19,300,000. The College's policy is not to capitalize its collections. The College's collections comprise paintings and portraits, furniture, works on paper, scientific instrumentation, and other objects.

The College's collections are held for educational, research, scientific, and curatorial purposes. Each of the items is catalogued, preserved, and cared for, and activities verifying their existence and assessing their condition are performed periodically. All proceeds resulting from the deaccession of objects from the permanent collection are allocated for the benefit of the collections. During the years ended June 30, 2020 and 2019, no objects were deaccessioned.

(13) Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2020 and through October 22, 2020, the date on which the financial statements were issued.