Clarkson University

Consolidated Financial Statements
June 30, 2012 and 2011

Clarkson University
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June 30, 2012 and 2011

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Report of Independent Auditors

To the Board of Trustees
Clarkson University
Potsdam, New York

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated statements of financial position and the related consolidated statements of activities and of cash flows present fairly, in all material respects, the financial position of Clarkson University (the "University") at June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of The Beacon Institute, Inc., a wholly-owned subsidiary, which statements reflect total assets of $11,806,444 of the related consolidated total as of June 30, 2012, and total revenues of $2,997,122 of the related consolidated total for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for The Beacon Institute, Inc., is based solely on the report of the other auditors. We conducted our audits of these statements 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

As discussed in Note 12 to the consolidated financial statements, the University acquired The Beacon Institute, Inc. effective October 3, 2011 and accounted for it in accordance with ASC 958, *Not-for-Profit Entities*. In addition as discussed in Note 3 to the consolidated financial statements, the University changed the manner in which it classifies accumulated total investment returns within net assets as a result of the adoption of ASC 958, *Not-for-Profit Entities* (formerly FASB Staff Position No. 117-1) as of July 1, 2010.

PricewaterhouseCoopers LLP

November 15, 2012

Clarkson University
Consolidated Statements of Financial Position
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 13,845,084	$ 1,236,312
Short term investments	670,903	662,370
Deposits with trustee of debt obligations	9,089,466	3,662,346
Accounts receivable, net	12,787,987	11,642,604
Inventories	298,004	312,511
Prepaid expenses	1,281,977	1,459,582
Pledges receivable, net	8,169,475	9,342,513
Investments	148,103,174	162,069,162
Notes receivable - students, net	7,269,389	8,273,179
Other assets	3,870,743	3,331,651
Property and equipment, net	163,518,644	143,144,712
Total assets	$ 368,904,846	$ 345,136,942
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 5,126,719	$ 5,249,693
Accrued payroll and payroll tax	1,702,959	1,869,074
Students' deposits and advances	2,150,420	1,914,215
Deposits held in custody	1,316,203	1,194,856
Present value of annuities payable	3,332,971	3,513,714
Deferred revenue	3,598,558	3,436,435
Other liabilities	2,736,749	3,580,173
Accrued postretirement benefits	26,208,016	18,518,626
Outstanding debt	68,776,174	44,550,308
Conditional asset retirement obligation	7,261,914	6,897,901
Federal and other loan programs	7,375,193	7,049,283
Total liabilities	129,585,876	97,774,278
Net assets		
Unrestricted	100,760,579	107,128,694
Temporarily restricted	29,908,406	33,892,125
Permanently restricted	108,649,985	106,341,845
Total net assets	239,318,970	247,362,664
Total liabilities and net assets	$ 368,904,846	$ 345,136,942

The accompanying notes are an integral part of these consolidated financial statements.

Clarkson University
Consolidated Statement of Activities
Year Ended June 30, 2012

	2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2011
Operating Revenues					
Tuition and fees	$ 118,567,995	$ -	$ -	$ 118,567,995	$ 105,322,937
Less: University funded scholarships	(69,982,870)	-	-	(69,982,870)	(61,233,220)
Government funded student aid	(912,359)	-	-	(912,359)	(1,233,455)
Net tuition and fees	47,672,766	-	-	47,672,766	42,856,262
State appropriations	253,837	-	-	253,837	262,349
Interest on student loans	3,995	-	34,766	38,761	41,513
Government contracts and grants	14,620,013	42,438	-	14,662,451	19,052,546
Private gifts and grants	8,862,136	2,740,077	2,397,782	13,999,995	15,228,612
Private grants-costs recovered	875,848	-	-	875,848	822,347
Sales and services of educational and general departments	797,895	-	-	797,895	774,571
Housing, dining and recreational services	24,862,610	-	-	24,862,610	22,817,830
Related entities	4,405,676	-	-	4,405,676	1,383,726
Other sources	2,938,573	46,069	-	2,984,642	3,730,080
Allocation of endowment return for spending	4,755,426	2,633,630	66,002	7,455,058	7,908,125
Net assets released from restrictions	4,658,227	(4,657,225)	(1,002)	-	-
Total operating revenues	114,707,002	804,989	2,497,548	118,009,539	114,877,961
Operating Expenses					
Educational and general					
Instruction	43,691,290	-	-	43,691,290	40,757,311
Research	14,263,772	-	-	14,263,772	12,842,117
Conferences and workshops	763,429	-	-	763,429	683,509
Academic support	9,731,166	-	-	9,731,166	8,643,704
Student services	13,053,999	-	-	13,053,999	13,149,961
General institution support	13,665,229	-	-	13,665,229	12,976,868
Related entities	3,474,052	-	-	3,474,052	1,384,768
Total educational and general	98,642,937	-	-	98,642,937	90,438,238
Housing, dining and recreational services	14,693,214	-	-	14,693,214	13,559,167
Total operating expenses	113,336,151	-	-	113,336,151	103,997,405
Increase from operating activities	$ 1,370,851	$ 804,989	$ 2,497,548	$ 4,673,388	$ 10,880,556

The accompanying notes are an integral part of these consolidated financial statements.

Clarkson University
Consolidated Statement of Activities
Year Ended June 30, 2012

	2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2011
Nonoperating Activity					
Loss on disposal of assets	$ (517,439)	$ -	$ -	$ (517,439)	$ (645,671)
Adjustment on notes receivable	(343,761)	-	-	(343,761)	(575,571)
Change in value of annuities payable	1,098	(95,613)	(66,135)	(160,650)	476,737
Postretirement benefit expense	(254,025)	-	-	(254,025)	(370,263)
Realized and unrealized gains (losses), net	(6,078,066)	(4,405,883)	-	(10,483,949)	22,434,757
Conditional asset retirement obligation	(373,241)	-	-	(373,241)	(218,839)
Other income (expense)	7,688	(354,524)	(128,273)	(475,109)	(483,460)
Postretirement related adjustments other than net periodic benefits costs	(6,826,878)	-	-	(6,826,878)	(112,519)
Increase (decrease) from nonoperating activity	(14,384,624)	(4,856,020)	(194,408)	(19,435,052)	20,505,171
Change in net assets before acquisition	(13,013,773)	(4,051,031)	2,303,140	(14,761,664)	31,385,727
Contribution received through acquisition	6,645,658	67,312	5,000	6,717,970	-
Change in net assets	(6,368,115)	(3,983,719)	2,308,140	(8,043,694)	31,385,727
Net assets					
Beginning of year	107,128,694	33,892,125	106,341,845	247,362,664	215,976,937
End of year	$ 100,760,579	$ 29,908,406	$ 108,649,985	$ 239,318,970	$ 247,362,664

The accompanying notes are an integral part of these consolidated financial statements.

Clarkson University
Consolidated Statement of Activities
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Tuition and fees	$ 105,322,937	$ -	$ -	$ 105,322,937
Less: University funded scholarships	(61,233,220)			(61,233,220)
Government funded student aid	(1,233,455)			(1,233,455)
Net tuition and fees	42,856,262	-	-	42,856,262
State appropriations	262,349			262,349
Interest on student loans	7,617		33,896	41,513
Government contracts and grants	19,018,989	33,557		19,052,546
Private gifts and grants	7,111,127	3,758,826	4,358,659	15,228,612
Private grants-costs recovered	822,347			822,347
Sales and services of educational and general departments	774,571			774,571
Housing, dining and recreational services	22,817,830			22,817,830
Related entity	1,383,726			1,383,726
Other sources	3,548,054	17,341	164,685	3,730,080
Allocation of endowment return for spending	5,101,835	2,728,545	77,745	7,908,125
Net assets released from restrictions	4,534,549	(4,645,214)	110,665	-
Total operating revenues	108,239,256	1,893,055	4,745,650	114,877,961
Operating Expenses				
Educational and general				
Instruction	40,757,311			40,757,311
Research	12,842,117			12,842,117
Conferences and workshops	683,509			683,509
Academic support	8,643,704			8,643,704
Student services	13,149,961			13,149,961
General institution support	12,976,868			12,976,868
Related entity	1,384,768			1,384,768
Total educational and general	90,438,238	-	-	90,438,238
Housing, dining and recreational services	13,559,167			13,559,167
Total operating expenses	103,997,405	-	-	103,997,405
Increase from operating activities	$ 4,241,851	$ 1,893,055	$ 4,745,650	$ 10,880,556

The accompanying notes are an integral part of these consolidated financial statements.

Clarkson University
Consolidated Statement of Activities
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Nonoperating Activity				
Loss on disposal of assets	$ (645,671)	$ -	$ -	$ (645,671)
Adjustment on notes receivable	(575,571)			(575,571)
Change in value of annuities payable		442,774	33,963	476,737
Postretirement benefit expense	(370,263)			(370,263)
Realized and unrealized gains (losses), net	12,029,971	10,404,786		22,434,757
Conditional asset retirement obligation	(218,839)			(218,839)
Other expense	(64,413)	(310,092)	(108,955)	(483,460)
Postretirement related adjustments other than net periodic benefits costs	(112,519)			(112,519)
Increase (decrease) from nonoperating activity	10,042,695	10,537,468	(74,992)	20,505,171
Change in net assets before accounting change	14,284,546	12,430,523	4,670,658	31,385,727
Cumulative effect of change in accounting principle	(11,627,029)	11,627,029	-	-
Change in net assets	2,657,517	24,057,552	4,670,658	31,385,727
Net assets				
Beginning of year	104,471,177	9,834,573	101,671,187	215,976,937
End of year	$ 107,128,694	$ 33,892,125	$ 106,341,845	$ 247,362,664

The accompanying notes are an integral part of these consolidated financial statements.

Clarkson University
Consolidated Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
(Decrease) Increase in net assets	$ (8,043,694)	$ 31,385,727
Adjustments to reconcile change in net assets		
to net cash (used in) provided by operating activities		
Contribution received through acquisition	(6,717,970)	-
Premiums on long-term debt issuances	1,085,823	-
Depreciation and amortization	7,663,717	6,672,114
Loss on disposal of assets	503,180	645,671
Provision for uncollectible accounts	104,338	71,683
Contributed securities for operating purposes	(580,560)	(373,749)
Contributions received for long-term investment	(2,545,999)	(4,116,377)
Contributions received for investment in annuity agreements	(284,755)	(641,105)
Net realized and unrealized (gain) loss on investments	5,295,156	(28,051,524)
Adjustment on loans receivable	343,761	575,571
Conditional asset retirement obligation	443,638	462,274
Forgiveness of debt	(333,340)	(333,340)
Change in assets and liabilities		
Accounts receivable	1,386,186	(3,810,025)
Pledges receivable	1,173,038	(3,942,268)
Inventories	29,163	17,129
Prepaid expenses	203,433	80,083
Accounts payable	(3,880,258)	468,967
Accrued payroll and payroll taxes	(166,115)	(183,885)
Conditional asset retirement obligation	(69,294)	(251,096)
Students' deposits and advances	236,205	217,663
Other liabilities	(674,690)	1,546,101
Postretirement benefits	7,689,390	776,962
Deposits held in custody	121,347	47,024
Present value of annuities payable	(180,743)	536,594
Net cash provided by operating activities	2,800,957	1,800,194
Cash flows from investing activities		
Proceeds from maturity/sale of investments	28,716,135	36,175,133
Purchase of investments	(18,631,135)	(25,307,024)
Increase in short term investments	(8,533)	(10,069)
Decrease (Increase) in deposits with trustee of debt obligations	(5,427,120)	16
Student loans advanced	(341,750)	(335,500)
Student loans collected	1,324,468	1,253,521
Other assets collected	125,611	209,355
Cash acquired in acquisition of Beacon, net of consideration paid	190,434	-
Purchase of property and equipment	(20,172,423)	(22,061,116)
Net cash used in investing activities	(14,224,313)	(10,075,684)
Cash flows from financing activities		
Deferred financing costs	(1,059,537)	-
Contributions received for long-term investment	1,507,617	2,959,274
Contributions received for investment in annuity agreements	284,755	641,105
Proceeds from borrowing	35,800,000	-
Payment of debt principal	(12,826,617)	(4,077,489)
Other changes in government loan funds	325,910	373,329
Net cash (used in) provided by financing activities	24,032,128	(103,781)
Net (decrease) increase in cash and cash equivalents	12,608,772	(8,379,271)
Cash and cash equivalents		
Beginning of year	1,236,312	9,615,583
End of year	$ 13,845,084	$ 1,236,312
Supplemental disclosures		
Interest paid	$ 2,219,171	$ 1,826,479
Noncash transactions		
Securities contributions	1,414,168	1,528,858
In-kind contributions	204,774	1,995
Increase (decrease) in construction-related payables	1,310,376	(1,304,887)
Lease asset	-	1,499,269
Asset retirement cost	(10,331)	(40,136)

The accompanying notes are an integral part of these consolidated financial statements.

1. Summary of Significant Accounting Policies

Organization
Clarkson University (the “University”) is an independent, co-educational, nonprofit, nonsectarian institution of higher education. J.R. Weston, Inc. (“Weston”, shown as “Related Entity” within the Statement of Activities) is a for-profit, wholly owned subsidiary of the University. Weston operations consist of real estate rentals and hotel operation. The Beacon Institute, Inc. (“Beacon”, shown as “Related Entity” within the Statement of Activities) is a not-for-profit organization of which the University is the sole member. It was established to advance understanding and protection of the world’s rivers and estuaries. On October 3, 2011 the University and Beacon entered into an agreement pursuant to which the University became the sole member of Beacon. For further information regarding the acquisition please see Note 12 below. All significant intercompany accounts and transactions are eliminated in consolidation.

Basis of Accounting
The financial statements are prepared on the accrual basis of accounting.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Management’s most significant use of estimates were for calculating allowances for receivables, GATE pledge payment liability for loan program, investment valuations, accrued postretirement benefit liabilities and asset retirement obligation costs. Actual results could differ from those estimates.

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

Net Assets
The accompanying financial statements present information regarding the University’s financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The three classes are differentiated by the presence or absence of donor restrictions. Net assets having similar characteristics have been classified into the following categories:

Unrestricted net assets may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties. Unrestricted net assets include operating, plant, and internally designated plant and funds functioning as endowment funds.

Temporarily restricted net assets whose use by the University is subject to donor-imposed or legal stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire with the passage of time. Realized and unrealized gains on permanently and temporarily restricted assets are reported as temporarily restricted net assets until appropriated by board of trustees in accordance with New York State law.

Permanently restricted net assets subject to donor-imposed stipulations that they be maintained permanently or until prudently appropriated by the Board of Trustees of the University in accordance with New York State law. Generally, the donors of these assets permit the University to use all or part of the investment return on these assets to support program activities, principally financial aid and instruction.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets as “net assets released from restrictions.” Temporarily restricted contributions received and expended for the restricted purpose in the same fiscal year are recorded as unrestricted net assets.

Cash and Cash Equivalents
Cash and cash equivalents include certain highly liquid debt instruments with original maturities of three months or less, unless they are part of long-term investment pools.

Deposits with Trustee of Debt Obligations
Deposits with trustee of debt obligations represent debt service and certain reserve funds required by the trustee. There were unexpended bond proceeds of $7,426,345 and $0 at June 30, 2012 and 2011, respectively.

Contributions
Contributions, including unconditional pledges, are recognized as revenues when donors’ commitments are received. Conditional pledges are recognized as revenues when the conditions are substantially met. Unconditional pledges to be received in future years are discounted, as of the date of the contribution, at a corporate bond rate commensurate with the pledge payment schedule, and are classified as either permanently restricted or temporarily restricted. Contributions specified for the acquisition or construction of long-lived assets is reported as unrestricted net assets when the assets are placed in service.

Pledges receivable at June 30 are due as follows:

	2012	2011
In less than one year	$ 2,933,725	$ 5,613,679
In one to five years	4,415,883	3,931,270
Greater than five years	1,710,000	810,000
Gross receivable	9,059,608	10,354,949
Present value discount and reserve	890,133	1,012,436
Net receivable	$ 8,169,475	$ 9,342,513

At June 30, 2012, the University had outstanding conditional pledges of approximately $45,255,278 gross.

Investments
Investments are stated at fair value. Net appreciation or depreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation on those investments, are recognized in the statement of activities. Realized gains and losses on the sale of investments are generally determined on the specific identification method on the trade date.

Inventories
Inventories are stated at the lower of cost, (first-in; first-out) or market.

Property and Equipment
Buildings, grounds, equipment, and construction in progress are stated at cost, or, in the case of gifts, at fair value at date of donation, less accumulated depreciation. Expenditures for maintenance, repairs and renewals of relatively minor items are not capitalized. The cost of assets disposed of and related accumulated depreciation are eliminated from the accounts.

Impairment losses are recognized when the carrying value of an asset exceeds its fair value. The University regularly assesses all of its long-lived assets for impairment and has determined that no impairment loss need be recognized in the periods presented. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Such assets and lives are generally as follows:

Buildings	20-50 years
Equipment	3-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Receivables
Accounts receivable consisted of the following at June 30:

	2012	2011
Students, net	$ 1,271,558	$ 1,505,605
Research contracts and grants	9,894,516	6,625,085
Other	1,621,913	3,511,914
	$ 12,787,987	$ 11,642,604

The University maintains an allowance for uncollectible student and grant accounts. These allowances were approximately $262,292 and $241,604 for student and grant receivables, at June 30, 2012 and 2011, respectively.

Notes receivable consisted of the following at June 30:

	2012	2011
Federal and other external student	$ 5,446,720	$ 6,390,725
Unrestricted student loans	217,648	249,515
Permanently restricted student loans	1,605,021	1,632,939
	$ 7,269,389	$ 8,273,179

The University maintains an allowance for uncollectible notes receivable (credit losses) for long term notes receivable. This allowance was $914,379 and $851,801 at June 30, 2012 and 2011, respectively.

	June 30, 2012		June 30, 2011	
	Receivable Balance	Related Allowance	Receivable Balance	Related Allowance
Perkins	$ 5,590,784	$ 625,931	$ 6,559,684	$ 612,517
Other student loans	2,592,984	288,448	2,565,296	239,284
	$ 8,183,768	$ 914,379	$ 9,124,980	$ 851,801

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The University's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan program are able to be assigned to the Federal Government in certain non-repayment situations. In these situations the Federal portion of the loan balance is guaranteed.

Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described, included, but were not limited to, a detailed review of the aging of the student loan receivable detail and a review of the balances of delinquent accounts greater than 120 days and greater than 2 years. The level of the allowance is adjusted based on the results of management's analysis.

Changes in the allowance for credit losses for the year ended June 30, 2012 were as follows:

	Perkins Loan Receivables	Other Student Loan Receivables
Beginning Balances at July 1, 2011	$ 612,517	$ 239,284
Provision for credit losses	13,414	49,164
Net Charge-offs	-	-
Recoveries	-	-
Ending Balances at June 30, 2012	$ 625,931	$ 288,448

Considering the other factors already discussed herein, management considers the allowance for credit losses to be prudent and reasonable. Furthermore, the University's allowance is general in nature and is available to absorb losses from any loan category. Management believes that the allowance for credit losses at June 30, 2012 is adequate to absorb credit losses inherent in the portfolio as of that date.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and included in non-operating gains. In the absence of donor specification income and gains on donated funds are reported as revenue of unrestricted net assets.

Asset Retirement Obligations

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

The following is a summary of the components of the asset retirement obligation:

	2012	2011
Change in Asset retirement obligations		
Asset retirement obligation at beginning of year	$ 6,897,901	$ 6,726,859
Asbestos liabilities settled during the year	-	(251,096)
Accretion expense	433,305	462,274
Asset cost revisions	(69,292)	(40,136)
Asset retirement obligation at end of year	$ 7,261,914	$ 6,897,901

Retirement Plans

The University participates in contributory, multi-employer, defined contribution retirement plans, administered by the Teachers Insurance Annuity Association of America (TIAA), College Retirement Equities Fund (CREF) and Nationwide Life Insurance Company covering substantially all regular employees. It is the University's policy to currently fund all retirement costs. Total pension expense was $3,227,923 and $3,737,979 for 2012 and 2011, respectively.

Income Taxes

The financial statements do not provide for income taxes as the University and Beacon are tax-exempt under Section 501(c) (3) of the Internal Revenue Code. Weston accounts for income taxes in accordance with income tax accounting.

Allocation of Certain Expenses

The statement of activities presents expenses by functional classification. Operation and maintenance of plant and depreciation are allocated based on square footage. Interest expense is allocated to functional expenses according to the original purpose of the bond proceeds.

2. Investments

Investments consisted of the following at June 30:

	2012		2011	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Other				
Life insurance policy	$ 24,086	$ 30,029	$ 24,086	$ 28,931
Corporate stocks	497,360	379,927	397,611	471,951
Real estate	50,000	16,000	50,000	16,000
Total other	571,446	425,956	471,697	516,882
Endowment				
Money market and similar	375,054	375,054	567,527	567,527
Corporate bonds and other fixed income	19,369,984	20,200,785	26,332,414	27,336,346
Corporate stocks	54,303,030	59,295,857	57,134,534	69,149,574
Hedge funds	19,822,921	25,813,359	17,822,921	23,948,295
Private equity	6,791,407	7,727,008	6,273,596	6,852,933
Venture capital	4,040,014	4,988,532	3,676,034	3,858,487
Real assets	13,287,671	13,989,321	11,000,000	13,804,427
International equity	4,493,669	8,505,053	3,290,230	8,760,186
Total endowment	122,483,750	140,894,969	126,097,256	154,277,775
Annuity and life income				
Money market and similar	223,938	223,938	127,552	127,552
Life insurance policies	176,992	234,024	176,991	214,673
Government securities	358,932	376,618	338,740	355,846
Corporate bonds and other fixed income	1,641,613	1,666,839	1,774,351	1,778,407
Corporate stocks	3,862,346	4,005,922	4,179,510	4,698,413
Real assets	326,734	274,908	102,594	99,614
Total annuity and life income	6,590,555	6,782,249	6,699,738	7,274,505
	$ 129,645,751	$ 148,103,174	$ 133,268,691	$ 162,069,162

Certain assets are pooled on a fair value base, and the University utilizes a total return approach to investments in the endowment pool. This approach considers income yield (primarily interest and dividends) as well as the net appreciation/depreciation in the fair value of pooled investments when determining the spending amount. The Board of Trustees has established a spending policy of 4.5%, excluding certain funds (which remains at 5%), that is based on a trailing 12-quarter average market value of restricted and unrestricted pooled assets. Further, an additional annual spending policy of 1% based on trailing 12-quarter average market value of unrestricted pooled assets is appropriated for Board approved debt service expenses or capital expenditures.

The unit fair value is used to account for income distributed and pool transactions. Pooled funds were as follows as of June 30:

	2012	**2011**
Investments in pooled funds, at fair value	$ 140,808,941	$ 154,192,757
Total number of units	665,215	646,590
Market value per unit	211.67	238.47

The University's return on endowment investments was as follows for the years ended June 30:

	2012	2011
Investment earnings, net of fees	$ 2,266,265	$ 2,291,358
Realized and unrealized gain (loss), net	(5,295,156)	28,051,524
Total return on investment	(3,028,891)	30,342,882
Allocation for endowment spending policy	(7,455,058)	(7,908,125)
Nonoperating investment return	$ (10,483,949)	$ 22,434,757

Under the terms of certain limited partnership agreements, the University is obligated periodically to advance additional funding. At June 30, 2012 and 2011, the University had commitments of approximately $3,650,000 and $5,201,000, respectively, for which capital call's had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses.

The University has annuity and life income investments with a gross value of $6,782,249 and $7,274,505 as of June 30, 2012 and 2011, respectively. These funds pass to the University upon the death of the beneficiaries and, in some cases, survivors. As a result, a liability is recorded to reflect the present value of the annuity and life income investments. The amount of this liability is $3,332,971 and $3,513,714 as of June 30, 2012 and 2011, respectively.

Investment fees were $339,070 and $368,370 for the years ended June 30, 2012 and 2011 respectively.

3. Endowment Funds

The New York Prudent Management of Institutional Funds Act ("NYPMIFA") became effective on September 17, 2010 and governs the management and investment of funds held by not-for-profit corporations and other institutions. Absent donor stipulations to the contrary, the statutory guidelines contained in NYPMIFA relate to the prudent management, investment and expenditure of donor-restricted endowment funds without regard to the original value of the gifts. However, NYPMIFA contains specific factors that must be considered prior to making investment decisions or appropriating funds for expenditure. For accounting purposes, the University applied the concepts included in NYPMIFA and ASC 958, *Not-for-Profit Entities* (formerly FASB Staff Position No. 117-1) regarding classification of accumulated total return as temporarily restricted net assets as of July 1, 2010 for the year ended June 30, 2011. Accordingly, accumulated total return of $11,627,029 as of July 1, 2010 was reclassified to temporarily restricted net assets from unrestricted net assets as a cumulative effect of change in accounting principle.

The Board of Trustees' interpretation of its fiduciary responsibilities for donor-restricted endowment funds under New York State's Not-for-Profit Corporation Law, including NYPMIFA, is to preserve intergenerational equity to the extent possible by prudently managing, investing, and spending from the endowment funds. This principle holds that future endowment beneficiaries should receive at least the same level of economic support that the current generation receives. As a result of this interpretation, the University classifies as permanently restricted net assets the un-appropriated portion of (a) the original value of gifts donated to a true endowment, (b) the original value of subsequent gifts to a true endowment fund, and (c) accumulations to a true endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unspent appropriations related to donor-restricted endowment funds are classified as temporarily restricted net assets until the amounts are expended by the University in a manner consistent with the donor's intent. The remaining portions of donor-restricted endowment funds that are not classified as permanently or temporarily restricted net assets are classified as unrestricted net assets.

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

Endowment net asset composition by type of fund consists of the following as of June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ (5,747,888)	$ 17,678,032	$ 105,362,817	$ 117,292,961
Board-designated	44,349,759	-	-	44,349,759
Total endowment net assets	$ 38,601,871	$ 17,678,032	$ 105,362,817	$ 161,642,720

Changes in endowment net assets for the year ended June 30, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at July 1, 2011	$ 44,881,531	$ 22,074,907	$ 102,919,776	$ 169,876,214
Investment return (yield), net of fees	2,266,265	-	-	2,266,265
Net appreciation (depreciation)	(973,348)	(4,323,506)	-	(5,296,854)
Total investment return	1,292,917	(4,323,506)	-	(3,030,589)
New gifts	-	-	2,340,725	2,340,725
Amounts appropriated for expenditure	(4,335,773)	(2,633,630)	65,220	(6,904,183)
Amounts appropriated for debt service	(676,543)	-	-	(676,543)
Other changes and reclassification	(2,560,261)	2,560,261	37,096	37,096
Net assets at June 30, 2012	$ 38,601,871	$ 17,678,032	$ 105,362,817	$ 161,642,720

Endowment net asset composition by type of fund consists of the following as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ (3,187,627)	$ 22,074,907	$ 102,919,776	$ 121,807,056
Board-designated	48,069,158	-	-	48,069,158
Total endowment net assets	$ 44,881,531	$ 22,074,907	$ 102,919,776	$ 169,876,214

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at July 1, 2010	$ 44,538,671	$ 43,092	$ 98,461,625	$ 143,043,388
Net asset reclassification based on change in accounting principle	(11,627,029)	11,627,029	-	-
Investment return (yield), net of fees	2,291,358	-	-	2,291,358
Net appreciation (depreciation)	9,504,608	18,681,362	-	28,185,970
Total investment return	11,795,966	18,681,362	-	30,477,328
New gifts	-	-	4,111,295	4,111,295
Amounts appropriated for expenditure	(4,719,696)	(2,728,545)	76,897	(7,371,344)
Amounts appropriated for debt service	(709,412)	-	-	(709,412)
Other changes and reclassification	5,603,031	(5,548,031)	269,959	324,959
Net assets at June 30, 2011	$ 44,881,531	$ 22,074,907	$ 102,919,776	$ 169,876,214

Endowment Funds with Deficits
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 (deficit). These deficits result from unfavorable market fluctuations that occur after the investment of endowment funds or from appropriations deemed prudent at the time they are authorized.

When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature were approximately $5,747,888 and $3,187,627 as of June 30, 2012 and 2011, respectively.

Return Objectives and Risk Parameters
The University has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The University expects its endowment funds over time, to provide an average rate of return of approximately 8.0% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives
To achieve its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The University targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
The Board of Trustees determines the appropriate amount to withdraw from endowment and similar funds on an annual basis to provide support for operations with prudent concern for the long-term growth in the underlying assets as well as the specific factors detailed in NYPMIFA. The Board of Trustees of the University determines the method to be used to appropriate endowment funds for expenditure. The annual spending policy of 4.5% is based on a trailing 12-quarter average market value of restricted and unrestricted pooled assets. An additional annual spending policy of 1% based on trailing 12-quarter average market value of unrestricted pooled assets will be appropriated for Board approved debt service expenses or capital expenditures. Furthermore, the Board has authorized additional annual spending for certain debt services. Distributions of earnings from the fund to support expenditures are expected to be equal to or less than actual returns, therefore achieving the financial objective of preserving the value of the fund assets and related revenue stream over time.

4. Fair Value Measurements

The University follows the “Fair Value Measurements” accounting standard, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This accounting standard provides a consistent definition of fair value focusing on an exit price which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The standard also establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the reporting entity’s own assumptions about how market participants would value an asset based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last is unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instrument’s measured at fair value on a recurring basis. A financial instruments’ categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Level 1 Quoted prices (unadjusted) in active markets for identical assets as of the measurement date. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Market price data is generally obtained from exchange or dealer markets.

Level 2 Pricing inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Level 3 Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment.

The University uses the net asset value (“NAV”) to determine the fair value of underlying investments which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. The University has adopted the authoritative guidance under generally accepted accounting principles for estimating the fair value of investments in investment companies that have calculated net asset value per share in accordance with specialized accounting guidance for investment companies. Accordingly, in circumstances in which net asset value per share of an investment is determinative of fair value, management estimates the fair value of an investment in an investment company using the net asset value per share of the investment (or its equivalent) without further adjustment as a practical expedient. As a result of adopting new guidance for estimating fair value of investments, certain investments in 2010 were reclassified as Level 2 assets as they can be redeemed at NAV by the University on the measurement date or in the near term, 90 days or less.

Below is a list of University investments in other investment companies (or similar entities) by major investment category:

Corporate Bonds and Other Fixed Income
This category includes investments in core fixed income positions. These investments, combined with cash and cash equivalents, are meant to provide liquidity to the University. The fair value of these investments at June 30, 2012 and 2011 was $21,867,624 and $29,114,753 respectively. Fixed income securities are invested primarily in $9,489,760 and $10,260,829 US government securities, $4,693,254 and $3,856,827 mortgages, $1,037,110 and $2,741,217 money market, $0 and $2,622,642 credit markets, $6,647,500 and $9,633,238 other to provide fixed income-like returns similar with our strategy at June 30, 2012 and 2011, respectively. These investments allow redemptions daily with one day notice.

Government Securities
This category includes investments in core fixed income positions including US Treasury Notes. All of the marketable Treasury securities are liquid and are heavily traded on the secondary market. These investments are meant to provide a steady stream of income for the University’s split interest agreements. The fair value of these investments at June 30, 2012 and 2011 was $376,618 and $355,846 respectively. These investments allow redemptions daily with one day notice.

Corporate Stocks
This category includes investments in traditional equities, the majority of which are traded publicly in active markets. These investments bring diversity to the University’s portfolio with the objective of long-term growth to the University endowment funds. The fair value of these investments at June 30, 2012 and 2011 was $63,681,706 and $74,319,938 respectively. Endowment corporate securities are invested primarily in $31,241,201 and $36,363,367 US Equities, $26,120,308 and $28,555,123 Global Non-US Equities, $0 and $3,244,898 Global Natural Resources, and $1,934,348 and $986,186 Small Cap Emerging Market funds at June 30, 2012 and 2011, respectively. The University also invests in Annuity and Life Income Funds of $4,385,849 and $5,170,364 at June 30, 2012 and 2011 respectively, which are primarily invested in large cap funds. These investments are highly liquid with one to three day settlements.

Real Estate
This category includes investments in commercial real estate in the United States. The fair value of these investments at June 30, 2012 and 2011 was $16,000 and $16,000 respectively. In order to liquidate this investment, the University would have to identify a willing and able buyer.

Hedge Funds
This category includes investments that own traditional equities but complement the holdings by being short securities they believed to be overvalued and investments that are in single strategy and multi-strategy investment managers in various hedged strategies such as merger and risk arbitrage, distressed securities, asset backed securities, and other credit and volatility strategies. These strategies are designed to provide equity-like returns regardless of the economic environment with limited correlation to the traditional stock and fixed income markets. The short portfolio acts as a hedge during market declines but may also serve as an additional source of investment return. Managers of these funds have the ability to shift between growth and value stocks across all capitalizations. The fair value of these investments at June 30, 2012 and 2011 was $25,813,359 and $23,948,295 respectively. Hedge Funds are invested primarily in $12,250,247 and $5,008,900 Global Funds, $1,350,796 and $4,836,255 US Funds, $3,475,993 and $8,546,446 Multi-strategy funds, $8,736,323 and $5,556,694 of other to provide equity-like returns similar with our strategy at June 30, 2012 and 2011, respectively. All of these investments have redemption rights annually at January 1st though there is some risk of temporary lock-ups under certain circumstances.

Private Equity
This category includes investments in private equity buyout and distressed credit opportunity funds that invest primarily in companies domiciled in the United States. Total commitments for these investments were approximately $10,500,000 with $2,598,338 unfunded at June 30, 2012 and $10,500,000 with $3,630,838 unfunded at June 30, 2011. The fair value of these investments at June 30, 2012 and 2011 was $7,727,008 and $6,852,934, respectively. All of these investments are locked and do not have interim redemption rights. The following are the amounts and their respective termination dates in the future: $2,338,035 on March 30, 2017, $2,728,824 on March 31, 2020, and $2,660,149 on April 24, 2022.

Venture Capital
This category includes investments in venture capital funds that invest primarily in companies domiciled in the United States. Total commitments for these investments were approximately $5,400,000 with $1,052,190 unfunded at June 30, 2012 and $5,400,000 with $1,570,190 unfunded at June 30, 2011. The fair value of these investments at June 30, 2012 and 2011 was $4,988,532 and $3,858,487 respectively. The University does not have any redemption rights in these investments and the investments have remaining lives between one and ten years.

Real Assets
This category includes investments in commodities to enhance the University's portfolio and provide a partial inflation hedge. The fair value of these investments at June 30, 2012 and 2011 was $14,264,229 and $13,904,041 respectively. These investments allow redemptions daily with one day notice.

International Equity
This category includes investments in international equity in emerging markets. The investment follows a value-based stock selection approach, buying companies whose shares appear under-valued on the basis of long-term earning power or asset backing. The fair value of these investments at June 30, 2012 and 2011 was $8,505,053 and $8,760,186 respectively. These investments allow redemptions monthly.

Life Insurance Policies
This category includes life insurance policies donated to the University. The fair value of these investments at June 30, 2012 and 2011 was $264,053 and $243,603, respectively. These policies can be redeemed daily with a one day notice.

The following table presents the financial instruments carried at fair value as of June 30, 2012, by caption on the statement of financial position by the valuation hierarchy defined above:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Short term investments	$ -	$ 670,903	$ -	$ 670,903
Deposits with trustee of debt obligations	9,089,466	-	-	9,089,466
GATE receivable	-	-	1,563,785	1,563,785
Investments				
Money market and similar	598,992	-	-	598,992
Corporate bonds and other fixed income	-	21,867,624	-	21,867,624
Government securities	-	376,618	-	376,618
Corporate stocks	48,392,235	15,289,471	-	63,681,706
Real estate	-	-	16,000	16,000
Hedge funds	-	-	25,813,359	25,813,359
Private equity	-	-	7,727,008	7,727,008
Venture capital	-	-	4,988,532	4,988,532
Real assets	-	14,264,229	-	14,264,229
International equity	-	8,505,053	-	8,505,053
Life insurance policies	-	264,053	-	264,053
Investments	48,991,227	60,567,048	38,544,899	148,103,174
Total assets at fair value	$ 58,080,693	$ 61,237,951	$ 40,108,684	$ 159,427,328
Liabilities				
GATE liability	$ -	$ -	$ 581,322	$ 581,322
Total liabilities at fair value	$ -	$ -	$ 581,322	$ 581,322

The following table presents the financial instruments carried at fair value as of June 30, 2011, by caption on the statement of financial position by the valuation hierarchy defined above:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Short term investments	$ -	$ 662,370	$ -	$ 662,370
Deposits with trustee of debt obligations	3,662,346	-	-	3,662,346
GATE receivable	-	-	2,037,660	2,037,660
Investments				
Money market and similar	695,079	-	-	695,079
Corporate bonds and other fixed income	-	29,114,753	-	29,114,753
Government securities	-	355,846	-	355,846
Corporate stocks	54,396,146	19,923,792	-	74,319,938
Real estate	-	-	16,000	16,000
Hedge funds	-	-	23,948,295	23,948,295
Private equity	-	-	6,852,934	6,852,934
Venture capital	-	-	3,858,487	3,858,487
Real assets	-	13,904,041	-	13,904,041
International equity	-	8,760,186	-	8,760,186
Life insurance policies	-	243,603	-	243,603
Investments	55,091,225	72,302,221	34,675,716	162,069,162
Total assets at fair value	$ 58,753,571	$ 72,964,591	$ 36,713,376	$ 168,431,538
Liabilities				
GATE liability	$ -	$ -	$ 791,547	$ 791,547
Total liabilities at fair value	$ -	$ -	$ 791,547	$ 791,547

Investments included in Level 3 primarily consists of the University's ownership in alternative investments (principally limited partnership interests in hedge, private equity, real estate, and other similar funds) The value of certain alternative investments represents the ownership interest in the net asset value (NAV) of the respective partnership. Approximately 38% of investments held by the partnerships consist of marketable securities and 62% is securities that do not have readily determinable fair values. The fair values (NAV) of the securities held by limited partnerships that do not have readily determinable fair values are determined by management based on information provided by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by management based on information provided by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The University has performed significant due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30.

The University was involved in the Guaranteed Access to Education (GATE) loan program from 1994 to 2005. Under this program, the University recognizes future residual cash flows as an asset. Based on historical default rates and other assumptions, the residual receivables are approximately $1,563,784 and $2,037,660 as of June 30, 2012 and 2011, respectively. This amount is recorded at fair value in the consolidated financial statements in other assets. Also under this program, the University has pledged approximately $6,247,274 and $6,394,166 as of

June 30, 2012 and 2011 to a third party administrator to guaranty the loans. The discounted estimated pledge contribution liability is $581,322 and $791,547 as of June 30, 2012 and 2011, respectively. This amount has been recorded at fair value in the consolidated financial statements in other liabilities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a roll forward of the statement of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above:

	Fair Value July 1, 2011	Payments Received	Pledge Payments	Present Value Adjustment	Realized Gains (Losses)	Unrealized Gains (Losses)	Sales and Settlements	Purchases	Fair Value June 30, 2012
Assets									
GATE receivable	$ 2,037,660	$ (125,611)	$ -	$ (348,265)	$ -	$ -	$ -	$ -	$ 1,563,784
Real estate	16,000	-	-	-	-	-	-	-	16,000
Hedge funds	23,948,295	-	-	-	-	(134,936)	-	2,000,000	25,813,359
Private equity	6,852,934	-	-	-	547,378	(191,112)	(514,690)	1,032,500	7,727,010
Venture capital	3,858,487	-	-	-	359,330	406,734	(154,020)	518,000	4,988,531
Total assets at fair value	$ 36,713,376	$ (125,611)	$ -	$ (348,265)	$ 906,708	$ 80,686	$ (668,710)	$ 3,550,500	$ 40,108,684
Liabilities									
GATE liability	$ 791,547	$ -	$ (205,721)	$ (4,504)	$ -	$ -	$ -	$ -	$ 581,322
Total liabilities at fair value	$ 791,547	$ -	$ (205,721)	$ (4,504)	$ -	$ -	$ -	$ -	$ 581,322

	Fair Value July 1, 2010	Payments Received	Pledge Payments	Present Value Adjustment	Unrealized Gains (Losses)	Net Purchases, Sales and Settlements	Fair Value June 30, 2011
Assets							
GATE receivable	$ 2,632,857	$ (209,354)	$ -	$ (385,843)	$ -	$ -	$ 2,037,660
Real estate	16,000	-	-	-	-	-	16,000
Hedge funds	21,386,452	-	-	-	2,561,843	-	23,948,295
Private equity	5,526,122	-	-	-	655,677	671,135	6,852,934
Venture capital	2,767,398	-	-	-	355,207	735,882	3,858,487
Total assets at fair value	$ 32,328,829	$ (209,354)	$ -	$ (385,843)	$ 3,572,727	$ 1,407,017	$ 36,713,376
Liabilities							
GATE liability	$ 907,079	$ -	$ (305,260)	$ 189,728	$ -	$ -	$ 791,547
Total liabilities at fair value	$ 907,079	$ -	$ (305,260)	$ 189,728	$ -	$ -	$ 791,547

The pricing inputs and methods described above may produce a fair value calculation that may not be indicative of the ultimate realizable value. Accordingly, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Net unrealized gains (losses) relate to those financial instruments held by the University at June 30, 2012.

5. Property and Equipment

Property and equipment consist of the following at June 30:

	2012	2011
Buildings and grounds	$ 199,433,217	$ 192,181,562
Equipment	35,151,676	32,327,194
Construction in progress	34,822,103	18,575,611
Total property and equipment	269,406,996	243,084,367
Less: Accumulated depreciation	(105,888,352)	(99,939,655)
	$ 163,518,644	$ 143,144,712

Construction in progress is made up of certain projects started but not completed at June 30, 2011. The estimated costs to complete these projects are approximately $17,844,373. These projects consist of dormitory expansion, engineering lab additions, and others.

Capitalized interest costs were $357,984 and $252,621 for the years ended June 30, 2012 and 2011 respectively.

6. Outstanding Debt

Outstanding debt consisted of the following at June 30:

	2012	2011
Clarkson University		
Empire State Development Corporation (a)	$ 2,999,860	$ 3,333,200
New York Power Authority (b)	-	145,054
St. Lawrence County IDA Bonds - 2003 (c)	3,355,000	3,440,000
St. Lawrence County IDA Bonds - 2007 (d)	24,050,951	24,593,135
M & T Bank (e)	-	12,025,000
First American Equipment Leases (f)	761,445	1,013,919
St. Lawrence County IDA Bonds - 2011 (g)	14,752,429	-
St. Lawrence County IDA Bonds - 2012A (h)	19,060,719	-
St. Lawrence County IDA Bonds - 2012B (i)	3,070,770	-
M & T Bank Line of Credit (Beacon) (j)	725,000	-
Total outstanding debt	$ 68,776,174	$ 44,550,308

(a) The University has an interest free mortgage with the Empire State Development Corporation related to the Center for Advanced Materials Process (CAMP facility). The mortgage requires annual principal payments of $333,340 through January 2020. The principal payments that were due for fiscal years ended June 30, 2012 and 2011 were forgiven by New York State.

(b) The University has a loan with the New York Power Authority which bears a 6% interest rate. Monthly principal and interest payments of $18,542 are payable through February 2012.

(c) The St. Lawrence County Industrial Development Agency Bonds, Series 2003, bear interest at a rate ranging from 2.50% to 5.00% and require annual principal payments ranging from $75,000 to $765,000 beginning in July 2003, and are payable through July 2033.

(d) The St. Lawrence County Industrial Development Agency Bonds, Series 2007, bear interest at a rate ranging from 4.0% to 5.0% and require annual principal payments ranging from $95,000 to $2,300,000 beginning in July 2007, and are payable through July 2032.

(e) The University had a loan with M&T Bank which bore a 4.25% interest rate. This loan was refinanced in June 2012.

(f) The University entered into two capital lease agreements with First American Equipment Finance. The lease payments are payable annually through January 1, 2015.

(g) The St. Lawrence County Industrial Development Agency Bonds, Series 2011, bear interest at a rate ranging from 3.0% to 6.0% and require annual principal payments ranging from $150,000 to $1,620,000 beginning in September 2011, and are payable through September 2041.

(h) The St. Lawrence County Industrial Development Agency Bonds, Series 2012A, bear interest at a rate ranging from 4.0% to 5.25% and require annual principal payments ranging from $460,000 to $1,885,000 beginning in September 2012, and are payable through September 2041.

(i) The St. Lawrence County Industrial Development Agency Bonds, Series 2012B, assumes initial coupon interest at a rate 2.5% until March 1, 2016 and then assumes an estimated coupon of 3.36% to maturity. The principal payment of $3,000,000 is due September 2042.

(j) The Beacon Institute has a revolving line of credit with a bank which provides for variable interest rates which, at June 30, 2012 and 2011 were .75% and .50% above the prime rate with a minimum of 4.00%. The maximum authorized amount available is $750,000. Borrowing under the line is collateralized by the Institute's property and equipment and is payable on demand.

At June 30, 2012, the aggregate amounts of principal and sinking-fund requirements for long-term debt over the next five fiscal years are as follows:

Fiscal Year	**Amount**
2013	$ 1,999,854
2014	1,313,723
2015	1,332,624
2016	1,148,576
2017	1,278,576
Thereafter	61,702,821
	$ 68,776,174

The University has a $5,000,000 line of credit at a bank with an interest rate that is the greater of 1.75% above the one month LIBOR with an interest period duration of one day or 2.25%. There is no expiration date associated with this line of credit. There was no outstanding balance at June 30, 2012.

The University has a $990,000 revolving line of credit with a bank related to its procurement card program of which there was an outstanding balance of $291,141 as of June 30, 2012. It is interest free if full payment is received within the monthly billing cycle. The credit line will terminate on December 31, 2012, unless renewed.

Weston has a $500,000 line of credit at a bank's prime rate (3.25% at June 30, 2012) of which there was no outstanding balance at June 30, 2012. There is no expiration date associated with this line of credit.

7. Postretirement Benefits

The University provides certain health care and sick leave benefits for retired employees. The University's employees may become eligible for those benefits if they reach retirement age while working for the University and meet certain minimum service requirements.

The following table sets forth the status of the plan, which is unfunded, as of June 30:

	2012	2011
Change in benefit obligation		
Benefit obligation at beginning of period	$ 18,518,626	$ 17,741,664
Service cost	815,181	647,541
Interest cost	1,000,313	915,567
Plan participants' contributions	554,638	555,900
Amendments	-	(134,163)
Medicare Part D subsidy	84,218	83,494
Actuarial (gain) loss	6,198,291	(337,877)
Benefits paid	(963,251)	(953,500)
Benefit obligation at end of period	26,208,016	18,518,626
Change in plan assets		
Fair value of plan assets at end of prior year		
Employer contributions	324,395	314,106
Plan participants' contributions	554,638	555,900
Benefits paid	(963,251)	(953,500)
Medicare Part D subsidy	84,218	83,494
Fair value of plan assets at end of year	-	-
Funded status at end of year	$ (26,208,016)	$ (18,518,626)
Components of accrued benefit obligation		
Unrecognized net actuarial loss	$ (9,902,660)	$ (3,832,481)
Unrecognized prior service credit	3,657,213	4,413,912
Postretirement related charges other than net periodic benefit cost	(6,245,447)	581,431
Cumulative employer contributions in excess of net periodic postretirment benefit costs	(19,962,569)	(19,100,057)
Net amount recognized in statement of financial position	$ (26,208,016)	$ (18,518,626)
Discount rates		
Year end benefit obligation	4.20%	5.50%
Net periodic benefit cost	5.50%	5.30%
Components of net periodic benefit cost		
Service cost	$ 815,181	$ 647,541
Interest cost	1,000,313	915,567
Amortization of loss	128,112	159,746
Amortization of prior service credit	(756,699)	(744,305)
Net periodic benefit cost	$ 1,186,907	$ 978,549

Estimated Future Contributions and Benefit Payments
The following estimated benefit payments are expected to be paid:

	Contributions/ Benefit Payments	Medicare Subsidy
2013	$ 704,000	$ (125,000)
2014	739,000	(140,000)
2015	837,000	(157,000)
2016	908,000	(176,000)
2017	1,004,000	(196,000)
Next 5 years	6,854,000	(1,348,000)

For measurement purposes, a 7.53% and a 5% annual rate of increase in the per capita cost of covered health care and dental benefits, respectively, was assumed as of June 30, 2012. These health care rates were assumed to decrease each year through 2030 to 4.5% and remain at that level thereafter. However, the dental rate trend remains constant for all years. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The University's plan is designed such that the healthcare cost trend rates do not impact the postretirement benefit obligation of the service and interest cost.

The prior service credit and actuarial loss for the postretirement benefits plan that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal 2013 are $756,699 and $128,112, respectively.

8. Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents, Accounts Receivable, and Accounts Payable
The carrying amount approximates fair value because of the short maturity of those instruments.

Contributions Receivable
Contributions receivable are recorded at their net present value.

Notes Receivable
A reasonable estimate of the fair value of notes receivable from students under Federal Government financial assistance programs could not be made because the notes are not salable and can only be assigned to the Federal Government or its designees. The fair value of notes receivable from students under University loan programs approximates carrying value.

Investments
Investments with readily determinable fair values are based on quoted market prices for these or similar investments. All others are carried at estimated fair value provided by the investment managers.

Outstanding Debt

The fair value of the University's outstanding debt (Note 6) is estimated based on current rates offered for similar issues. At June 30, 2012 and 2011 the fair value of the outstanding debt was $71,477,350 and $44,957,288, respectively.

9. Contingencies

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

b. The University was involved in the Guaranteed Access to Education (GATE) loan program from 1994 to 2005. Under this program, the University recognizes future residual cash flows as an asset. Based on historical default rates and other assumptions, the residual receivables are approximately $1,563,784 and $2,037,660 as of June 30, 2012 and 2011, respectively. This amount has been recorded in the consolidated financial statements in other assets. Also under this program, the University has pledged approximately $6,247,274 and $6,394,166 as of June 30, 2012 and 2011 to a third party administrator to guaranty the loans. The discounted estimated pledge contribution liability is $581,322 and $791,547 as of June 30, 2012 and 2011, respectively. This amount has been recorded in the consolidated financial statements in other liabilities.

10. Risk Retention

The University partially retains the risk for medical insurance. The University carries stop/loss insurance which covers medical and prescription drug claims which exceed the annual aggregate attachment point of approximately $8,030,387 and $8,104,547 in 2012 and 2011, respectively. The attachment point for any individual claim is $150,000. It is the University's policy to reserve for anticipated claims and record this amount as an accrued liability. This liability amounted to approximately $626,287 and $600,310 as of June 30, 2012 and 2011 and is recorded within other liabilities on the Statement of Financial Position.

11. Commitments

The University entered into an operating lease with UTC Power Corporation for the lease of a Microturbine System to provide electricity and thermal energy under the terms of a noncancelable operating lease agreement expiring in 2020.

Future minimum rental payments required under this arrangement are as follows at June 30:

2013	$ 146,664
2014	146,664
2015	146,664
2016	146,664
2017	146,664
Thereafter	358,381
Total minimum payments required	$ 1,091,701

12. Beacon Acquisition

Until the acquisition described in the following paragraph occurred, The Beacon Institute, Inc. ("Beacon") was a New York State not-for-profit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code. Beacon, located in Beacon, New York, owns and operates a global center for scientific technological innovation that advances research, education and public policy regarding rivers and estuaries. On October 3, 2011 the University and Beacon entered into an agreement pursuant to which the University became the sole member of Beacon. The University acquired Beacon to enhance its position as a leader in rivers and estuaries research. The alliance will advance the commercialization of emerging river technology, new academic programs, and promote the protection of public waterways. The transaction resulted in a contribution received, as Beacon was seeking the alliance to assure its fiscal viability and advance its technological and scientific innovation mission.

The change in control of Beacon was accounted for as an acquisition under the Merger and Acquisition guidance for Not-for-Profit entities. As such, the University recorded approximately $6,717,970 of contribution income in the consolidated statement of operations. The amount represents the excess of the fair value of assets acquired over the fair value of liabilities assumed, of which $841,056 reflects the fair value adjustment at October 3, 2011. In addition, $57,728 is recorded in other expenses at October 3, 2011, for acquisition related costs. The consolidated statements of operations reflect activity of $971,935 from the date of acquisition (October 3, 2011) to year end. No consideration was exchanged for the acquisition.

The fair value of assets acquired, liabilities assumed and the net assets of Beacon at October 3, 2011 were as follows:

Assets	
Cash	$ 190,434
Grants and other receivable	2,614,835
Inventory	14,656
Prepaid expenses	25,828
Property and equipment	6,819,125
Total assets acquired	$ 9,664,878
Liabilities	
Accounts payable and accrued expenses	$ 2,446,908
M&T Bank line of credit	500,000
Total liabilities assumed	$ 2,946,908
Net Assets	
Unrestricted	$ 6,645,658
Temporarily restricted	67,312
Permanently restricted	5,000
Total net assets	$ 6,717,970

A summary of the financial results of Beacon included in the consolidated statements of activities from the period October 3, 2011 through June 30, 2012 are as follows:

Grant revenue	$ 2,786,355
Other operating revenues	210,767
Excess of revenues over expenses	971,935
Increase in unrestricted net assets	980,538
Decrease in temporarily restricted net assets	(8,603)

A summary of consolidated financial results as if the acquisition had occurred on July 1, 2010 are as follows:

	2012	**2011**
Total revenues	$ 118,280,670	$ 117,223,118
Change in unrestricted net assets	(13,432,797)	2,144,171
Change in temporarily restricted net assets	(4,051,031)	24,082,552
Change in permanently restricted net assets	2,303,140	4,673,158

13. Subsequent Event

The University has performed an evaluation of subsequent events through November 15, 2012, the date on which the consolidated financial statements were issued.