CLARKSON UNIVERSITY

Consolidated Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

CLARKSON UNIVERSITY

Consolidated Financial Statements

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KPMG LLP
Suite 400
356 Mountain View Drive
Colchester, VT 05446

Independent Auditors' Report

The Board of Trustees
Clarkson University:

We have audited the accompanying consolidated financial statements of Clarkson University (the University), which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clarkson University as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 6, 2015

CLARKSON UNIVERSITY

Consolidated Balance Sheets

June 30, 2015 and 2014

Assets		2015	2014
Cash and cash equivalents	$	5,175,519	4,724,149
Accounts receivable, net		9,813,042	11,612,208
Deposits with trustee		1,677,204	1,663,677
Pledges receivable, net		4,004,875	5,313,741
Notes receivable – students, net		8,204,948	7,218,404
Other assets		6,478,348	6,187,654
Investments		169,350,583	181,553,965
Property and equipment, net		186,809,941	183,220,451
Total assets	$	391,514,460	401,494,249
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	4,650,696	5,844,468
Deposits and advances		9,774,587	9,187,123
Other liabilities		7,148,163	8,845,493
Accrued postretirement benefits		15,578,947	13,088,006
Long-term debt		64,129,971	65,462,596
Asset retirement obligations		5,307,725	5,170,771
Federal and other loan advances		7,673,049	7,629,674
Total liabilities		114,263,138	115,228,131
Net assets:			
Unrestricted		121,413,445	129,218,466
Temporarily restricted		36,924,515	41,611,284
Permanently restricted		118,913,362	115,436,368
Total net assets		277,251,322	286,266,118
Total liabilities and net assets	$	391,514,460	401,494,249

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	2015				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Total 2014**
Operating revenues:					
Tuition and fees	$ 145,201,705	—	—	145,201,705	136,062,940
Housing, dining, and other auxiliary services	29,516,866	—	—	29,516,866	28,243,878
Less:					
University funded scholarships	(86,191,023)	—	—	(86,191,023)	(82,871,443)
Government funded student aid	(468,664)	—	—	(468,664)	(456,400)
Net tuition and fees	88,058,884	—	—	88,058,884	80,978,975
State appropriations	272,160	—	—	272,160	260,828
Government contracts and grants	11,148,961	—	—	11,148,961	10,994,685
Private gifts and grants	6,946,400	2,089,740	—	9,036,140	11,901,723
Sales and services of educational and general departments	499,082	—	—	499,082	797,873
Related entities	1,612,487	—	—	1,612,487	2,744,491
Other sources	2,965,371	—	—	2,965,371	3,288,863
Allocation of endowment return for spending	7,963,614	—	—	7,963,614	7,821,792
Net assets released from restrictions	1,250,420	(1,250,420)	—	—	—
Total operating revenues	120,717,379	839,320	—	121,556,699	118,789,230
Operating expenses:					
Instruction	53,890,368	—	—	53,890,368	48,358,732
Research	11,248,376	—	—	11,248,376	11,206,680
Academic support	12,303,196	—	—	12,303,196	11,039,579
Student services	15,020,104	—	—	15,020,104	14,587,326
Institutional support	16,760,644	—	—	16,760,644	15,121,657
Housing, dining and other auxiliary services	15,602,462	—	—	15,602,462	15,129,201
Related entities	1,632,918	—	—	1,632,918	4,737,246
Total operating expenses	126,458,068	—	—	126,458,068	120,180,421
(Decrease) increase from operating activity	(5,740,689)	839,320	—	(4,901,369)	(1,391,191)
Nonoperating activity:					
State grants and contributions for long-term investment	6,889,191	1,891,959	4,871,269	13,652,419	11,330,377
Change in pledges receivable	—	(61,367)	(1,247,499)	(1,308,866)	1,151,895
Total endowment investment return	(1,095,796)	(2,743,714)	—	(3,839,510)	26,173,566
Endowment return distributed for operations	(1,979,422)	(6,091,714)	107,522	(7,963,614)	(7,821,792)
Loss on disposal of assets	(370,475)	—	—	(370,475)	(104,676)
Other changes and reclassifications	(2,217,442)	2,217,442	—	—	—
Net assets released from restrictions	912	2,000	(2,912)	—	—
Postretirement related adjustments other than net periodic benefit costs	(3,130,282)	—	—	(3,130,282)	10,122,225
Other nonoperating expense	(161,018)	(740,695)	(251,386)	(1,153,099)	(473,396)
(Decrease) increase from nonoperating activity	(2,064,332)	(5,526,089)	3,476,994	(4,113,427)	40,378,199
Change in net assets	(7,805,021)	(4,686,769)	3,476,994	(9,014,796)	38,987,008
Net assets:					
Beginning of year	129,218,466	41,611,284	115,436,368	286,266,118	247,279,110
End of year	$ 121,413,445	36,924,515	118,913,362	277,251,322	286,266,118

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2014

	2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues:				
Tuition and fees	$ 136,062,940	—	—	136,062,940
Housing, dining, and other auxiliary services	28,243,878	—	—	28,243,878
Less:				
University funded scholarships	(82,871,443)	—	—	(82,871,443)
Government funded student aid	(456,400)	—	—	(456,400)
Net tuition and fees	80,978,975	—	—	80,978,975
State appropriations	260,828	—	—	260,828
Government contracts and grants	10,994,685	—	—	10,994,685
Private gifts and grants	10,326,490	1,575,233	—	11,901,723
Sales and services of educational and general departments	797,873	—	—	797,873
Related entities	2,744,491	—	—	2,744,491
Other sources	3,288,863	—	—	3,288,863
Allocation of endowment return for spending	7,821,792	—	—	7,821,792
Net assets released from restrictions	1,341,504	(1,341,504)	—	—
Total operating revenues	118,555,501	233,729	—	118,789,230
Operating expenses:				
Instruction	48,358,732	—	—	48,358,732
Research	11,206,680	—	—	11,206,680
Academic support	11,039,579	—	—	11,039,579
Student services	14,587,326	—	—	14,587,326
Institutional support	15,121,657	—	—	15,121,657
Housing, dining and other auxiliary services	15,129,201	—	—	15,129,201
Related entities	4,737,246	—	—	4,737,246
Total operating expenses	120,180,421	—	—	120,180,421
(Decrease) increase from operating activity	(1,624,920)	233,729	—	(1,391,191)
Nonoperating activity:				
State grants and contributions for long-term investment	6,549,978	1,201,706	3,578,693	11,330,377
Change in pledges receivable	—	1,300,138	(148,243)	1,151,895
Total endowment investment return	7,485,640	18,687,926	—	26,173,566
Endowment return distributed for operations	(1,844,268)	(6,055,405)	77,881	(7,821,792)
Loss on disposal of assets	(104,676)	—	—	(104,676)
Other changes and reclassifications	3,215,994	(3,215,994)	—	—
Net assets released from restrictions	234,119	25,000	(259,119)	—
Postretirement related adjustments other than net periodic benefit costs	10,122,225	—	—	10,122,225
Other nonoperating income (expenses)	(514,245)	(93,963)	134,812	(473,396)
Increase from nonoperating activity	25,144,767	11,849,408	3,384,024	40,378,199
Change in net assets	23,519,847	12,083,137	3,384,024	38,987,008
Net assets:				
Beginning of year	105,698,619	29,528,147	112,052,344	247,279,110
End of year	$ 129,218,466	41,611,284	115,436,368	286,266,118

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ (9,014,796)	38,987,008
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,510,690	8,787,322
Loss on disposal of assets	370,475	104,676
Contributions received for long-term investment	(7,629,309)	(4,787,985)
Contributions received for investment in annuity agreements	(192,024)	(732,645)
Net realized and unrealized loss (gain) on investments	5,156,704	(24,270,738)
Adjustment on loans receivable	(521,116)	(233,400)
Asset retirement obligation	346,935	374,582
Forgiveness of debt	(333,340)	(333,340)
Changes in assets and liabilities that effect operating cash flows:		
Accounts receivable	1,823,518	(4,030,733)
Pledges receivable	1,308,866	(1,151,895)
Other assets	(181,938)	(308,383)
Accounts payable and accrued expenses	(524,665)	260,361
Asset retirement obligation	(209,981)	(373,474)
Deposits and advances	587,464	(1,549,722)
Other liabilities	(1,487,567)	3,430,019
Postretirement benefits	2,490,941	(9,523,717)
Net cash provided by operating activities	500,857	4,647,936
Cash flows from investing activities:		
Proceeds from maturity/sale of investments	86,422,435	14,956,148
Purchase of investments	(76,691,495)	(12,891,560)
Increase in short-term investments	4,354	(1,425)
Decrease (increase) in deposits with trustee	(13,527)	2,558,068
Student loans collected, net	(1,010,898)	(604,067)
Other assets collected	125,278	244,400
Purchase of property and equipment	(13,066,793)	(20,621,991)
Net cash used in investing activities	(4,230,646)	(16,360,427)
Cash flows from financing activities:		
Contributions received for long-term investment	4,945,045	3,557,693
Contributions received for investment in annuity agreements	192,024	732,645
Payment of debt principal	(999,285)	(980,383)
Other changes in government loan funds	43,375	107,415
Net cash provided by financing activities	4,181,159	3,417,370
Net increase (decrease) in cash and cash equivalents	451,370	(8,295,121)
Cash and cash equivalents:		
Beginning of year	4,724,149	13,019,270
End of year	$ 5,175,519	4,724,149
Supplemental disclosures:		
Interest paid	$ 2,873,807	2,854,859
Noncash transactions:		
Securities contributions	2,684,262	1,192,103
Decrease in construction-related payables	(669,107)	(185,868)

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Clarkson University (the University) is an independent, co-educational, not-for-profit, nonsectarian institution of higher education located in Potsdam, New York. The University, founded in 1896, operates as an education corporation under the New York State Not-for-Profit Corporation Law under the direction of an independent Board of Trustees. The University has a total enrollment of over 3,000 undergraduate students and 500 graduate students in more than 50 comprehensive programs in business, engineering, science, liberal arts, health sciences, and environmental studies.

J.R. Weston, Inc. (Weston, included within Related Entities on the Statements of Activities) is a for-profit, wholly owned subsidiary of the University. Weston operations consist of real estate rentals and a hotel operation. The Beacon Institute, Inc. is a not-for-profit organization of which the University is the sole member. Beacon owns and operates a global center for scientific technological innovation that advances research, education and public policy regarding rivers and estuaries. All significant inter-entity accounts and transactions are eliminated in consolidation.

(b) Basis of Accounting

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP).

(c) 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 disclosures of contingent assets and liabilities at the dates of the financial statements and reported amounts of revenues and expenses during the reporting periods. Management's most significant use of estimates relate to allowances for receivables, investment valuations, accrued postretirement benefits and asset retirement obligations. Actual results could differ from those estimates.

(d) Net Assets

The accompanying consolidated financial statements present information in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The three classes are differentiated by the presence or absence of donor-imposed restrictions. Net assets having similar characteristics have been classified as follows:

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 are 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. Total return on permanently and temporarily restricted assets are reported as temporarily restricted net assets until appropriated by the University's Board of Trustees in accordance with New York State laws.

(Continued)

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained into perpetuity and neither expire with the passage of time nor can be fulfilled or otherwise removed by the actions of the University. 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 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.”

(e) Cash Equivalents

Cash equivalents represent highly liquid debt instruments with original maturities of three months or less that are not part of long-term investment pools.

(f) Deposits with Trustee

Deposits with trustee include debt service and certain reserve funds required by the trustee.

(g) 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 promises to give cash and other assets are reported at fair value at the date the promise is received except unconditional pledges to be received in future years which are discounted, as of the date of the contribution, at rates commensurate with the period of time until the pledge is scheduled to be paid and reflecting an allowance for potential collection risk, and are classified as either permanently restricted or temporarily restricted. 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. Contributions specified for the acquisition or construction of long-lived assets are reported as unrestricted net assets when the assets are placed in service. In the absence of donor stipulations, income and gains on contributions are reported as revenue of unrestricted net assets.

(h) Investments

Investments are reported at estimated fair value. The values of publicly traded fixed income and equity securities are based on quoted market prices and exchange rates. Nonmarketable securities include alternative investments in hedge, private equity, and other similar funds, which are valued using current estimates of fair value in the absence of readily determinable market values. The University utilizes net asset value or its equivalent (NAV) reported by the fund managers as a practical expedient to fair value. The estimates, because of the inherent uncertainty of valuations for these investments, may differ from the values that would have been used had ready markets existed. As of June 30, 2015, the University had no specific plans or intentions to sell investments at amounts different than NAV.

(Continued)

(i) Fair Value

GAAP defines fair value and establishes a framework for measuring fair value. The GAAP definition of fair value focuses on the exit price of a financial instrument, which is the price that would be received to sell an asset or settle a liability in an orderly transaction between market participants at the measurement date, incorporating 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 a financial instrument 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 following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis. A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

- Level l – quoted prices (unadjusted) in active markets that are accessible for assets and liabilities at the measurement date. Assets and liabilities classified as Level 1 generally include listed equities.
- Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data. Assets and liabilities classified as Level 2 generally include short-term investments and annuity and life income funds.
- Level 3 – inputs include pricing inputs that are unobservable for the assets and reflect certain assumptions to determine fair value.

Effective in the year ended June 30, 2015, the University retrospectively adopted the provisions of the FASB Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent)* (ASU 2015-07). ASU 2015-07 removes the requirement to classify within the fair value hierarchy table in Levels 2 or 3 investments in certain funds measured at NAV as a practical expedient to estimate fair value. The adoption did not impact the University's statement of financial position, statement of activities, or statement of cash flow and resulted only in changes to the University's investment footnote disclosures.

(j) 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.

The University assesses its long-lived assets for impairment whenever events or changes in circumstances indicate potential impairment. The University has determined that no impairment losses 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 temporarily 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.

(k) Asset Retirement Obligations

The University accrues for asset retirement obligations in the period in which they are incurred. Beginning with the date identified and through the estimated time of settlement of the obligation, the liability is accreted to its estimated 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 activity associated with asset retirement obligations during the years ended June 30, 2015 and 2014:

		2015	2014
Asset retirement obligations at beginning of year	$	5,170,771	5,216,603
Remediation		(187,778)	(316,149)
Accretion expense		346,935	327,642
Cost estimate revisions		(22,203)	(57,325)
Asset retirement obligations at end of year	$	5,307,725	5,170,771

(l) Retirement Plans

The University participates in defined contribution retirement plans. Total expense under these plans, representing the University’s contributions to these plans, was $3,831,838 and $3,661,243 for 2015 and 2014, respectively. The plan document was amended to allow employees of the Beacon Institute to participate in the plan as of July 1, 2014.

(m) Income Taxes

The consolidated financial statements include the University and Beacon, which are generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Weston is a taxable subsidiary of the University. The income tax attributable to Weston is reflected in these consolidated financial statements but is not material.

(Continued)

The University recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by a taxing authority and believes it has taken no significant uncertain tax positions.

(n) Allocation of Certain Expenses

The statements of activities present 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.

(o) Reclassifications

Certain 2014 amounts have been reclassified to conform to the 2015 presentation.

(2) Investments and Fair Value

(a) Fair Value

The following table presents the financial instruments carried at fair value as of June 30, 2015, by balance sheet caption, based on the valuation hierarchy defined in note 1(i):

	Level 1	Level 2	Level 3	Measured at NAV	Total	Redemption or liquidation
Other assets:						
Short-term investments	$ —	676,347	—	—	676,347	Daily
GATE receivable	—	—	1,376,007	—	1,376,007	Illiquid
Deposits with trustee	1,677,204	—	—	—	1,677,204	Daily
Investments:						
Money market and similar	392,462	—	—	—	392,462	Daily
Fixed income securities:						
U.S. government securities	10,765,633	—	—	—	10,765,633	Daily
Other	76,434	—	—	—	76,434	Daily
Corporate stocks:						
Domestic	13,802,485	—	—	—	13,802,485	Daily
International	26,167,701	—	—	—	26,167,701	Daily
Hedge funds:						
Multistrategy funds	—	—	—	54,194,335	54,194,335	Quarterly/Annual
Private equity	—	—	—	7,403,599	7,403,599	Illiquid
Venture capital	—	—	—	5,434,715	5,434,715	Illiquid
Real assets	2,184,060	—	16,000	9,207,741	11,407,801	Monthly
International equity	—	—	—	33,212,480	33,212,480	Monthly
Annuity and life income funds	—	6,211,728	—	—	6,211,728	N/A
Life insurance policies	—	281,210	—	—	281,210	Daily
Investments	53,388,775	6,492,938	16,000	109,452,870	169,350,583	
Total assets	$ 55,065,979	7,169,285	1,392,007	109,452,870	173,080,141	
Liabilities:						
GATE liability	$ —	—	265,396	—	265,396	
Total liabilities at fair value	$ —	—	265,396	—	265,396	

The following table presents the financial instruments carried at fair value as of June 30, 2014, by caption on the balance sheet by the valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Measured at NAV	Total	Redemption or liquidation
Other assets:						
Short-term investments	$ —	680,701	—	—	680,701	Daily
GATE receivable	—	—	1,161,065	—	1,161,065	Illiquid
Deposits with trustee	1,663,677	—	—	—	1,663,677	Daily
Investments:						
Money market and similar	520,704	—	—	—	520,704	Daily
Fixed income securities:						
U.S. government securities	12,017,460	—	—	—	12,017,460	Daily
Other	3,278,316	—	—	—	3,278,316	Daily
Corporate stocks:						
Domestic	22,905,621	10,635,378	—	—	33,540,999	Daily
International	38,431,804	—	—	—	38,431,804	Daily
Hedge funds:						
Multistrategy funds	—	—	—	40,275,355	40,275,355	Quarterly/Annual
Private equity	—	—	—	7,639,589	7,639,589	Illiquid
Venture capital	—	—	—	5,441,478	5,441,478	Illiquid
Real assets	3,229,388	—	16,000	12,008,143	15,253,531	Monthly
International equity	—	—	—	18,501,730	18,501,730	Monthly
Annuity and life income funds	—	6,335,376	—	—	6,335,376	N/A
Life insurance policies	—	317,623	—	—	317,623	Daily
Investments	80,383,293	17,288,377	16,000	83,866,295	181,553,965	
Total assets	$ 82,046,970	17,969,078	1,177,065	83,866,295	185,059,408	
Liabilities:						
GATE liability	$ —	—	446,292	—	446,292	
Total liabilities at fair value	$ —	—	446,292	—	446,292	

As a result of the adoption of ASU 2015-07, the June 30, 2014 fair value hierarchy table was restated to reflect the removal of NAV-measured investments aggregating $32,614,637 in Level 2 and $51,251,658 in Level 3.

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 $1,376,007 and $1,161,065 as of June 30, 2015 and 2014, respectively. This amount is recorded at estimated fair value in other assets on the accompanying consolidated balance sheets. Also under this program, the University has pledged approximately $5,696,799 and $5,816,346 as of June 30, 2015 and 2014 to a third party administrator to guaranty the loans. The discounted estimated pledge contribution liability is $265,396 and $446,292 as of June 30, 2015 and 2014, respectively. This amount has been recorded at fair value in other liabilities in the accompanying consolidated balance sheets.

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 balance sheet amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy after restating the beginning balance to reflect the removal of NAV-measured investments aggregating $51,251,658.

	Fair value July 1, 2014	Payments received	Pledge payments	Present value adjustment	Fair value June 30, 2015
Assets:					
GATE receivable	$ 1,161,065	(125,278)	—	340,220	1,376,007
Real estate	16,000	—	—	—	16,000
Total assets at fair value	$ 1,177,065	(125,278)	—	340,220	1,392,007
Liabilities:					
GATE liability	$ 446,292	—	(163,902)	(16,994)	265,396
Total liabilities at fair value	$ 446,292	—	(163,902)	(16,994)	265,396

	Fair value July 1, 2013	Payments received	Pledge payments	Present value adjustment	Fair value June 30, 2014
Assets:					
GATE receivable	$ 1,376,343	(244,400)	—	29,122	1,161,065
Real estate	16,000	—	—	—	16,000
Total assets at fair value	$ 1,392,343	(244,400)	—	29,122	1,177,065
Liabilities:					
GATE liability	$ 650,570	—	(304,339)	100,061	446,292
Total liabilities at fair value	$ 650,570	—	(304,339)	100,061	446,292

(Continued)

(b) Investment Return

A majority of endowment assets are pooled on a fair value basis, 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 realized and unrealized (loss) gain in the fair value of pooled investments when determining the spending amount. The unit fair value is used to account for income distributed and pool transactions. Pooled funds were as follows as of June 30:

	2015	2014
Investments in pooled funds, at fair value	$ 162,709,187	176,820,294
Total number of units	730,489	707,957
Market value per unit	222.74	249.76

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

	2015	2014
Investment earnings, net of fees	$ 1,317,194	1,902,828
Realized and unrealized (loss) gain, net	(5,156,704)	24,270,738
Total return on investment	(3,839,510)	26,173,566
Allocation for endowment spending policy	(7,963,615)	(7,821,792)
Nonoperating investment (loss) return	$ (11,803,125)	18,351,774

Investment fees were $722,976 and $502,032 for the years ended June 30, 2015 and 2014, respectively. The University has annuity and life income investments with a gross value of $6,459,239 and $6,620,545 as of June 30, 2015 and 2014, 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 obligations. The amount of this liability, which is included in other liabilities on the accompanying consolidated balance sheets, is $4,169,102 and $3,464,446 as of June 30, 2015 and 2014, respectively.

(c) Liquidity

Investments include illiquid private equity and venture capital funds. Those investments are illiquid because distributions from them are made upon the liquidation of underlying investments. Also, certain of the University's hedge fund investments are subject to restrictions impacting their liquidity. Those restrictions include contractual lock up provisions, redemption notification requirements, and other restrictions. The University is able to withdraw money from the funds on January 1st of each year.

Under the terms of certain limited partnership agreements, the University is obligated periodically to advance additional funding. At June 30, 2015 and 2014, the University had commitments of approximately $17,140,000 and $1,880,000, respectively, for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses.

(Continued)

(3) Endowment Funds

The University is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA), which 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 applies the concepts included in NYPMIFA and ASC Topic 958, *Not-for-Profit Entities*, in its classification of unspent accumulated total return as temporarily restricted net assets.

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 (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 able to be expended by the University in a manner consistent with the donor's intent.

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 assets are approximately $186,000,000, with approximately $163,000,000 in endowed investments, $10,000,000 of internal borrowings for the student center and academic investment programs, $2,500,000 in assets less liabilities of Weston, and $10,500,000 due to the endowment.

Endowment net assets consisted of the following as of June 30, 2015:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	$	(3,318,035)	22,197,963	114,807,448	133,687,376
Board-designated		52,452,979	—	—	52,452,979
Total endowment net assets	$	49,134,944	22,197,963	114,807,448	186,140,355

Changes in endowment net assets for the year ended June 30, 2015 were as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2014	$	54,141,757	28,815,949	109,960,155	192,917,861
Interest and dividends, net of fees		375,927	941,267	—	1,317,194
Net depreciation		(1,471,723)	(3,684,981)	—	(5,156,704)
Total investment return		(1,095,796)	(2,743,714)	—	(3,839,510)
Contributions		255,000	—	4,689,745	4,944,745
Amounts appropriated for expenditure		(1,352,483)	(6,091,714)	106,759	(7,337,438)
Amounts appropriated for debt service		(676,884)	—	—	(676,884)
Other changes and reclassification		(2,136,650)	2,217,442	50,789	131,581
Net assets at June 30, 2015	$	49,134,944	22,197,963	114,807,448	186,140,355

Endowment net assets consisted of the following as of June 30, 2014:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	$	(1,100,593)	28,815,949	109,960,155	137,675,511
Board-designated		55,242,350	—	—	55,242,350
Total endowment net assets	$	54,141,757	28,815,949	109,960,155	192,917,861

Changes in endowment net assets for the year ended June 30, 2014 were as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2013	$	43,548,092	19,399,422	106,490,354	169,437,868
Interest and dividends, net of fees		544,209	1,358,619	—	1,902,828
Net appreciation		6,941,431	17,329,307	—	24,270,738
Total investment return		7,485,640	18,687,926	—	26,173,566
Contributions		1,600,000	—	3,557,143	5,157,143
Amounts appropriated for expenditure		(1,271,654)	(6,055,405)	77,102	(7,249,957)
Amounts appropriated for debt service		(670,434)	—	—	(670,434)
Other changes and reclassification		3,450,113	(3,215,994)	(164,444)	69,675
Net assets at June 30, 2014	$	54,141,757	28,815,949	109,960,155	192,917,861

(Continued)

(a) 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 spending deemed prudent.

When donor-restricted endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature were $3,318,035 and $1,100,593 as of June 30, 2015 and 2014, respectively. These deficits were related to endowment funds with an original fair value of $42,152,366 and $24,245,819 as of June 30, 2015 and 2014, respectively.

(b) 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.

(c) 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.

(d) 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 rate of 4.5% is based on a trailing 12-quarter average market value of restricted and unrestricted pooled assets. An additional annual spending of 1% based on the trailing 12-quarter average market value of unrestricted pooled assets is appropriated for the Board of Trustees approved debt service expenses or capital expenditures. Furthermore, the Board of Trustees has authorized additional annual spending for certain debt service. 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.

(Continued)

(4) Temporarily and Permanently Restricted Net Assets

At June 30, 2015 and 2014, temporarily and permanently restricted net assets were comprised as follows:

	2015		2014	
	Temporarily restricted	**Permanently restricted**	**Temporarily restricted**	**Permanently restricted**
Pledges and bequests receivable	$ 3,330,567	674,308	3,391,935	1,921,806
Other	6,143,131	5,000	5,268,086	5,000
Restricted for facilities	3,586,511	—	1,738,777	—
Restricted for student loans	—	2,802,810	—	2,789,845
Life income, annuity, and similar funds	1,666,343	623,796	2,396,537	759,562
Endowment funds	22,197,963	114,807,448	28,815,949	109,960,155
Total net assets	$ 36,924,515	118,913,362	41,611,284	115,436,368

(5) Receivables

Accounts receivable consisted of the following at June 30:

	2015	2014
Students, net	$ 1,466,982	1,848,624
Research contracts and grants	4,988,220	6,673,268
Other	3,357,840	3,090,316
	$ 9,813,042	11,612,208

The University maintains an allowance for uncollectible student and grant accounts. These allowances were approximately $371,246 and $368,910 for student and grant receivables at June 30, 2015 and 2014, respectively.

Notes receivable consisted of the following at June 30:

	2015	2014
Federal and other external student	$ 6,481,915	5,495,883
Unrestricted student loans	225,944	233,088
Permanently restricted student loans	1,497,089	1,489,433
	$ 8,204,948	7,218,404

The University maintains an allowance for uncollectible notes receivable, which was $1,056,695 and $1,022,294 at June 30, 2015 and 2014, respectively.

(Continued)

Pledges receivable at June 30 are as follows:

		2015	2014
In less than one year	$	2,200,106	3,103,350
In one to five years		2,028,474	2,494,581
Greater than five years		10,000	10,000
Gross receivable		4,238,580	5,607,931
Present value discount and reserve		233,705	294,190
Net receivable	$	4,004,875	5,313,741

(6) Property and Equipment

Property and equipment consisted of the following at June 30:

		2015	2014
Buildings and grounds	$	250,913,204	245,512,391
Equipment		39,493,748	38,361,879
Construction in progress		22,473,971	18,983,358
Total property and equipment		312,880,923	302,857,628
Less accumulated depreciation		(126,070,982)	(119,637,177)
	$	186,809,941	183,220,451

Construction in progress is made up of certain projects started but not completed at June 30, 2015. The estimated costs to complete these projects, most of which represent costs to be incurred under contracts with vendors, are approximately $22,199,291. These projects consist of dormitory expansion, engineering lab additions, and others.

Capitalized interest costs were $115,271 and $216,097 for the years ended June 30, 2015 and 2014 respectively.

(7) Long-term Debt

Outstanding debt consisted of the following at June 30:

		2015	2014
Clarkson University:			
St. Lawrence County Industrial Development Authority (IDA):			
St. Lawrence County IDA Bonds – 2003 (a)	$	3,075,000	3,170,000
St. Lawrence County IDA Bonds – 2007 (b)		22,281,207	22,896,586
St. Lawrence County IDA Bonds – 2011 (c)		14,740,995	14,744,806
St. Lawrence County IDA Bonds – 2012A (d)		18,969,120	18,999,653
St. Lawrence County IDA Bonds – 2012B (e)		3,063,809	3,066,129
Empire State Development Corporation (f)		1,999,840	2,333,180
Capital leases		—	252,242
Total long-term debt	$	64,129,971	65,462,596

(a) These bonds bear interest at rates ranging from 2.50% to 5.00% and require annual principal payments ranging from $75,000 to $765,000 through July 2033.

(b) These bonds bear interest at rates ranging from 4.0% to 5.0% and require annual principal payments ranging from $95,000 to $2,300,000 through July 2032.

(c) These bonds bear interest at rates ranging from 3.0% to 6.0% and requiring annual principal payments through September 2041.

(d) These bonds bear interest at rates ranging from 4.0% to 5.25% and require annual principal payments through September 2041.

(e) These bonds assume initial coupon interest at a rate 2.5% until March 1, 2016 and then an estimated coupon of 3.36% to maturity. The principal payment of $3,000,000 is due September 2042.

(f) This is an interest-free mortgage 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, 2015 and 2014 were forgiven by New York State.

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At June 30, 2015, the aggregate amounts of principal and sinking-fund requirements for long-term debt over the next five fiscal years and thereafter are as follows:

		Amount
Fiscal year:		
2016	$	1,148,576
2017		1,278,576
2018		1,368,576
2019		1,408,576
2020		1,458,576
Thereafter		57,467,091
	$	64,129,971

The St. Lawrence County IDA bond agreements include provisions requiring the maintenance of a minimum annual debt service coverage ratio. As of June 30, 2015 and 2014, the University is in compliance with these provisions.

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. The outstanding balance at June 30, 2015 is $0.

The University has a $960,000 revolving line of credit with a bank related to its procurement card program on which there was an outstanding balance of $37,253 and $16,246 as of June 30, 2015 and 2014, respectively. It is interest free if full payment is received within the monthly billing cycle. The credit line is on an annual automatic renewal.

Beacon has a revolving line of credit with a bank which provides for a variable interest rate which, at June 30, 2015 and 2014, was 0.75% above the prime rate with a minimum of 4.0%. The maximum authorized amount available is $750,000. Borrowings under the line are collateralized by Beacon’s property and equipment and payable on demand.

Weston has a $500,000 line of credit at a bank’s prime rate (3.25% at June 30, 2015) on which there was no outstanding balance at June 30, 2015. There is no expiration date associated with this line of credit.

The fair value of the University’s outstanding debt is estimated based on current rates offered for similar issues. At June 30, 2015 and 2014 the fair value of the outstanding debt was approximately $69,458,528 and $70,110,988, respectively. The fair value of outstanding debt has been determined using significant observable inputs that would be categorized as Level 2 in the fair value hierarchy.

(8) 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:

	2015	2014
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 13,088,006	22,611,723
Service cost	356,532	736,571
Interest cost	554,467	1,097,647
Plan participants' contributions	659,505	627,805
Medicare Part D subsidy	23,191	24,790
Actuarial loss (gain)	1,915,116	(11,134,763)
Benefits paid	(1,017,870)	(875,767)
Benefit obligation at end of year	15,578,947	13,088,006
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contributions	335,174	223,172
Plan participants' contributions	659,505	627,805
Benefits paid	(1,017,870)	(875,767)
Medicare Part D subsidy	23,191	24,790
Fair value of plan assets at end of year	—	—
Funded status at end of year	$ (15,578,947)	(13,088,006)
Discount rates:		
Year end benefit obligation	4.40%	4.30%
Net periodic benefit cost	4.30	4.90
Components of net periodic benefit cost:		
Service cost	$ 356,532	736,571
Interest cost	554,467	1,097,647
Amortization of net (gain) loss	(618,055)	123,902
Amortization of prior service credit	(756,699)	(756,699)
Net periodic benefit (credit) cost	$ (463,755)	1,201,421

During the year ended June 30, 2015, the following were the key factors in the increase in the postretirement obligation: changes in plan participation rates, medical claims experience, contribution rates and mortality rates. The changes in these factors resulted in a 19% net increase in the postretirement benefit obligation, which also represented approximately 28% of the change in the University's net asset decrease for the fiscal year ended June 30, 2015.

Estimated Future Contributions and Benefit Payments

The following estimated benefit payments, net of participant contributions, are expected:

	Contributions benefit payments
2016	$ 428,827
2017	446,550
2018	471,076
2019	509,078
2020	542,208
2021–2025	3,272,664

For measurement purposes, an 8.0% and a 5.0% annual rate of increase in the per capita cost of covered health care and dental benefits, respectively, was assumed as of June 30, 2015. The health care rate was assumed to decrease each year through 2042 to 5.0% and remain at that level thereafter while 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 or 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 2016 are $756,699 and $336,730, respectively.

(9) Commitments and Contingencies

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.

The University partially retains the risk for medical insurance. The University carries stop/loss insurance that covers medical and prescription drug claims that exceed the annual aggregate attachment point of approximately $9,376,984 and $8,482,597 in 2015 and 2014, respectively. The attachment point for any individual claim is $175,000. The University's estimated liability for its retained risk under these policies amounted to approximately $824,109 and $771,777 as of June 30, 2015 and 2014 and is recorded within other liabilities on the balance sheets.

In May 2015, the University Board of Trustees approved an agreement under which Union Graduate College, Schenectady, New York shall be merged with and into the University. The merger remains subject to satisfaction of all due diligence investigations in progress as of the date that these statements are issued. There will be no consideration paid by the University to Union Graduate College under the terms of the merger agreement. It is expected that the effective date of the merger will be February 1, 2016.

(10) Subsequent Events

The University has evaluated subsequent events through October 6, 2015, the date on which the consolidated financial statements were issued.