KPMG

CLARKSON UNIVERSITY

Consolidated Financial Statements

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

CLARKSON UNIVERSITY

Consolidated Financial Statements

June 30, 2018 and 2017

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KPMG LLP
One Park Place
463 Mountain View Drive, Suite 400
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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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 12, 2018

CLARKSON UNIVERSITY

Consolidated Balance Sheets

June 30, 2018 and 2017

Assets		**2018**	**2017**
Cash and cash equivalents	$	6,946,229	12,796,335
Accounts receivable, net		8,991,223	10,018,183
Deposits with trustee		7,316,290	10,287,667
Pledges receivable, net		4,062,374	3,807,305
Notes receivable – students, net		8,784,577	8,674,912
Other assets		4,803,007	4,324,242
Annuity and life income funds held in trust		10,281,085	10,438,341
Investments		190,061,024	175,550,844
Property and equipment, net		192,572,793	191,863,793
Total assets	$	433,818,602	427,761,622
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	11,269,912	6,323,512
Deposits and advances		8,380,883	8,612,326
Other liabilities		8,315,077	9,158,501
Accrued postretirement benefits		27,705,797	17,942,055
Long-term debt		73,848,118	74,809,792
Asset retirement obligations		5,323,074	5,136,534
Federal and other loan advances		8,220,746	8,070,261
Total liabilities		143,063,607	130,052,981
Net assets:			
Unrestricted		115,541,603	131,090,175
Temporarily restricted		46,514,806	39,669,919
Permanently restricted		128,698,586	126,948,547
Total net assets		290,754,995	297,708,641
Total liabilities and net assets	$	433,818,602	427,761,622

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2018
(with comparative totals for the year ended June 30, 2017)

	2018				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Total 2017**
Operating revenues:					
Tuition and fees	$ 163,009,922	—	—	163,009,922	165,953,612
Housing, dining, and other auxiliary services	28,848,986	—	—	28,848,986	31,293,273
Less:					
University funded scholarships	(92,863,159)	—	—	(92,863,159)	(93,433,317)
Government funded student aid	(516,190)	—	—	(516,190)	(510,281)
Net tuition and fees	98,479,559	—	—	98,479,559	103,303,287
Government contracts and grants	14,571,151	—	—	14,571,151	14,646,645
Private gifts and grants	4,667,430	1,498,413	—	6,165,843	7,412,381
Related entities	1,340,848	—	—	1,340,848	1,295,194
Other sources	4,115,585	—	—	4,115,585	4,556,447
Allocation of endowment return for spending	8,100,511	—	—	8,100,511	8,235,483
Net assets released from restrictions	1,529,511	(1,529,611)	100	—	—
Total operating revenues	132,804,595	(31,198)	100	132,773,497	139,449,437
Operating expenses:					
Instruction	56,311,164	—	—	56,311,164	57,732,927
Research	12,048,264	—	—	12,048,264	10,792,771
Academic support	12,636,733	—	—	12,636,733	11,846,658
Student services	20,119,607	—	—	20,119,607	19,853,986
Institutional support	18,434,968	—	—	18,434,968	19,934,115
Housing, dining and other auxiliary services	17,428,750	—	—	17,428,750	17,557,590
Related entities	1,471,544	—	—	1,471,544	1,454,072
Total operating expenses	138,451,030	—	—	138,451,030	139,172,119
Increase (decrease) from operating activity	(5,646,435)	(31,198)	100	(5,677,533)	277,318
Nonoperating activity:					
State grants and contributions for long-term investment	426,919	3,164,252	1,630,687	5,221,858	9,935,682
Change in pledges receivable		314,261	(59,192)	255,069	1,331,523
Total endowment investment return	3,352,669	10,365,869	—	13,718,538	19,925,601
Endowment return distributed for operations	(1,477,060)	(6,752,358)	128,907	(8,100,511)	(8,235,483)
Loss on disposal of assets	(568,392)	—	—	(568,392)	(138,742)
Other changes and reclassifications	795,112	(795,112)	—	—	—
Postretirement related adjustments other than net periodic benefit costs	(10,194,913)	—	—	(10,194,913)	484,555
Other nonoperating income (expense)	(2,236,472)	579,173	49,537	(1,607,762)	2,910,038
Increase (decrease) from nonoperating activity	(9,902,137)	6,876,085	1,749,939	(1,276,113)	26,213,174
Change in net assets	(15,548,572)	6,844,887	1,750,039	(6,953,646)	26,490,492
Net assets:					
Beginning of year	131,090,175	39,669,919	126,948,547	297,708,641	271,218,149
End of year	$ 115,541,603	46,514,806	128,698,586	290,754,995	297,708,641

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2017

	2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues:				
Tuition and fees	$ 165,953,612	—	—	165,953,612
Housing, dining, and other auxiliary services	31,293,273	—	—	31,293,273
Less:				
University funded scholarships	(93,433,317)	—	—	(93,433,317)
Government funded student aid	(510,281)	—	—	(510,281)
Net tuition and fees	103,303,287	—	—	103,303,287
Government contracts and grants	14,646,645	—	—	14,646,645
Private gifts and grants	6,290,096	1,122,285	—	7,412,381
Related entities	1,295,194	—	—	1,295,194
Other sources	4,556,447	—	—	4,556,447
Allocation of endowment return for spending	8,235,483	—	—	8,235,483
Net assets released from restrictions	2,772,315	(2,772,315)	—	—
Total operating revenues	141,099,467	(1,650,030)	—	139,449,437
Operating expenses:				
Instruction	57,732,927	—	—	57,732,927
Research	10,792,771	—	—	10,792,771
Academic support	11,846,658	—	—	11,846,658
Student services	19,853,986	—	—	19,853,986
Institutional support	19,934,115	—	—	19,934,115
Housing, dining and other auxiliary services	17,557,590	—	—	17,557,590
Related entities	1,454,072	—	—	1,454,072
Total operating expenses	139,172,119	—	—	139,172,119
Increase (decrease) from operating activity	1,927,348	(1,650,030)	—	277,318
Nonoperating activity:				
State grants and contributions for long-term investment	4,377,746	3,149,293	2,408,643	9,935,682
Change in pledges receivable	—	241,594	1,089,929	1,331,523
Total endowment investment return	5,706,598	14,219,003	—	19,925,601
Endowment return distributed for operations	(1,913,791)	(6,416,590)	94,898	(8,235,483)
Loss on disposal of assets	(138,742)	—	—	(138,742)
Other changes and reclassifications	1,942,656	(1,942,656)	—	—
Postretirement related adjustments other than net periodic benefit costs	484,555	—	—	484,555
Other nonoperating income	2,583,695	236,510	89,833	2,910,038
Increase from nonoperating activity	13,042,717	9,487,154	3,683,303	26,213,174
Change in net assets	14,970,065	7,837,124	3,683,303	26,490,492
Net assets:				
Beginning of year	116,120,110	31,832,795	123,265,244	271,218,149
End of year	$ 131,090,175	39,669,919	126,948,547	297,708,641

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2018 and 2017

		2018	2017
Cash flows from operating activities:			
Change in net assets	$	(6,953,646)	26,490,492
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		9,774,115	10,126,553
Loss on disposal of assets		568,392	138,742
Contributions received for long-term investment		(1,630,136)	(2,514,588)
Contributions received for investment in annuity agreements		(135,370)	(4,326,372)
Net realized and unrealized gain on investments		(13,173,476)	(19,416,646)
Adjustment on loans receivable		34,790	415,791
Asset retirement obligations		335,929	320,639
Amortization of bond premium		(207,126)	(588,197)
Forgiveness of debt		(333,340)	(333,340)
Changes in assets and liabilities that effect operating cash flows:			
Accounts receivable		1,052,973	(3,601,709)
Pledges receivable		(255,069)	(1,331,523)
Other assets		(623,113)	(249,321)
Accounts payable and accrued expenses		4,316,523	50,948
Asset retirement obligation		(135,998)	(103,723)
Deposits and advances		(231,443)	(903,265)
Other liabilities		(843,424)	2,649,467
Postretirement benefits		9,763,742	(790,575)
Net cash provided by operating activities		1,324,323	6,033,373
Cash flows from investing activities:			
Proceeds from maturity/sale of investments		41,669,914	59,494,043
Purchase of investments		(42,400,104)	(58,388,809)
Increase in short-term investments		8,384	9,732
Decrease (increase) in deposits with trustee		2,971,377	(8,609,902)
Student loans issued, net		(109,665)	(131,710)
Other assets collected		75,162	90,879
Purchase of property and equipment		(10,362,580)	(7,561,941)
Net cash used in investing activities		(8,147,512)	(15,097,708)
Cash flows from financing activities:			
Contributions received for long-term investment		1,180,878	1,770,296
Contributions received for investment in annuity agreements		135,370	359,013
Proceeds from borrowing		—	33,195,631
Payment of debt principal		(493,650)	(24,197,555)
Other changes in government loan funds		150,485	121,235
Net cash provided by financing activities		973,083	11,248,620
Net increase (decrease) cash and cash equivalents		(5,850,106)	2,184,285
Cash and cash equivalents:			
Beginning of year		12,796,335	10,612,050
End of year	$	6,946,229	12,796,335
Supplemental disclosures:			
Interest paid	$	2,455,519	3,176,667
Noncash transactions:			
Securities contributions		1,283,606	5,500,526
Increase (decrease) in construction-related payables		629,877	75,671

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, with its main campus 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's Potsdam Campus has a total enrollment of over 3,000 undergraduate students and 600 graduate students in more than 50 comprehensive programs in business, engineering, science, liberal arts, health sciences, and environmental studies. In addition to its Potsdam Campus, the University's Capital Region Campus (CRC) located in Schenectady, New York, has enrollment of over 400 graduate students in bio-ethics, healthcare management, and education.

J.R. Weston, Inc. (Weston) 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. (Beacon) is a not-for-profit organization of which the University is the sole member. Weston and Beacon are included within Related Entities on the Statement of Activities. 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 represents funds held in trust that are associated with the University’s outstanding bonds. As of June 30, 2018, the entire balance of $7,316,290 was comprised of construction funds available for spending, and the June 30, 2017 balance of $10,287,667 represented 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 or contributed assets are reported as unrestricted revenue.

(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. 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, 2018, the University had no specific plans or intentions to sell investments at amounts different than NAV.

(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 1 – quoted prices (unadjusted) in active markets that are accessible for assets and liabilities at the measurement date. Assets 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.
- Level 3 – inputs include pricing inputs that are unobservable for the assets and reflect certain assumptions to determine fair value. Assets and liabilities classified as Level 3 generally include annuity and life income funds.

Investments in certain funds measured at NAV as a practical expedient to estimate fair value are not classified in the fair value hierarchy table.

(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, 2018 and 2017:

		2018	2017
Asset retirement obligations at beginning of year	$	5,136,534	4,930,685
Remediation		(135,998)	(103,723)
Accretion expense		322,538	309,572
Asset retirement obligations at end of year	$	5,323,074	5,136,534

(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 $4,410,089 and $4,374,979 for the years ended June 30, 2018 and 2017, respectively.

(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.

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.

On December 22, 2017, the President signed in law H.R. 1, originally known as the Tax Cuts and Jobs Act. The new law (Public Law No 115-97) includes substantial changes to the taxation of individuals, businesses, multinational enterprises and others. In addition to many generally applicable provisions, the law contains several specific provisions that result in changes to the tax treatment of tax-exempt organizations and their donors. The University has reviewed these provisions and the potential impact

(Continued)

and concluded that the enactment of H.R. 1 will not have a material effect on the operations of the University.

(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. In the year ended June 30, 2018 the University updated the square footage base to allocate by functional classification. This change resulted in the year ended June 30, 2017 being restated to reflect the new allocation. Interest expense is allocated to functional expenses according to the original purpose of the bond proceeds.

(o) Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 presentation.

(2) Investments and Fair Value

(a) Fair Value

The following table presents the financial instruments carried at fair value as of June 30, 2018, 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	$ 659,946	—	—	—	659,946	Daily
GATE receivable	—	—	385,158	—	385,158	Illiquid
Deposits with trustee	7,316,290	—	—	—	7,316,290	Daily
Annuity and life income funds held in trust	—	—	10,281,085	—	10,281,085	Illiquid
Investments:						
Money market and similar	16,364	—	—	—	16,364	Daily
Fixed income securities:						
U.S. government securities	10,828,091	—	—	—	10,828,091	Daily
Other	73,072	—	—	—	73,072	Daily
Equities:						
Domestic	8,792,255	—	—	—	8,792,255	Daily
International	57,155,809	—	—	44,685,509	101,841,318	Daily/Monthly
Hedge funds:						
Multistrategy funds	—	—	—	49,903,817	49,903,817	Quarterly/Annual
Private equity	—	—	—	7,737,742	7,737,742	Illiquid
Venture capital	—	—	—	5,681,818	5,681,818	Illiquid
Real assets	—	—	16,000	4,827,308	4,843,308	Monthly
Life insurance policies	—	—	343,239	—	343,239	Illiquid
Investments	76,865,591	—	359,239	112,836,194	190,061,024	
Total assets at fair value	$ 84,841,827	—	11,025,482	112,836,194	208,703,503	

		Level 1	Level 2	Level 3	Measured at NAV	Total	Redemption or liquidation
Liabilities:							
GATE liability	$	—	—	43,757	—	43,757	
Total liabilities at fair value	$	—	—	43,757	—	43,757	

The following table presents the financial instruments carried at fair value as of June 30, 2017, 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	$	668,330	—	—	—	668,330	Daily
GATE receivable		—	—	500,815	—	500,815	Illiquid
Deposits with trustee		10,287,667	—	—	—	10,287,667	Daily
Annuity and life income funds held in trust		—	—	10,438,341	—	10,438,341	Illiquid
Investments:							
Money market and similar		35,853	—	—	—	35,853	Daily
Fixed income securities:							
U.S. government securities		11,275,735	—	—	—	11,275,735	Daily
Other		75,700	—	—	—	75,700	Daily
Equities:							
Domestic		7,692,077	—	—	—	7,692,077	Daily
International		50,457,723	—	—	44,725,519	95,183,242	Daily/Monthly
Hedge funds:							
Multistrategy funds		—	—	—	45,483,607	45,483,607	Quarterly/Annual
Private equity		—	—	—	7,349,153	7,349,153	Illiquid
Venture capital		—	—	—	4,737,091	4,737,091	Illiquid
Real assets		—	—	16,000	3,384,735	3,400,735	Monthly
Life insurance policies		—	—	317,651	—	317,651	Illiquid
Investments		69,537,088	—	333,651	105,680,105	175,550,844	
Total assets at fair value	$	80,493,085	—	11,272,807	105,680,105	197,445,997	
Liabilities:							
GATE liability	$	—	—	103,478	—	103,478	
Total liabilities at fair value	$	—	—	103,478	—	103,478	

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 defined above.

		Fair value July 1, 2017	Earnings	Gains (losses) net of fees	Gifts	Payments received and pledge payment	Distributions	Present value adjustment	Fair value June 30, 2018
Assets:									
GATE receivable	$	500,815	—	—	—	(75,162)	—	(40,495)	385,158
Real assets		16,000	—	—	—	—	—	—	16,000
Annuity and life insurance funds		10,438,341	177,504	488,585	135,370	—	(958,715)	—	10,281,085
Life insurance policies		317,651	—	25,588	—	—	—	—	343,239
Total assets at fair value	$	11,272,807	177,504	514,173	135,370	(75,162)	(958,715)	(40,495)	11,025,482
Liabilities:									
GATE liability	$	103,478	—	—	—	(48,676)	—	(11,045)	43,757
Total liabilities at fair value	$	103,478	—	—	—	(48,676)	—	(11,045)	43,757

		Fair value July 1, 2016	Earnings	Gains (losses) net of fees	Gifts	Payments received and pledge payment	Distributions	Present value adjustment	Fair value June 30, 2017
Assets:									
GATE receivable	$	1,064,545	—	—	—	(90,879)	—	(472,851)	500,815
Real assets		16,000	—	—	—	—	—	—	16,000
Annuity and life insurance funds		5,894,486	106,794	612,039	4,326,372	—	(501,350)	—	10,438,341
Life insurance policies		292,261	—	25,390	—	—	—	—	317,651
Total assets at fair value	$	7,267,292	106,794	637,429	4,326,372	(90,879)	(501,350)	(472,851)	11,272,807
Liabilities:									
GATE liability	$	149,578	—	—	—	(84,129)	—	38,029	103,478
Total liabilities at fair value	$	149,578	—	—	—	(84,129)	—	38,029	103,478

(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 yield (primarily interest and dividends) as well as the net realized and unrealized gain (loss) 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:

		2018	2017
Investments in pooled funds, at fair value	$	189,609,906	175,153,331
Total number of units		774,449	768,833
Market value per unit	$	244.83	227.82

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

		2018	2017
Investment earnings, net of fees	$	545,062	508,955
Realized and unrealized gain/(loss), net		13,173,476	19,416,646
Total return on investment		13,718,538	19,925,601
Allocation for endowment spending policy		(8,100,511)	(8,235,483)
Nonoperating investment gain (loss)	$	5,618,027	11,690,118

Investment fees were $356,255 and $486,869 for the years ended June 30, 2018 and 2017, respectively. The University has annuity and life income investments with a gross value of $10,587,192 and $10,719,421 as of June 30, 2018 and 2017, 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 $6,478,762 and $6,700,986 as of June 30, 2018 and 2017, 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, 2018 and 2017, the University had commitments of approximately $27,827,000 and $31,476,000, respectively, for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses.

(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 as of June 30, 2018 are approximately $198,300,000, with approximately $189,700,000 in endowed investments, $3,000,000 of internal borrowings for the student center and academic investment programs, $2,500,000 in assets less liabilities of Weston, and $3,100,000 due to the endowment.

Endowment net assets as of June 30, 2017 were approximately $191,100,000, with approximately $175,100,000 in endowed investments, $3,800,000 of internal borrowings for the student center and academic investment programs, $2,500,000 in assets less liabilities of Weston, and $9,700,000 due to the endowment.

Endowment net assets consisted of the following as of June 30, 2018:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	$	(3,047,223)	24,291,006	123,665,460	144,909,243
Board-designated		53,417,105	—	—	53,417,105
Total endowment net assets	$	50,369,882	24,291,006	123,665,460	198,326,348

(Continued)

Changes in endowment net assets for the year ended June 30, 2018 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2017	$ 47,750,704	21,472,606	121,917,832	191,141,142
Interest and dividends, net of fees	66,458	478,604	—	545,062
Net realized and unrealized gains	3,286,211	9,887,265	—	13,173,476
Total investment return	3,352,669	10,365,869	—	13,718,538
Contributions	—	—	1,609,371	1,609,371
Board designated transfers	—	—	—	—
Amounts appropriated for expenditure	(893,545)	(6,752,358)	128,165	(7,517,738)
Amounts appropriated for debt service	(713,368)	—	—	(713,368)
Other changes and reclassification	873,422	(795,112)	10,093	88,403
Net assets at June 30, 2018	$ 50,369,882	24,291,005	123,665,461	198,326,348

Endowment net assets consisted of the following as of June 30, 2017:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	$ (4,300,404)	21,472,606	121,917,832	139,090,034
Board-designated	52,051,108	—	—	52,051,108
Total endowment net assets	$ 47,750,704	21,472,606	121,917,832	191,141,142

Changes in endowment net assets for the year ended June 30, 2017 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2016	$ 42,091,285	15,612,850	119,395,146	177,099,281
Interest and dividends, net of fees	93,809	415,146	—	508,955
Net realized and unrealized gains	5,612,789	13,803,857	—	19,416,646
Total investment return	5,706,598	14,219,003	—	19,925,601
Contributions	—	—	2,376,141	2,376,141
Board designated transfers	52,317	—	—	52,317
Amounts appropriated for expenditure	(1,328,887)	(6,416,590)	94,154	(7,651,323)
Amounts appropriated for debt service	(713,266)	—	—	(713,266)
Other changes and reclassification	1,942,657	(1,942,657)	52,391	52,391
Net assets at June 30, 2017	$ 47,750,704	21,472,606	121,917,832	191,141,142

(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 $3,047,223 and $4,300,404 as of June 30, 2018 and 2017, respectively. These deficits were related to endowment funds with an original fair value of $40,510,379 and $52,043,224 as of June 30, 2018 and 2017, 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 4.0% and 4.1% annual spending rates for the fiscal years ended June 30, 2018 and 2017, respectively, are based on a trailing 12-quarter average market value of restricted and unrestricted pooled assets. An additional annual spending of approximately 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.

(4) Temporarily and Permanently Restricted Net Assets

At June 30, 2018 and 2017, temporarily and permanently restricted net assets were comprised as follows:

	2018		2017	
	Temporarily restricted	Permanently restricted	Temporarily restricted	Permanently restricted
Pledges and bequests receivable	$ 2,631,844	1,430,530	2,317,583	1,489,722
Other program restrictions	6,756,198	5,000	6,100,485	5,000
Restricted for facilities	10,395,131	—	6,465,494	—
Restricted for student loans	—	2,819,886	—	2,815,014
Life income, annuity, and similar funds	2,440,627	777,710	3,313,751	720,979
Endowment funds	24,291,006	123,665,460	21,472,606	121,917,832
Total net assets	$ 46,514,806	128,698,586	39,669,919	126,948,547

(5) Receivables

Accounts receivable consisted of the following at June 30:

	2018	2017
Students, net	$ 2,070,317	1,481,433
Research contracts and grants	4,135,326	3,703,185
Other	2,785,580	4,833,565
	$ 8,991,223	10,018,183

The University maintains an allowance for uncollectible student and grant accounts. These allowances were approximately $529,000 and $444,000 for student and grant receivables at June 30, 2018 and 2017, respectively.

Notes receivable consisted of the following at June 30:

	2018	2017
Federal and other external student loans	$ 7,220,550	7,073,839
Unrestricted student loans	153,821	188,486
Permanently restricted student loans	1,410,206	1,412,587
	$ 8,784,577	8,674,912

The University maintains an allowance for uncollectible notes receivable, which was approximately $1,122,000 and $1,059,000 at June 30, 2018 and 2017, respectively.

Pledges receivable at June 30 are as follows:

		2018	2017
In less than one year	$	1,354,663	1,050,264
In one to five years		2,993,163	2,546,496
Greater than five years		614,297	756,000
Gross receivable		4,962,123	4,352,760
Present value discount and reserve		899,749	545,455
Net receivable	$	4,062,374	3,807,305

(6) Property and Equipment

Property and equipment consisted of the following at June 30:

		2018	2017
Buildings and grounds	$	289,898,249	287,238,142
Equipment		43,199,719	42,446,153
Construction in progress		10,658,753	5,070,246
Total property and equipment		343,756,721	334,754,541
Less accumulated depreciation		(151,183,928)	(142,890,748)
	$	192,572,793	191,863,793

Construction in progress is made up of certain projects started but not completed at June 30, 2018. The estimated costs to complete these projects, most of which represent costs to be incurred under contracts with vendors, are approximately $14,800,000. These projects consist of engineering lab additions, dining facility upgrades, parking lot and grounds improvements and others.

Capitalized interest costs were $93,462 and $216,240 for the years ended June 30, 2018 and 2017, respectively. Depreciation expense was $9,701,673 and $9,919,707 for the years ended June 30, 2018 and 2017, respectively.

(Continued)

(7) Long-term Debt

Outstanding debt consisted of the following at June 30:

		2018	2017
Clarkson University:			
St. Lawrence County Industrial Development Authority (IDA):			
St. Lawrence County IDA Bonds – 2011 (a)	$	14,025,000	14,290,000
St. Lawrence County IDA Bonds – 2012A (b)		18,160,000	18,160,000
St. Lawrence County IDA Bonds – 2012B (c)		3,000,000	3,000,000
St. Lawrence County IDA Bonds – 2017 (d)		30,275,000	30,275,000
City of Schenectady IDA Bonds – 2008A (e)		4,635,000	4,785,000
Empire State Development Corporation (f)		999,820	1,333,160
Capital lease (g)		161,696	240,346
Total outstanding principal		71,256,516	72,083,506
Bond premiums		4,192,571	4,399,697
Bond issuance costs		(1,600,969)	(1,673,411)
Total long-term debt	$	73,848,118	74,809,792

(a) These bonds bear interest at rates ranging from 3.00% to 6.00% and require annual principal payments through September 2041.

(b) These bonds bear interest at rates ranging from 4.00% to 5.25% and require annual principal payments from September 2029 through September 2041.

(c) These bonds assumed initial coupon interest at a rate 2.50% 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.

(d) The 2017 bonds bear interest at rates ranging from 3.25% to 5.00% and require annual principal payments through June 2048. The bonds are tax-exempt and were issued at a premium of approximately $3,528,000 and included an underwriter's discount and issuance costs of approximately $151,000 and $456,000, respectively.

(e) These are Letter of Credit Secured Bonds issued through M&T Bank, under Variable Rate Demand Civic Facility Revenue Bonds. The bonds are secured by land and building in the City of Schenectady, New York. The bonds are paid in variable increments through September 1, 2037. Interest is variable and approximates 1.00% at June 30, 2018.

(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 2021. The principal payments that were due for fiscal years ended June 30, 2018 and 2017 were forgiven by New York State.

(g) Represents a capital lease for research equipment, with payments annually through December 2019.

(Continued)

At June 30, 2018, 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:		
2019	$	855,922
2020		867,455
2021		1,423,140
2022		1,540,000
2023		1,650,000
Thereafter		64,919,999
	$	71,256,516

The St. Lawrence County IDA bond agreements include provisions requiring the maintenance of a minimum annual debt service coverage ratio. As of June 30, 2018 and 2017, the University is in compliance with these provisions. These balances are secured by the operating and nonoperating revenues of the University.

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 was no balance outstanding at June 30, 2018 or 2017.

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 $736,195 and $32,628 as of June 30, 2018 and 2017, respectively, included in accounts payable and accrued expenses on the balance sheets. It is interest free if full payment is received within the monthly billing cycle. The credit line is on an annual automatic renewal.

(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:

		2018	2017
Change in benefit obligation:			
Benefit obligation at beginning of year	$	17,942,055	18,732,630
Service cost		433,557	517,095
Interest cost		667,852	664,207
Plan participants’ contributions		681,777	628,725
Medicare Part D subsidy		47,067	85,491
Actuarial loss (gain)		9,560,701	(1,297,817)
Benefits paid		(1,627,212)	(1,388,276)
Benefit obligation at end of year		27,705,797	17,942,055
Change in plan assets:			
Fair value of plan assets at beginning of year		—	—
Employer contributions		898,368	674,060
Plan participants’ contributions		681,777	628,725
Benefits paid		(1,627,212)	(1,388,276)
Medicare Part D subsidy		47,067	85,491
Fair value of plan assets at end of year		—	—
Funded status at end of year	$	(27,705,797)	(17,942,055)
Discount rates:			
Year end benefit obligation		4.10 %	3.80 %
Net periodic benefit cost		3.80	3.60
Components of net periodic benefit cost:			
Service cost	$	433,557	517,095
Interest cost		667,852	664,207
Amortization of net gain		(130,381)	(570,618)
Amortization of prior service credit		(12,394)	—
Net periodic benefit cost	$	958,634	610,684

During the year ended June 30, 2018, the following were the key factors in the increase in the postretirement obligation: changes in plan participation rates, medical claims experience, participant contribution rates, mortality rates and demographic experience.

Estimated Future Contributions and Benefit Payments

The following estimated benefit payments are expected:

		Contributions benefit payments
2019	$	1,043,716
2020		1,064,109
2021		1,101,518
2022		1,123,039
2023		1,132,386
2024–2028		6,498,840

For measurement purposes, a 7.0% 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, 2018. The health care rate was assumed to decrease each year through 2028 to 5.0% and remain at that level thereafter while the dental rate trend remains constant for all years.

The estimated prior service credit and net actuarial loss for the postretirement benefits plan that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal 2019 are $12,394 and $409,934, respectively.

(9) Commitments and Contingencies

The University is subject to various claims and lawsuits arising during the normal course of business. 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 $13,476,000 and $11,793,000 in 2018 and 2017, 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 $867,000 and $1,061,000 as of June 30, 2018 and 2017 and is recorded within other liabilities on the balance sheets.

(10) Subsequent Events

The University has evaluated subsequent events through October 12, 2018, the date on which the consolidated financial statements were issued. The University is not aware of any subsequent events which would require recognition or disclosure in the financial statements.