CLARKSON UNIVERSITY

Consolidated Financial Statements

June 30, 2019 and 2018

(With Independent Auditors’ Report Thereon)

CLARKSON UNIVERSITY

Consolidated Financial Statements

June 30, 2019 and 2018

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KPMG LLP
One Park Place
463 Mountain View Drive, Suite 400
Colchester, VT 05446-9909

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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1(c) to the consolidated financial statements, during the year ended June 30, 2019, the University adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements for Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

KPMG LLP

October 25, 2019

CLARKSON UNIVERSITY

Consolidated Balance Sheets

June 30, 2019 and 2018

Assets		**2019**	**2018**
Cash and cash equivalents	$	6,387,978	6,946,229
Accounts receivable, net		8,219,930	8,991,223
Deposits with trustee		5,957,340	7,316,290
Pledges receivable, net		5,126,321	4,062,374
Notes receivable – students, net		7,514,208	8,784,577
Other assets		3,307,879	4,803,007
Annuity and life income funds held in trust		10,427,692	10,281,085
Investments		194,945,507	190,061,024
Property and equipment, net		203,479,060	192,572,793
Total assets	$	445,365,915	433,818,602
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	13,132,587	11,269,912
Deposits and advances		9,094,871	8,380,883
Other liabilities		12,718,050	8,315,077
Accrued postretirement benefits		14,053,694	27,705,797
Long-term debt		74,107,512	73,848,118
Asset retirement obligations		5,635,019	5,323,074
Federal and other loan advances		8,511,371	8,220,746
Total liabilities		137,253,104	143,063,607
Net assets:			
Without donor restriction		138,185,558	118,588,826
With donor restriction		169,927,253	172,166,169
Total net assets		308,112,811	290,754,995
Total liabilities and net assets	$	445,365,915	433,818,602

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2019
(with comparative totals for the year ended June 30, 2018)

	2019			
	Without donor restriction	With donor restriction	Total	Total 2018
Operating revenues:				
Tuition and fees, net	$ 69,069,957	—	69,069,957	69,630,573
Housing, dining, and other auxiliary services	29,618,670	—	29,618,670	28,848,986
Net tuition, fees and other services	98,688,627	—	98,688,627	98,479,559
Government contracts and grants	12,107,800	—	12,107,800	14,571,151
Private gifts and grants	7,322,446	1,647,222	8,969,668	6,165,843
Other sources	6,558,333	—	6,558,333	5,456,433
Allocation of endowment return for spending	8,959,557	—	8,959,557	8,100,511
Net assets released from restrictions	746,893	(746,893)	—	—
Total operating revenues	134,383,656	900,329	135,283,985	132,773,497
Operating expenses:				
Instruction	56,142,009	—	56,142,009	56,292,515
Research	12,056,676	—	12,056,676	12,045,625
Academic support	12,824,309	—	12,824,309	12,633,556
Student services	20,024,147	—	20,024,147	20,115,254
Institutional support	18,963,752	—	18,963,752	19,902,016
Housing, dining and other auxiliary services	16,861,233	—	16,861,233	17,428,424
Total operating expenses	136,872,126	—	136,872,126	138,417,390
Increase (decrease) from operating activity	(2,488,470)	900,329	(1,588,141)	(5,643,893)
Nonoperating activity:				
State grants and contributions for long-term investment	3,669,947	4,384,416	8,054,363	5,221,858
Change in pledges receivable	—	1,063,947	1,063,947	255,069
Total endowment investment return	2,332,342	5,918,771	8,251,113	13,718,538
Endowment return distributed for operations	(2,554,224)	(6,405,333)	(8,959,557)	(8,100,511)
Net assets released from restrictions – capital	8,113,994	(8,113,994)	—	—
Postretirement related adjustments other than service costs	13,271,680	—	13,271,680	(10,228,553)
Other nonoperating income (expense)	(2,748,537)	12,948	(2,735,589)	(2,176,154)
Increase (decrease) from nonoperating activity	22,085,202	(3,139,245)	18,945,957	(1,309,753)
Change in net assets	19,596,732	(2,238,916)	17,357,816	(6,953,646)
Net assets:				
Beginning of year	118,588,826	172,166,169	290,754,995	297,708,641
End of year	$ 138,185,558	169,927,253	308,112,811	290,754,995

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2018

	2018		
	Without donor restriction	With donor restriction	Total
Operating revenues:			
Tuition and fees	$ 69,630,573	—	69,630,573
Housing, dining, and other auxiliary services	28,848,986	—	28,848,986
Net tuition and fees	98,479,559	—	98,479,559
Government contracts and grants	14,571,151	—	14,571,151
Private gifts and grants	4,667,430	1,498,413	6,165,843
Other sources	5,456,433	—	5,456,433
Allocation of endowment return for spending	8,100,511	—	8,100,511
Net assets released from restrictions	1,529,511	(1,529,511)	—
Total operating revenues	132,804,595	(31,098)	132,773,497
Operating expenses:			
Instruction	56,292,515	—	56,292,515
Research	12,045,625	—	12,045,625
Academic support	12,633,556	—	12,633,556
Student services	20,115,254	—	20,115,254
Institutional support	19,902,016	—	19,902,016
Housing, dining and other auxiliary services	17,428,424	—	17,428,424
Total operating expenses	138,417,390	—	138,417,390
Decrease from operating activity	(5,612,795)	(31,098)	(5,643,893)
Nonoperating activity:			
State grants and contributions for long-term investment	426,919	4,794,939	5,221,858
Change in pledges receivable	—	255,069	255,069
Total endowment investment return	3,352,669	10,365,869	13,718,538
Endowment return distributed for operations	(1,477,060)	(6,623,451)	(8,100,511)
Loss on disposal of assets	—	—	—
Net assets released from restrictions – capital	—	—	—
Other changes and reclassifications, as restated	(458,069)	458,069	—
Postretirement related adjustments other than net periodic benefit costs	(10,228,553)	—	(10,228,553)
Other nonoperating income (expense)	(2,804,864)	628,710	(2,176,154)
Increase (decrease) from nonoperating activity	(11,188,958)	9,879,205	(1,309,753)
Change in net assets	(16,801,753)	9,848,107	(6,953,646)
Net assets:			
Beginning of year, as restated	135,390,579	162,318,062	297,708,641
End of year	$ 118,588,826	172,166,169	290,754,995

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	17,357,816	(6,953,646)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		9,982,787	9,774,115
Loss on disposal of assets		26,967	568,392
Contributions received for long-term investment		(2,229,470)	(1,630,136)
Contributions received for investment in annuity agreements		(247,507)	(135,370)
Net realized and unrealized gain on investments		(7,982,154)	(13,173,476)
Adjustment on loans receivable		96,842	34,790
Asset retirement obligations		334,240	335,929
Amortization of bond premium		(207,127)	(207,126)
Forgiveness of debt		(333,340)	(333,340)
Changes in assets and liabilities that effect operating cash flows:			
Accounts receivable		771,293	1,052,973
Pledges receivable		(1,063,947)	(255,069)
Other assets		1,389,347	(623,113)
Accounts payable and accrued expenses		(1,442,436)	4,316,523
Asset retirement obligation		(20,230)	(135,998)
Deposits and advances		(144,084)	(231,443)
Other liabilities		223,379	(843,424)
Postretirement benefits		(13,652,103)	9,763,742
Net cash provided by operating activities		2,860,273	1,324,323
Cash flows from investing activities:			
Proceeds from maturity/sale of investments		50,990,913	41,669,914
Purchase of investments		(47,576,886)	(42,400,104)
Increase in short-term investments		(7,448)	8,384
Decrease (increase) in deposits with trustee		1,358,950	2,971,377
Student loans repaid (issued), net		1,270,370	(109,665)
Other assets collected		54,053	75,162
Purchase of property and equipment		(17,540,533)	(10,362,580)
Net cash used in investing activities		(11,450,581)	(8,147,512)
Cash flows from financing activities:			
Contributions received for long-term investment		1,766,506	1,180,878
Contributions received for investment in annuity agreements		247,507	135,370
Proceeds from borrowing		6,250,000	—
Payment of debt principal		(522,581)	(493,650)
Changes in government loan funds		290,625	150,485
Net cash provided by financing activities		8,032,057	973,083
Net decrease cash and cash equivalents		(558,251)	(5,850,106)
Cash and cash equivalents:			
Beginning of year		6,946,229	12,796,335
End of year	$	6,387,978	6,946,229
Supplemental disclosures:			
Interest paid	$	2,945,647	2,455,519
Noncash transactions:			
Securities contributions		1,101,844	1,283,606
Increase in construction-related payables		3,305,111	629,877

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 500 graduate students in approximately 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, education, business and engineering. The University also operates the Beacon Institute, Inc. (Beacon) which consists of a campus in Beacon, New York that serves as both a research institute focused on healthy water solutions and a provider of educational services, including K-12, public, family and professional graduate programs, enrolling over 200 graduate students.

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. 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).

The accompanying consolidated financial statements present information in two classes of net assets: without donor restriction and with donor restriction. The two classes are differentiated by the presence or absence of donor-imposed restrictions. Net assets having similar characteristics have been classified as follows:

Net assets without donor restriction may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties. Without donor restriction net assets include operating, plant, and internally designated plant and funds functioning as endowment funds.

Net assets with donor restriction 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 donor restricted assets are reported as net assets with donor restriction until appropriated by the University's Board of Trustees in accordance with New York State laws.

Net assets with donor restriction also includes those assets that 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.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor imposed restrictions.

Expenses are reported as decreases in net assets without donor restriction. 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.”

Non-operating activities include net realized and unrealized gains and losses on investments, less amounts distributed for operating purposes, contributions for long-term investment such as endowment and capital, voluntary early retirement costs and the changes in value of deferred gifts.

(c) Recent Accounting Pronouncements

During the year ended June 30, 2019, the University adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 589): Presentation of Financial Statements for Not-for-Profit Entities*. The primary changes, which affect most not-for-profit financial statements, include revisions to simplify and enhance the presentation of net assets, a requirement to present functional and natural expenses in a single location, and expanded disclosures regarding liquidity and availability of resources. A summary of the net asset reclassifications resulting from the adoption of ASU 2016-14 is as follows:

	Without donor restriction	With donor restriction	Total net assets
2018 beginning net assets as previously presented:			
Unrestricted	$ 131,090,175	—	131,090,175
Temporarily restricted	—	39,669,919	39,669,919
Permanently restricted	—	126,948,547	126,948,547
Reclassification to implement ASU 2016-14:			
Underwater endowments	4,300,404	(4,300,404)	—
2018 beginning net assets, as restated	$ 135,390,579	162,318,062	297,708,641

	Without donor restriction	With donor restriction	Total net assets
2018 ending net assets as previously presented:			
Unrestricted	$ 115,541,603	—	115,541,603
Temporarily restricted	—	46,514,806	46,514,806
Permanently restricted	—	128,698,586	128,698,586
Reclassification to implement ASU 2016-14:			
Underwater endowments	3,047,223	(3,047,223)	—
2018 ending net assets, as restated	$ 118,588,826	172,166,169	290,754,995

The 2018 statement of activities was adjusted to reflect the reclassification for underwater endowments.

During the year ended June, 30, 2019, the University adopted ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which intended to improve the financial reporting requirements for revenue from contracts with customers. The University's adoption of the ASU did not materially change the timing or amount of revenue recognized by the University. However, the ASU requires that tuition, fees and auxiliary student revenues be presented in the statement of activities at the transaction price, i.e., net of any institutional student aid. Previously, such revenues were presented gross, i.e., at published rates, followed by a reduction for institutional student aid. Accordingly, the University's 2018 Statement of Activities has been revised to conform to the 2019 presentation.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, was issued by the FASB in June 2018. The new ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (no exchange transactions) within the scope of Topic 958, *Not-for-Profit Entities,* or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes one or more barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The ASU became effective for the University for the year ended June 30, 2019. The University's adoption of the ASU on a modified prospective basis did not have a material effect on its financial statements.

ASU 2017–07, *Compensation – Retirement Benefits* (Topic 715), was issued by the FASB in March 2017. The ASU attempts to improve the presentation of net periodic pension and postretirement benefit costs. The ASU does not prescribe where the amount of net benefit cost should be presented in an employer's statement of activities, but it does require that the service cost component be presented in the same line item(s) as other employee compensation costs and that the remaining components be presented separately from those line items and outside of operations. It also stipulates that only the service cost component is eligible for capitalization in assets, as applicable. The new standard is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. In fiscal 2019, the University retrospectively adopted the standard, which resulted in the reclassification of $33,640 of net periodic benefit cost from operating to nonoperating activities for the year ended June 30, 2018.

(d) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

(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, 2019 and 2018, the entire balance of $5,957,340 and $7,316,290, respectively, was comprised of construction funds available for spending.

(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 donor restricted. Gifts are reported as donor 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, donor restricted net assets are reclassified to net assets without donor restriction. Contributions specified for the acquisition or construction of long-lived assets are reported as net assets without donor restriction when the assets are placed in service. In the absence of donor stipulations, income and gains on contributions or contributed assets are reported as without donor restriction 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, 2019, 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 and Asset Retirement Obligations

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

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, 2019 and 2018:

		2019	2018
Asset retirement obligations at beginning of year	$	5,323,074	5,136,534
Remediation		(22,295)	(135,998)
Accretion expense		334,240	322,538
Asset retirement obligations at end of year	$	5,635,019	5,323,074

(k) Retirement Plans

The University participates in a defined contribution retirement plan. Total expense under this plan, representing the University's contributions to the plan, was $4,219,980 and $4,410,089 for the years ended June 30, 2019 and 2018, respectively.

(l) 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.

(m) Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 presentation.

(2) Liquidity

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, were as follows.

Cash and cash equivalents	$	6,387,978
Contributions receivable available for operations due within one year		170,235
University-issued student loan repayments due within one year		139,430
Accounts receivable, net		8,219,930
Short-term investments		667,394
Fiscal 2020 endowment appropriation		9,159,837
Total financial assets available within one year	$	24,744,804

The University's cash flows have seasonal variations attributable to timing of tuition and contributions received. To manage liquidity, the University maintains a $5 million line of credit with M&T Bank for immediate liquidity needs. As of June 30, 2019, this entire $5 million line of credit had been utilized and no additional funds were available until the line was paid down in August 2019. Further, the University holds a short-term investment portfolio of approximately $667,000. The University Board has authorized up to $5.4 million of internal borrowing against endowed funds related to the current construction project at Cheel Arena. This internal loan would be repaid at an interest rate of 4% if drawn. Finally, the University has board-designated endowment funds of approximately $55 million as of June 30, 2019. Although the

(Continued)

University does not intend to spend from its board-designated endowment funds, other than amounts appropriated for operation, amounts could be made available if necessary.

(3) Investments and Fair Value

(a) Fair Value

The following table presents the financial instruments carried at fair value as of June 30, 2019, by balance sheet caption, based on the valuation hierarchy defined in note 1(i):

	Level 1	Level 2	Level 3	Measured at NAV	Total
Other assets:					
Short-term investments	$ 667,394	—	—	—	667,394
GATE receivable	—	—	258,683	—	258,683
Deposits with trustee	5,957,340	—	—	—	5,957,340
Annuity and life income funds held in trust	—	—	10,427,692	—	10,427,692
Investments:					
Money market and similar	21,464	—	—	—	21,464
Fixed income securities:					
U.S. government securities	7,881,951	—	—	—	7,881,951
Other	76,194	—	—	—	76,194
Equities:					
Domestic	21,511,525	—	—	—	21,511,525
International	57,941,690	—	—	35,122,818	93,064,508
Hedge funds:					
Multistrategy funds	—	—	—	45,717,830	45,717,830
Private equity	—	—	—	13,278,615	13,278,615
Venture capital	—	—	—	7,818,619	7,818,619
Real assets	—	—	16,000	5,199,661	5,215,661
Life insurance policies	—	—	359,140	—	359,140
Investments	87,432,824	—	375,140	107,137,543	194,945,507
Total assets at fair value	$ 94,057,558	—	11,061,515	107,137,543	212,256,616
Liabilities:					
GATE liability	$ —	—	68,177	—	68,177
Total liabilities at fair value	$ —	—	68,177	—	68,177

The following table presents the financial instruments carried at fair value as of June 30, 2018, by caption on the balance sheet by the valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Measured at NAV	Total
Other assets:					
Short-term investments	$ 659,946	—	—	—	659,946
GATE receivable	—	—	385,158	—	385,158
Deposits with trustee	7,316,290	—	—	—	7,316,290
Annuity and life income funds held in trust	—	—	10,281,085	—	10,281,085
Investments:					
Money market and similar	16,364	—	—	—	16,364
Fixed income securities:					
U.S. government securities	10,538,491	—	—	—	10,538,491
Other	73,072	—	—	—	73,072
Equities:					
Domestic	9,081,854	—	—	—	9,081,854
International	59,482,482	—	—	39,227,727	98,710,209
Hedge funds:					
Multistrategy funds	—	—	—	49,156,625	49,156,625
Private equity	—	—	—	11,341,777	11,341,777
Venture capital	—	—	—	5,956,084	5,956,084
Real assets	—	—	16,000	4,827,309	4,843,309
Life insurance policies	—	—	343,239	—	343,239
Investments	79,192,263	—	359,239	110,509,522	190,061,024
Total assets at fair value	$ 87,168,499	—	11,025,482	110,509,522	208,703,503
Liabilities:					
GATE liability	$ —	—	43,757	—	43,757
Total liabilities at fair value	$ —	—	43,757	—	43,757

The methods 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, 2018	Gains (losses) net of fees	Gifts	Distributions/ payments	Present value adjustment	Fair value June 30, 2019
Assets:						
GATE receivable	$ 385,158	—	—	(54,053)	(72,422)	258,683
Real assets	16,000	—	—	—	—	16,000
Annuity and life insurance funds	10,281,085	497,427	247,507	(598,327)	—	10,427,692
Life insurance policies	343,239	15,901	—	—	—	359,140
Total assets at fair value	$ 11,025,482	513,328	247,507	(652,380)	(72,422)	11,061,515
Liabilities:						
GATE liability	$ 43,757	—	—	(12,556)	36,976	68,177
Total liabilities at fair value	$ 43,757	—	—	(12,556)	36,976	68,177

	Fair value July 1, 2017	Gains (losses) net of fees	Gifts	Distributions/ payments	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	666,089	135,370	(958,715)	—	10,281,085
Life insurance policies	317,651	25,588	—	—	—	343,239
Total assets at fair value	$ 11,272,807	691,677	135,370	(1,033,877)	(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

(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:

		2019	2018
Investments in pooled funds, at fair value	$	194,548,848	189,609,906
Total number of units		791,293	774,449
Market value per unit	$	245.86	244.83

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

		2019	2018
Investment earnings, net of fees	$	268,959	545,062
Realized and unrealized gain/(loss), net		7,982,154	13,173,476
Total return on investment		8,251,113	13,718,538
Allocation for endowment spending policy		(8,959,557)	(8,100,511)
Nonoperating investment gain (loss)	$	(708,444)	5,618,027

Investment fees were $435,612 and $356,255 for the years ended June 30, 2019 and 2018, respectively.

The University has annuity and life income investments with a net value of $10,427,692 and $10,281,085 as of June 30, 2019 and 2018, 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 $5,918,249 and $6,478,762 as of June 30, 2019 and 2018, respectively.

(c) Liquidity of Investments

Investments include certain 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, 2019 and 2018, the University had unfunded commitments of approximately $28,984,000 and $27,827,000, respectively, for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses.

The limitations and restrictions on the University's ability to redeem or sell investments vary by investment and range from none for publically traded securities, to required notice periods (generally 30 to 90 days after initial lock-up periods) for certain hedge funds, to dependency on the disposition of portfolio positions and return of capital by the investment manager for private equity, venture capital, commodity fixed income related and real estate limited partnership interests. Investments with daily liquidity generally do not require any notice prior to withdrawal.

Detailed liquidity of the University's investments as of June 30, 2019 and June 30, 2018 is a follows:

	2019					
	Daily	Monthly	Quarterly	Annually	Illiquid	Total
Cash and cash equivalents	$ 21,464	—	—	—	—	21,464
Fixed income	7,958,145	—	—	—	—	7,958,145
Global equities	45,333,321	23,823,429	—	—	—	69,156,750
Alternative equity	6,972,643	33,653,401	32,685,146	12,473,068	5,352,855	91,137,113
Private equity	—	—	—	—	13,278,615	13,278,615
Venture capital	—	—	—	—	7,818,619	7,818,619
Real assets	—	5,199,661	—	—	16,000	5,215,661
Other	—	—	—	—	359,140	359,140
Total	$ 60,285,573	62,676,491	32,685,146	12,473,068	26,825,229	194,945,507

	2018					
	Daily	Monthly	Quarterly	Annually	Illiquid	Total
Cash and cash equivalents	$ 16,364	—	—	—	—	16,364
Fixed income	10,611,563	—	—	—	—	10,611,563
Global equities	44,248,425	21,215,985				65,464,410
Alternative equity	11,311,432	20,936,030	37,852,820	12,180,377	9,203,619	91,484,278
Private equity	—	—	—	—	11,341,777	11,341,777
Venture capital	—	—	—	—	5,956,084	5,956,084
Real assets	—	4,827,309	—	—	16,000	4,843,309
Other	—	—	—	—	343,239	343,239
Total	$ 66,187,784	46,979,324	37,852,820	12,180,377	26,860,719	190,061,024

(4) 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 donor 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 donor 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 donor 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, 2019 are approximately $201,700,000, with approximately $194,500,000 in endowed investments, $1,100,000 of internal borrowings for the student center and academic investment programs, $2,700,000 in assets less liabilities of Weston, and $3,400,000 due to the endowment.

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 consisted of the following as of June 30, 2019:

		Without donor restriction	With donor restriction	Total
Donor-restricted	$	—	146,739,274	146,739,274
Board-designated		54,959,190	—	54,959,190
Total endowment net assets	$	54,959,190	146,739,274	201,698,464

Changes in endowment net assets for the year ended June 30, 2019 were as follows:

	Without donor restriction	With donor restriction	Total
Net assets at June 30, 2018	$ 53,417,105	144,909,243	198,326,348
Interest and dividends, net of fees	61,930	207,029	268,959
Net realized and unrealized gains	2,270,412	5,711,742	7,982,154
Total investment return	2,332,342	5,918,771	8,251,113
Contributions	2,000,000	2,227,010	4,227,010
Amounts appropriated for expenditure	(2,108,596)	(6,315,750)	(8,424,346)
Amounts appropriated for debt service	(704,243)	—	(704,243)
Other changes and reclassification	22,582	—	22,582
Net assets at June 30, 2019	$ 54,959,190	146,739,274	201,698,464

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

	Without donor restriction	With donor restriction	Total
Donor-restricted	$ —	144,909,243	144,909,243
Board-designated	53,417,105	—	53,417,105
Total endowment net assets	$ 53,417,105	144,909,243	198,326,348

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

	Without donor restriction	With donor restriction	Total
Net assets at June 30, 2017	$ 52,051,108	139,090,034	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
Amounts appropriated for expenditure	(893,545)	(6,624,193)	(7,517,738)
Amounts appropriated for debt service	(713,368)	—	(713,368)
Other changes and reclassification	(379,759)	468,162	88,403
Net assets at June 30, 2018	$ 53,417,105	144,909,243	198,326,348

(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 donor-restricted net assets. Deficits of this nature were as follows for the years ended June 30:

		2019	2018
Aggregate amount by which funds are underwater	$	(3,232,226)	(3,047,223)
Aggregate of original gift amount		41,586,953	40,510,379
Fair value of underwater endowments	$	38,354,727	37,463,156

The Board policy is to disburse funds on underwater endowments as if they were not underwater.

Endowment funds are considered to be underwater when their fair value is less than their historical gift amounts. In accordance with the Prudent Management standards contained in NYPMIFA, the University has the ability to spend from individual endowments that are underwater, if it considers such action to be prudent for that particular endowment. In addition, in accordance with the implementation of NYPMIFA in 2011, the University was required to ask certain existing donors if they wished to prevent spending from their endowment if underwater. If the donor had requested spending not occur if their endowment is underwater, the University is required to comply with this request.

(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 4.5% and 4.0% annual spending rates for the fiscal years ended June 30, 2019 and 2018, respectively, are based on a trailing 12-quarter average market value of donor restricted and without donor restriction pooled assets. An additional annual spending of approximately 1% based on the trailing 12-quarter average market value of without donor restriction pooled assets is appropriated for the Board of Trustees approved debt service expenses or capital expenditures. 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.

(5) Net Assets

At June 30, 2019 and 2018, net assets were comprised as follows:

	Without donor restriction	
	2019	**2018**
Plant	$ 129,680,369	120,704,391
Board designated endowment	54,959,190	53,417,113
Undesignated	(43,726,781)	(41,391,829)
Board designated – other	11,326,474	13,564,948
Postretirement benefit obligations	(14,053,694)	(27,705,797)
Total net assets	$ 138,185,558	118,588,826

	With donor restriction	
	2019	**2018**
Pledges receivable	$ 5,126,321	4,062,374
Other program restrictions	7,193,484	6,761,198
Restricted for facilities	3,699,030	10,395,131
Restricted for student loans	3,228,995	2,819,886
Life income, annuity, and similar funds	3,940,149	3,218,337
Endowment funds:		
General operating	53,317,000	53,586,441
Instruction	44,460,523	44,371,683
Scholarship	42,953,809	41,058,770
Program support	3,116,207	3,090,768
Athletics/extracurricular	2,891,735	2,801,581
Total net assets	$ 169,927,253	172,166,169

(6) Revenues and Related Receivables

The University recognizes revenue from student tuition and fees within the fiscal year in which educational services are provided. Institutional aid, in the form of scholarships and grants-in-aid, includes amounts funded by the endowment, research funds, and gifts, and reduces the published price of tuition for students receiving such aid. As such, institutional aid is referred to as a tuition discount and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student.

The composition of net tuition, fees and other services for the years ended June 30, 2019 and 2018 is summarized as follows:

		2019	2018
Tuition and fees	$	168,619,212	163,009,922
Less university scholarships		(98,817,309)	(92,863,159)
Government funded student aid		(731,946)	(516,190)
Tuition and fees, net		69,069,957	69,630,573
Housing		18,679,526	18,248,941
Dining		10,920,137	10,526,241
Other auxiliary services		19,007	73,804
Housing, dining and other auxiliary services		29,618,670	28,848,986
Net tuition, fees and other services	$	98,688,627	98,479,559

The University has multiple summer sessions with program specific schedules, some of which are 5 week sessions while others are quarterly. Based on the specific program, the summer sessions have varying start and end dates. Payments of tuition for all of the summer terms are recognized as performance obligations are met. Because most of these programs span two reporting periods, a portion of payments for these sessions, ranging from 50% to 100%, are included in deferred revenue at June 30.

Auxiliary Services Revenue

Auxiliary services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristics of auxiliary services is that they are managed as an essentially self-supporting activity.

Auxiliary services revenue includes revenues from contracts with customers to provide student housing and dining facilities, ticket sales for athletic and community events, and other miscellaneous activities.

With the exception of a small commuter student population, all undergraduate students live in University-sponsored housing. Payments for these services are due approximately one week prior to the start of the academic term. Performance obligations for housing and dining services is recognized ratably as services are rendered. For ticket sales and other miscellaneous items, revenue is recognized as the event occurs. Auxiliary service revenue is detailed in the Net Tuition, Fees and Other Services table above.

Sponsored Awards

The University receives sponsored program funding from various governmental and corporate sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the University, the funding organization, or the public at large.

Revenues from exchange transactions are recognized as performance obligations are satisfied, which in most cases are as related costs are incurred. The University has elected the simultaneous release option for conditional contributions that are subject to purpose restrictions. Under this option, net assets without donor restrictions will include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized.

In the years ended June 30, 2019 and 2018, sponsored programs revenue earned from governmental sources totaled $12,107,800 and $14,571,151, respectively. Indirect costs recovered on federally sponsored programs are generally based on predetermined reimbursement rates, which are stated as a percentage and distributed based on the modified total direct costs incurred. The University negotiates this federal indirect rate with its cognizant federal agency. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsors. Funds received for sponsored research activity are subject to audit. Based upon information currently available, management believes that any liability resulting from such audits will not materially affect the financial position or operations of the University.

Accounts receivable consisted of the following at June 30:

		2019	2018
Student receivable	$	2,877,445	2,599,044
Less allowance for bad debt		(353,938)	(257,781)
Student receivable, net		2,523,507	2,341,263
Research contracts and grants receivable		3,107,718	4,135,326
Less allowance for bad debt		(55,665)	(270,946)
Research contracts and grants receivable, net		3,052,053	3,864,380
Other receivables		2,644,370	2,785,580
Total receivables, net	$	8,219,930	8,991,223

Pledges receivable at June 30 are as follows:

		2019	2018
In less than one year	$	2,140,572	1,354,663
In one to five years		3,758,478	2,993,163
Greater than five years		268,000	614,297
Gross receivable		6,167,050	4,962,123
Less present value discount and allowance for doubtful receivables		(1,040,729)	(899,749)
Net contributions receivable	$	5,126,321	4,062,374

(7) Property and Equipment

Property and equipment consisted of the following at June 30:

		2019	2018
Buildings and grounds	$	305,126,823	289,898,249
Equipment		43,538,583	43,199,719
Construction in progress		13,777,408	10,658,753
Total property and equipment		362,442,814	343,756,721
Less accumulated depreciation		(158,963,754)	(151,183,928)
	$	203,479,060	192,572,793

Construction in progress is made up of certain projects started but not completed at June 30, 2019. The estimated costs to complete these projects, most of which represent costs to be incurred under contracts with vendors, are approximately $29,000,000. These projects consist of Cheel Center renovations, engineering lab additions, parking lot and grounds improvements and others.

Capitalized interest costs were $568,764 and $93,462 for the years ended June 30, 2019 and 2018, respectively. Depreciation expense was $9,910,345 and $9,701,673 for the years ended June 30, 2019 and 2018, respectively.

(8) Long-Term Debt

Outstanding debt consisted of the following at June 30:

		2019	2018
Clarkson University:			
St. Lawrence County Industrial Development Authority (IDA):			
St. Lawrence County IDA Bonds – 2011 (a)	$	13,745,000	14,025,000
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)		4,475,000	4,635,000
Empire State Development Corporation (f)		666,480	999,820
Capital lease (g)		79,115	161,696
M&T Loan (h)		1,250,000	—
Total outstanding principal		71,650,595	71,256,516
Bond premiums		3,985,444	4,192,571
Bond issuance costs		(1,528,527)	(1,600,969)
Total long-term debt	$	74,107,512	73,848,118

(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 1.6% at June 30, 2019.

(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, 2019 and 2018 were forgiven by New York State.

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

(h) Represents a $1,250,000 bank loan from M&T bank to purchase and renovate property on Maple Street in Potsdam for use by the University facilities department. Fixed monthly principal payments of $20,833 begin August 2019 through February 2029. Monthly interest payments at a fixed rate of 3.37% began in June 2019.

At June 30, 2019, 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:		
2020	$	950,788
2021		1,506,473
2022		1,623,333
2023		1,733,333
2024		1,798,333
Thereafter		64,038,335
	$	71,650,595

The St. Lawrence County IDA bond agreements include provisions requiring the maintenance of a minimum annual debt service coverage ratio. As of June 30, 2019 and 2018, 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 an outstanding balance of $5,000,000 at June 30, 2019 and no outstanding balance at June 30, 2018. The University has recorded the $5,000,000 on the balance sheet in other liabilities.

The University has a $2,000,000 revolving line of credit with a bank related to its procurement card and supplier pay program on which there was an outstanding balance of $360,020 and $736,195 as of June 30, 2019 and 2018, 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.

(9) Functional Expenses

The statement of activities presents expenses by functional classification. The University also summarizes its expenses by natural classification. The University's primary program services are academic instruction and research. Expenses reported as academic support, student services, institutional support and housing, dining and other auxiliary services are incurred to support these primary program activities.

Operation and maintenance of plant and depreciation expense for land improvements and buildings are allocated based on square footage. Depreciation expense for equipment is allocated based on the functional classifications of the departments in which the equipment is located. Interest expense is allocated based on the functional purpose for which the debt proceeds were used.

Functional expenses for the year ended June 30, 2019 and summarized information for the year ended June 30, 2018 are as follows:

	Salary and wages	Employee benefits	Supplies, services, other	Depreciation and amortization	Interest	Operations and maintenance allocation	2019 Operating expenses	2018 Operating expenses
Instruction	$ 33,438,931	10,322,688	5,607,630	243,721	472,483	6,056,556	56,142,009	56,292,515
Research	4,581,018	619,143	3,641,264	122,743	42,306	3,050,202	12,056,676	12,045,625
Academic support	5,942,707	2,138,222	3,230,795	16,806	12,174	1,483,605	12,824,309	12,633,556
Student services funds	7,702,961	2,604,638	6,105,972	27,177	535,117	3,048,282	20,024,147	20,115,254
Institutional support	7,289,010	2,490,237	6,832,954	5,603	291,563	2,054,385	18,963,752	19,902,016
Housing, dining and auxiliary	686,016	188,169	7,577,580	122,977	1,186,195	7,100,296	16,861,233	17,428,424
Operations and maintenance	4,183,858	1,509,063	7,432,873	9,371,320	296,212	(22,793,326)	—	—
2019 Totals	$ 63,824,501	19,872,160	40,429,068	9,910,347	2,836,050	—	136,872,126	138,417,390
2018 Totals	$ 65,536,145	20,733,138	39,551,958	9,701,673	2,894,476	—		138,417,390

(10) 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:

	2019	2018
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 27,705,797	17,942,055
Service cost	538,068	433,557
Interest cost	1,114,756	667,852
Plan participants’ contributions	769,571	681,777
Amendments	(5,417,274)	—
Medicare Part D subsidy	—	47,067
Actuarial loss (gain)	(8,969,162)	9,560,701
Benefits paid	(1,688,062)	(1,627,212)
Benefit obligation at end of year	14,053,694	27,705,797
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contributions	918,491	898,368
Plan participants’ contributions	769,571	681,777
Benefits paid	(1,688,062)	(1,627,212)
Medicare Part D subsidy	—	47,067
Fair value of plan assets at end of year	—	—
Funded status at end of year	$ (14,053,694)	(27,705,797)

		2019	2018
Discount rates:			
Year end benefit obligation		3.40 %	4.10 %
Net periodic benefit cost		4.10	3.80
Components of net periodic benefit cost:			
Service cost	$	538,068	433,557
Interest cost		1,114,756	667,852
Amortization of net loss (gain)		409,934	(130,381)
Amortization of prior service credit		(12,394)	(12,394)
Net periodic benefit cost	$	2,050,364	958,634

During the year ended June 30, 2019, the University amended the plan to significantly increase required retiree and spousal contributions. This amendment also impacted plan participation rates, which, when combined with improvements in medical claims and demographic experience, contributed to the actuarial gain noted above.

Estimated Future Contributions and Benefit Payments

The following estimated benefit payments are expected:

		Contributions benefit payments
2020	$	434,628
2021		450,998
2022		479,199
2023		499,091
2024		496,391
2025–2029		2,926,309

For measurement purposes, a 6.5% and a 4.0% annual rate of increase in the per capita cost of covered health care and dental benefits, respectively, was assumed as of June 30, 2019. 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 gain for the postretirement benefits plan that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal 2020 are $872,279 and $133,908, respectively.

(11) 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 $12,913,000 and $14,553,000 in 2019 and 2018, 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 $1,066,000 and $867,000 as of June 30, 2019 and 2018, respectively, and is recorded within other liabilities on the balance sheets.

(12) Subsequent Events

The University has evaluated subsequent events through October 25, 2019, 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.