KPMG

**CLARKSON UNIVERSITY**

Consolidated Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

**CLARKSON UNIVERSITY**

**Table of Contents**

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## Independent Auditors' Report

The Board of Trustees
Clarkson University:

### Report on the Audit of the Consolidated Financial Statements

*Opinion*

We have audited the consolidated financial statements of Clarkson University (the University), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Other Matter – Supplemental Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Colchester, Vermont
October 28, 2022

**CLARKSON UNIVERSITY**

Consolidated Balance Sheets

June 30, 2022 and 2021

| **Assets** | | **2022** | **2021** |
|---|---|---|---|
| Cash and cash equivalents | $ | 11,961,718 | 3,369,103 |
| Accounts receivable, net | | 9,635,261 | 8,635,615 |
| Deposits with trustee | | 83,494 | 16,460 |
| Pledges receivable, net | | 11,629,549 | 11,788,226 |
| Notes receivable – students, net | | 4,654,706 | 5,393,892 |
| Other assets | | 4,060,608 | 3,489,981 |
| Right of use – operating lease | | 1,002,453 | — |
| Annuity and life income funds held in trust | | 9,630,593 | 12,187,993 |
| Investments | | 217,375,526 | 232,705,388 |
| Property and equipment, net | | 215,187,349 | 220,369,957 |
| Total assets | $ | 485,221,257 | 497,956,615 |
| **Liabilities and Net Assets** | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | $ | 5,256,512 | 5,568,474 |
| Deposits and advances | | 5,976,698 | 6,362,784 |
| Bank line of credit outstanding | | 15,000,000 | 4,800,000 |
| Other liabilities | | 6,746,462 | 7,706,302 |
| Right of use – operating lease | | 1,010,128 | — |
| Accrued postretirement benefits | | 7,472,277 | 10,197,153 |
| Long-term debt | | 80,245,681 | 81,979,123 |
| Asset retirement obligations | | 6,626,847 | 6,296,246 |
| Federal and other loan advances | | 4,934,468 | 5,726,239 |
| Total liabilities | | 133,269,073 | 128,636,321 |
| Net assets: | | | |
| Without donor restriction | | 146,777,853 | 157,934,261 |
| With donor restriction | | 205,174,331 | 211,386,033 |
| Total net assets | | 351,952,184 | 369,320,294 |
| Total liabilities and net assets | $ | 485,221,257 | 497,956,615 |

See accompanying notes to consolidated financial statements.

**CLARKSON UNIVERSITY**

Consolidated Statement of Activities

Year ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

| | 2022 | | | |
|---|---|---|---|---|
| | **Without donor restriction** | **With donor restriction** | **Total** | **Total 2021** |
| Operating revenues: | | | | |
| Tuition and fees, net | $ 61,736,913 | — | 61,736,913 | 64,164,483 |
| Housing, dining, and other auxiliary services | 31,598,177 | — | 31,598,177 | 28,250,834 |
| Net tuition, fees and other services | 93,335,090 | — | 93,335,090 | 92,415,317 |
| Government contracts and grants | 20,050,488 | — | 20,050,488 | 16,127,041 |
| Private gifts and grants | 7,152,861 | 1,653,149 | 8,806,010 | 7,945,454 |
| Other sources | 3,277,541 | — | 3,277,541 | 2,221,306 |
| Allocation of endowment return for spending | 16,458,914 | — | 16,458,914 | 8,768,455 |
| Net assets released from restrictions | 207,917 | (207,917) | — | — |
| Total operating revenues | 140,482,811 | 1,445,232 | 141,928,043 | 127,477,573 |
| Operating expenses: | | | | |
| Instruction | 58,484,084 | — | 58,484,084 | 54,045,066 |
| Research | 13,098,430 | — | 13,098,430 | 11,801,897 |
| Academic support | 15,675,808 | — | 15,675,808 | 14,045,265 |
| Student services | 23,692,106 | — | 23,692,106 | 21,919,139 |
| Institutional support | 20,483,968 | — | 20,483,968 | 16,107,377 |
| Housing, dining and other auxiliary services | 16,691,023 | — | 16,691,023 | 15,603,753 |
| Total operating expenses | 148,125,419 | — | 148,125,419 | 133,522,497 |
| Increase (decrease) from operating activity | (7,642,608) | 1,445,232 | (6,197,376) | (6,044,924) |
| Nonoperating activity: | | | | |
| State grants and contributions for long-term investment | 717,527 | 12,614,464 | 13,331,991 | 13,589,851 |
| Change in pledges receivable | — | (158,677) | (158,677) | 673,030 |
| Total endowment investment return | (1,829,681) | (5,597,339) | (7,427,020) | 50,336,675 |
| Endowment return distributed for operations | (8,913,809) | (7,545,105) | (16,458,914) | (8,768,086) |
| Other changes and reclassifications | 2,195,925 | (2,192,725) | 3,200 | — |
| Net assets released from restrictions – capital | 2,321,392 | (2,321,392) | — | — |
| Postretirement related adjustments other than service costs | 2,480,700 | — | 2,480,700 | 1,850,951 |
| Other nonoperating income (expense) | (485,854) | (2,456,160) | (2,942,014) | 1,797,820 |
| Increase (decrease) from nonoperating activity | (3,513,800) | (7,656,934) | (11,170,734) | 59,480,241 |
| Change in net assets | (11,156,408) | (6,211,702) | (17,368,110) | 53,435,317 |
| Net assets: | | | | |
| Beginning of year | 157,934,261 | 211,386,033 | 369,320,294 | 315,884,977 |
| End of year | $ 146,777,853 | 205,174,331 | 351,952,184 | 369,320,294 |

See accompanying notes to consolidated financial statements.

**CLARKSON UNIVERSITY**

Consolidated Statement of Activities

Year ended June 30, 2021

| | 2021 | | |
|---|---|---|---|
| | **Without donor restriction** | **With donor restriction** | **Total** |
| Operating revenues: | | | |
| Tuition and fees, net | $ 64,164,483 | — | 64,164,483 |
| Housing, dining, and other auxiliary services | 28,250,834 | — | 28,250,834 |
| Net tuition, fees and other services | 92,415,317 | — | 92,415,317 |
| Government contracts and grants | 16,127,041 | — | 16,127,041 |
| Private gifts and grants | 5,887,709 | 2,057,745 | 7,945,454 |
| Other sources | 2,221,306 | — | 2,221,306 |
| Allocation of endowment return for spending | 8,768,455 | — | 8,768,455 |
| Net assets released from restrictions | 272,213 | (272,213) | — |
| Total operating revenues | 125,692,041 | 1,785,532 | 127,477,573 |
| Operating expenses: | | | |
| Instruction | 54,045,066 | — | 54,045,066 |
| Research | 11,801,897 | — | 11,801,897 |
| Academic support | 14,045,265 | — | 14,045,265 |
| Student services | 21,919,139 | — | 21,919,139 |
| Institutional support | 16,107,377 | — | 16,107,377 |
| Housing, dining and other auxiliary services | 15,603,753 | — | 15,603,753 |
| Total operating expenses | 133,522,497 | — | 133,522,497 |
| Increase (decrease) from operating activity | (7,830,456) | 1,785,532 | (6,044,924) |
| Nonoperating activity: | | | |
| State grants and contributions for long-term investment | 6,300,838 | 7,289,013 | 13,589,851 |
| Change in pledges receivable | — | 673,030 | 673,030 |
| Total endowment investment return | 13,677,332 | 36,659,343 | 50,336,675 |
| Endowment return distributed for operations | (2,423,959) | (6,344,127) | (8,768,086) |
| Net assets released from restrictions – capital | 4,309,425 | (4,309,425) | — |
| Postretirement related adjustments other than service costs | 1,850,951 | — | 1,850,951 |
| Other nonoperating income (expense) | (346,615) | 2,144,435 | 1,797,820 |
| Increase (decrease) from nonoperating activity | 23,367,972 | 36,112,269 | 59,480,241 |
| Change in net assets | 15,537,516 | 37,897,801 | 53,435,317 |
| Net assets: | | | |
| Beginning of year | 142,396,745 | 173,488,232 | 315,884,977 |
| End of year | $ 157,934,261 | 211,386,033 | 369,320,294 |

See accompanying notes to consolidated financial statements.

**CLARKSON UNIVERSITY**

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ (17,368,110) | 53,435,317 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) net cash operating activities: | | |
| Depreciation and amortization | 10,719,187 | 10,477,211 |
| Loss (gain) on disposal of assets | 88,866 | (17,592) |
| Loss on defeasement of debt | 23,450 | 332,428 |
| Contributions received for long-term investment | (11,534,989) | (9,867,860) |
| Contributions received for investment in annuity agreements | (67,127) | (191,687) |
| Net realized and unrealized loss (gain) on annuities agreements | 1,929,440 | (2,671,307) |
| Net realized and unrealized loss (gain) on investments | 7,943,645 | (49,975,962) |
| Adjustment on loans receivable | 15,901 | 34,126 |
| Asset retirement obligations | 400,480 | 376,533 |
| Amortization of bond premium | (448,722) | (278,525) |
| Forgiveness of debt | — | (333,140) |
| Changes in assets and liabilities that effect operating cash flows: | | |
| Accounts receivable | (999,646) | (331,081) |
| Pledges receivable | 158,677 | (673,030) |
| Other assets | (627,190) | (386,239) |
| Accounts payable and accrued expenses | (269,359) | (1,008,505) |
| Asset retirement obligation | (64,873) | (29,744) |
| Deposits and advances | (386,086) | (2,608,202) |
| Other liabilities | (959,839) | 195,712 |
| Right of Use – Operating Lease | 7,675 | — |
| Postretirement benefits | (2,724,876) | (1,983,322) |
| Net cash used in operating activities | (14,163,496) | (5,504,869) |
| Cash flows from investing activities: | | |
| Proceeds from maturity/sale of investments | 63,222,028 | 160,133,403 |
| Purchase of investments | (55,207,852) | (151,877,312) |
| Increase in short-term investments | 25,790 | (7,620) |
| Decrease in deposits with trustee | (67,035) | 283,457 |
| Student loans repaid, net | 739,186 | 902,068 |
| Other assets collected | 14,871 | 38,855 |
| Purchase of property and equipment | (5,673,054) | (13,109,471) |
| Net cash used in investing activities | 3,053,934 | (3,636,620) |
| Cash flows from financing activities: | | |
| Contributions received for long-term investment | 11,534,989 | 9,867,860 |
| Contributions received for investment in annuity agreements | 67,127 | 191,687 |
| Proceeds from borrowing | 18,701,333 | 24,015,923 |
| Proceeds from bank line of credit | 26,600,000 | 40,300,000 |
| Payments on bank line of credit | (16,400,000) | (47,000,000) |
| Payment of debt principal | (19,783,333) | (14,628,333) |
| Payments for debt issuance costs | (226,168) | (151,269) |
| Changes in government loan funds | (791,771) | (1,003,385) |
| Net cash provided by financing activities | 19,702,177 | 11,592,483 |
| Net increase in cash and cash equivalents | 8,592,615 | 2,450,994 |
| Cash and cash equivalents: | | |
| Beginning of year | 3,369,103 | 918,109 |
| End of year | $ 11,961,718 | 3,369,103 |
| Supplemental disclosures: | | |
| Interest paid | $ 2,476,418 | 3,236,972 |
| Noncash transactions: | | |
| Securities contributions | 4,910,666 | 4,195,356 |
| Decrease in construction-related payables | (42,603) | (2,301,093) |

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 2,800 undergraduate students and 1000 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 300 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. Beacon has over 100 graduate students enrolled in programs on that campus.

J.R. Weston, Inc. (Weston) is a for-profit, wholly owned subsidiary of the University. Weston operations consist of real estate rentals. 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. These stipulations do not expire with the passage of time and cannot 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, postretirement related adjustments other than service costs and the changes in value of deferred gifts.

### *(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) Cash Equivalents*

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

### *(e) Deposits with Trustee*

Deposits with trustee represents funds held in trust that are associated with the University’s outstanding bonds. As of June 30, 2022 and 2021, the entire balance of $83,494 and $16,460, respectively, was comprised of construction funds available for spending.

### *(f) Contributions*

Contributions, including unconditional pledges, are recognized as revenues when donors’ commitments are received. Conditional pledges are recognized as revenues when the conditions are 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.

***(g) 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, 2022, the University had no specific plans or intentions to sell investments at amounts different than NAV.

***(h) 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 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 equity securities and US Treasury Obligations.
- 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 certain debt securities.
- Level 3 – inputs include pricing inputs that are unobservable for the assets and reflect certain assumptions to determine fair value.

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

***(i) 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, 2022 and 2021:

| | | 2022 | 2021 |
|---|---|---|---|
| Asset retirement obligations at beginning of year | $ | 6,296,246 | 5,951,875 |
| Remediation | | (64,873) | (29,745) |
| Accretion expense | | 395,474 | 374,116 |
| Asset retirement obligations at end of year | $ | 6,626,847 | 6,296,246 |

### *(j) 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 $4,801,105 and $4,428,631 for the years ended June 30, 2022 and 2021, respectively.

### *(k) 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.

## (2) Liquidity

As of June 30, 2022 and 2021, 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.

| | | 2022 | 2021 |
|---|---|---|---|
| Cash and cash equivalents | $ | 11,961,718 | 3,369,103 |
| Contributions receivable available for operations due within one year | | 105,390 | 258,294 |
| University-issued student loan repayments due within one year | | 825,578 | 1,164,344 |
| Accounts receivable, net | | 7,619,127 | 7,325,160 |
| Short-term investments | | 661,275 | 687,065 |
| Board approved endowment appropriation for following year | | 10,333,909 | 10,458,915 |
| Total financial assets available within one year | $ | 31,506,997 | 23,262,881 |

The University's cash flows have seasonal variations attributable to timing of tuition and contributions received. To manage liquidity, the University maintains a $19 million line of credit for immediate liquidity needs. As of June 30, 2022, $15 million of the line of credit had been utilized. Finally, the University has board-designated endowment funds of approximately $53 million as of June 30, 2022. The Board approved in June 2022 an additional draw of $6 million from the board-designated endowment funds to support operations. Although the University does not intend to spend from its board-designated endowment funds in fiscal year 2023, other than amounts appropriated for operations, 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, 2022, based on the valuation hierarchy defined in note 1(h).

| | | Level 1 | Level 2 | Level 3 | Measured at NAV | Total |
|---|---|---|---|---|---|---|
| Other assets: | | | | | | |
| Short-term investments | $ | 661,275 | — | — | — | 661,275 |
| GATE receivable | | | — | 115,963 | — | 115,963 |
| Deposits with trustee | | 83,494 | — | — | — | 83,494 |
| Annuity and life income funds held in trust: | | | | | | |
| Money market and similar | | 195,244 | — | — | — | 195,244 |
| U.S. government securities | | 3,001,316 | — | — | — | 3,001,316 |
| Equities: | | | | | | |
| Domestic | | 4,528,004 | — | — | — | 4,528,004 |
| International | | 1,609,227 | — | — | — | 1,609,227 |
| Real assets | | 142,796 | — | — | — | 142,796 |
| Commodities | | 154,006 | — | — | — | 154,006 |

| | | Level 1 | Level 2 | Level 3 | Measured at NAV | Total |
|---|---|---|---|---|---|---|
| Investments: | | | — | — | | |
| Money market and similar | $ | 16,357,030 | — | — | — | 16,357,030 |
| U.S. government securities | | 14,089,968 | — | — | — | 14,089,968 |
| Equities: | | | — | — | — | |
| Domestic | | 41,580,088 | — | — | — | 41,580,088 |
| International | | 10,942,163 | — | — | 27,024,160 | 37,966,323 |
| Hedge funds: | | — | — | — | | |
| Multistrategy funds | | — | — | — | 25,841,490 | 25,841,490 |
| Private equity | | — | — | — | 44,120,381 | 44,120,381 |
| Venture capital | | — | — | — | 28,134,890 | 28,134,890 |
| Real assets | | — | — | 16,000 | 8,926,543 | 8,942,543 |
| Life insurance policies | | — | — | 342,813 | — | 342,813 |
| Investments | | 82,969,249 | — | 358,813 | 134,047,464 | 217,375,526 |
| Total assets at fair value | $ | 93,344,611 | — | 474,776 | 134,047,464 | 227,866,851 |

The following table presents the financial instruments carried at fair value as of June 30, 2021, based on the valuation hierarchy defined in note 1(h):

| | | Level 1 | Level 2 | Level 3 | Measured at NAV | Total |
|---|---|---|---|---|---|---|
| Other assets: | | | | | | |
| Short-term investments | $ | 687,065 | — | — | — | 687,065 |
| GATE receivable | | — | — | 146,735 | — | 146,735 |
| Deposits with trustee | | 16,460 | — | — | — | 16,460 |
| Annuity and life income funds held in trust: | | — | — | — | — | — |
| Money market and similar | | 120,009 | — | — | — | 120,009 |
| U.S. government securities | | 3,542,278 | — | — | — | 3,542,278 |
| Equities: | | | | | | |
| Domestic | | 6,010,356 | — | — | — | 6,010,356 |
| International | | 2,269,733 | — | — | — | 2,269,733 |
| Real assets | | 121,428 | — | — | — | 121,428 |
| Commodities | | 124,189 | — | — | — | 124,189 |
| Investments: | | | | | | |
| Money market and similar | | 7,218,896 | — | — | — | 7,218,896 |
| U.S. government securities | | 21,747,308 | — | — | — | 21,747,308 |
| Equities: | | | | | | |
| Domestic | | 55,768,174 | — | — | — | 55,768,174 |
| International | | 7,196,413 | — | — | 42,574,454 | 49,770,867 |

| | Level 1 | Level 2 | Level 3 | Measured at NAV | Total |
|---|---|---|---|---|---|
| Hedge funds: | | | | | |
| Multistrategy funds | $ — | — | — | 39,635,445 | 39,635,445 |
| Private equity | — | — | — | 33,479,288 | 33,479,288 |
| Venture capital | — | — | — | 18,911,396 | 18,911,396 |
| Real assets | — | — | 16,000 | 5,806,992 | 5,822,992 |
| Life insurance policies | — | — | 351,022 | — | 351,022 |
| Investments | 91,930,791 | — | 367,022 | 140,407,575 | 232,705,388 |
| Total assets at fair value | $ 104,822,309 | — | 513,757 | 140,407,575 | 245,743,641 |

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. Level 1 includes Annuity and Life Income Funds. The securities underlying these funds include non-marketable securities and marketable equity and debt securities. These financial instruments are held in trust and are considered illiquid.

The University has annuity and life income investments with a value of $9,630,593 and $12,187,993 as of June 30, 2022 and 2021, 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 $5,704,399 and $6,145,158 as of June 30, 2022 and 2021, respectively.

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, 2021 | Gains (losses) net of fees | Gifts | Distributions/ payments | Present value adjustment | Fair value June 30, 2022 |
|---|---|---|---|---|---|---|
| Assets: | | | | | | |
| GATE receivable | $ 146,735 | — | — | (17,736) | (13,036) | 115,963 |
| Real assets | 16,000 | — | — | — | — | 16,000 |
| Life insurance policies | 351,022 | (8,209) | — | — | — | 342,813 |
| Total assets at fair value | $ 513,757 | (8,209) | — | (17,736) | (13,036) | 474,776 |

| | | Fair value July 1, 2020 | Gains (losses) net of fees | Gifts | Distributions/ payments | Present value adjustment | Fair value June 30, 2021 |
|---|---|---|---|---|---|---|---|
| Assets: | | | | | | | |
| GATE receivable | $ | 219,716 | — | — | (44,215) | (28,766) | 146,735 |
| Real assets | | 16,000 | — | — | — | — | 16,000 |
| Life insurance policies | | 323,841 | 27,181 | — | — | — | 351,022 |
| Total assets at fair value | $ | 559,557 | 27,181 | — | (44,215) | (28,766) | 513,757 |

### (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:

| | | 2022 | 2021 |
|---|---|---|---|
| Investments in pooled funds, at fair value | $ | 217,246,772 | 232,635,867 |
| Total number of units | | 795,440 | 809,602 |
| Market value per unit | $ | 273.12 | 287.35 |

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

| | | 2022 | 2021 |
|---|---|---|---|
| Investment earnings, net of fees | $ | 516,625 | 360,713 |
| Realized and unrealized gain, net | | (7,943,645) | 49,975,962 |
| Total return on investment | | (7,427,020) | 50,336,675 |
| Allocation for endowment spending policy | | (16,458,914) | (8,768,086) |
| Nonoperating investment gain (loss) | $ | (23,885,934) | 41,568,589 |

### (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.

Under the terms of certain limited partnership agreements, the University is obligated periodically to advance additional funding. At June 30, 2022 and 2021, the University had unfunded commitments of approximately $21,286,000 and $32,919,000, respectively, for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses.

Limitations and restrictions on the University's ability to liquidate investments vary by investment type. This can range from no restrictions for publicly traded securities, to specific notice periods (generally 30 to 90 days after initial lock-up periods) for certain alternative investments. This also includes dependency on the disposition of portfolio positions and return of capital by the fund manager for private equity, venture capital and real estate limited partnership interests. Investments with daily liquidity generally do not require any notice prior to liquidation.

Detailed liquidity of the University's investments as of June 30, 2022 and June 30, 2021 is a follows:

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **Daily** | **Monthly** | **Quarterly** | **Annually** | **Illiquid** | **Total** |
| Cash and cash equivalents | $ 16,357,030 | — | — | — | — | 16,357,030 |
| Fixed income | 14,089,968 | — | — | — | — | 14,089,968 |
| Global equities | 43,172,009 | 19,779,314 | 10,210,940 | — | | 73,162,263 |
| Alternative equity | — | 16,238,316 | 3,698,357 | 5,856,858 | 6,432,107 * | 32,225,638 |
| Private equity | — | — | — | — | 44,120,381 | 44,120,381 |
| Venture capital | — | | — | — | 28,134,890 | 28,134,890 |
| Real assets | — | 8,926,543 | — | — | 16,000 | 8,942,543 |
| Other | — | — | — | — | 342,813 | 342,813 |
| Total | $ 73,619,007 | 44,944,173 | 13,909,297 | 5,856,858 | 79,046,191 | 217,375,526 |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | **Daily** | **Monthly** | **Quarterly** | **Annually** | **Illiquid** | **Total** |
| Cash and cash equivalents | $ 7,218,896 | — | — | — | — | 7,218,896 |
| Fixed income | 21,747,308 | — | — | — | — | 21,747,308 |
| Global equities | 45,607,695 | 36,681,254 | 16,226,300 | 80,466 | — | 98,595,715 |
| Alternative equity | — | 20,213,593 | 10,592,989 | 8,780,904 | 6,991,285 * | 46,578,771 |
| Private equity | — | — | — | — | 33,479,288 | 33,479,288 |
| Venture capital | — | — | — | — | 18,911,396 | 18,911,396 |
| Real assets | — | 5,806,993 | — | — | 16,000 | 5,822,993 |
| Other | — | — | — | — | 351,021 | 351,021 |
| Total | $ 74,573,899 | 62,701,840 | 26,819,289 | 8,861,370 | 59,748,990 | 232,705,388 |

* Redemption period allows full redemption every 3 years on the anniversary date of the investment with 90 day notice period.

## (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, 2022 are approximately $216,603,000 with approximately $217,247,000 in endowed investments, and $644,000 due from the endowment. As a result of an internal review, including review of donor documentation, the net assets of Weston in the amount of $2,628,031 were removed from the endowment during fiscal year 2022.

Endowment net assets as of June 30, 2021 are approximately $240,741,000 with approximately $232,600,000 in endowed investments, $2,600,000 in assets less liabilities of Weston, and $5,500,000 due to the endowment.

Endowment net assets consisted of the following as of June 30, 2022:

| | | Without donor restriction | With donor restriction | Total |
|---|---|---|---|---|
| Donor-restricted | $ | — | 163,846,621 | 163,846,621 |
| Board-designated | | 52,756,058 | — | 52,756,058 |
| Total endowment net assets | $ | 52,756,058 | 163,846,621 | 216,602,679 |

Endowment net assets consisted of the following as of June 30, 2021:

| | | Without donor restriction | With donor restriction | Total |
|---|---|---|---|---|
| Donor-restricted | $ | — | 176,961,838 | 176,961,838 |
| Board-designated | | 63,778,984 | — | 63,778,984 |
| Total endowment net assets | $ | 63,778,984 | 176,961,838 | 240,740,822 |

Changes in endowment net assets for the year ended June 30, 2022 were as follows:

| | | Without donor restriction | With donor restriction | Total |
|---|---|---|---|---|
| Net assets at June 30, 2021 | $ | 63,778,984 | 176,961,838 | 240,740,822 |
| Interest and dividends, net of fees | | 138,105 | 378,520 | 516,625 |
| Net realized and unrealized gains | | (1,967,786) | (5,975,859) | (7,943,645) |
| Total investment return | | (1,829,681) | (5,597,339) | (7,427,020) |
| Contributions | | — | 2,527,172 | 2,527,172 |
| Amounts appropriated for expenditure | | (8,505,088) | (7,417,022) | (15,922,110) |
| Amounts appropriated for debt service | | (720,241) | — | (720,241) |
| Other reclassifications | | 32,084 | (2,628,028) | (2,595,944) |
| Net assets at June 30, 2022 | $ | 52,756,058 | 163,846,621 | 216,602,679 |

Changes in endowment net assets for the year ended June 30, 2021 were as follows:

| | | Without donor restriction | With donor restriction | Total |
|---|---|---|---|---|
| Net assets at June 30, 2020 | $ | 52,775,788 | 144,706,968 | 197,482,756 |
| Interest and dividends, net of fees | | 86,790 | 273,923 | 360,713 |
| Net realized and unrealized gains | | 13,590,542 | 36,385,420 | 49,975,962 |
| Total investment return | | 13,677,332 | 36,659,343 | 50,336,675 |
| Contributions | | — | 1,835,655 | 1,835,655 |
| Amounts appropriated for expenditure | | (1,950,251) | (6,240,128) | (8,190,379) |
| Amounts appropriated for debt service | | (723,885) | — | (723,885) |
| Net assets at June 30, 2021 | $ | 63,778,984 | 176,961,838 | 240,740,822 |

### *(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:

| | | 2022 | 2021 |
|---|---|---|---|
| Aggregate amount by which funds are underwater | $ | (991,978) | (72,628) |
| Aggregate of original gift amount | | 26,027,083 | 1,700,173 |
| Fair value of underwater endowments | $ | 25,035,105 | 1,627,545 |

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 5.37% and 4.52% annual spending rates for the fiscal years ended June 30, 2022 and 2021, 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. In fiscal year 2022, the Board of Trustees authorized a special distribution of $6,000,000 from the quasi endowment to support operations. Distributions of earnings from the fund to support expenditures are expected to be equal to or less than actual returns over the same trailing 12-quarters, 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, 2022 and 2021, net assets were comprised as follows:

| | Without donor restriction | |
|---|---|---|
| | **2022** | **2021** |
| Plant | $ 128,447,533 | 131,461,029 |
| Board designated endowment | 52,756,058 | 63,778,984 |
| Other | (26,953,461) | (27,108,599) |
| Postretirement benefit obligations | (7,472,277) | (10,197,153) |
| Total net assets without donor restriction | $ 146,777,853 | 157,934,261 |

| | | With donor restriction | |
|---|---|---|---|
| | | 2022 | 2021 |
| Pledges receivable | $ | 11,629,549 | 11,788,226 |
| Other program restrictions | | 9,625,558 | 8,361,157 |
| Restricted for facilities | | 11,288,984 | 4,282,291 |
| Restricted for student loans | | 4,401,503 | 4,461,820 |
| Life income, annuity, and similar funds | | 4,382,116 | 5,530,701 |
| Endowment funds: | | | |
| General operating | | 57,716,326 | 62,340,049 |
| Instruction | | 49,239,536 | 52,329,072 |
| Scholarship | | 48,094,526 | 52,683,460 |
| Research | | 2,208,520 | 2,605,888 |
| Program support | | 3,311,411 | 3,540,941 |
| Athletics/extracurricular | | 3,276,302 | 3,462,428 |
| Total net assets with donor restriction | $ | 205,174,331 | 211,386,033 |

| | | With donor restriction | |
|---|---|---|---|
| | | 2022 | 2021 |
| Held in perpetuity | $ | 142,217,728 | 139,599,582 |
| Time or purpose restricted | | 62,956,603 | 71,786,451 |
| Total | $ | 205,174,331 | 211,386,033 |

## (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, 2022 and 2021 is summarized as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Tuition and fees | $ | 173,216,800 | 171,739,077 |
| Less university scholarships | | (110,948,942) | (106,900,841) |
| Government funded student aid | | (530,945) | (673,753) |
| Tuition and fees, net | | 61,736,913 | 64,164,483 |
| Housing | | 20,134,878 | 18,367,751 |
| Dining | | 11,392,774 | 9,870,475 |
| Other auxiliary services | | 70,525 | 12,608 |
| Housing, dining and other auxiliary services | | 31,598,177 | 28,250,834 |
| Net tuition, fees and other services | $ | 93,335,090 | 92,415,317 |

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.

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, 2022 and 2021, sponsored programs revenue earned from governmental sources totaled $20,050,488 and $16,127,041, 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:

| | | 2022 | 2021 |
|---|---|---|---|
| Student receivable | $ | 4,518,376 | 4,111,886 |
| Less allowance for bad debt | | (816,556) | (757,772) |
| Student receivable, net | | 3,701,820 | 3,354,114 |
| Research contracts and grants receivable | | 3,853,050 | 3,331,729 |
| Less allowance for bad debt | | (13,122) | (62,468) |
| Research contracts and grants receivable, net | | 3,839,928 | 3,269,261 |
| Other receivables | | 2,093,513 | 2,012,240 |
| Total receivables, net | $ | 9,635,261 | 8,635,615 |

Pledges receivable at June 30 are as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| In less than one year | $ | 4,581,317 | 4,986,141 |
| In one to five years | | 8,326,283 | 8,028,723 |
| Greater than five years | | 225,000 | 300,000 |
| Gross receivable | | 13,132,600 | 13,314,864 |
| Less present value discount and allowance for doubtful receivables | | (1,503,051) | (1,526,638) |
| Net contributions receivable | $ | 11,629,549 | 11,788,226 |

## (7) Property and Equipment

Property and equipment consisted of the following at June 30:

| | 2022 | 2021 |
|---|---|---|
| Buildings and grounds | $ 349,759,291 | 345,797,615 |
| Equipment | 49,232,435 | 48,373,655 |
| Construction in progress | 4,161,826 | 5,694,088 |
| Total property and equipment | 403,153,552 | 399,865,358 |
| Less accumulated depreciation | (187,966,203) | (179,495,401) |
| | $ 215,187,349 | 220,369,957 |

Construction in progress is made up of certain projects started but not completed at June 30. The estimated costs to complete these projects, most of which represent costs to be incurred under contracts with vendors, are approximately $4,599,000. These projects consist of site work, academic space renovations, townhouse exterior updates, project design costs and others.

Capitalized interest costs were $46,754 and $322,148 for the years ended June 30, 2022 and 2021, respectively. Depreciation expense was $10,719,187 and $10,477,211 for the years ended June 30, 2022 and 2021, respectively.

## (8) Leases

On February 28, 2020, Clarkson University entered into a 65-year lease agreement with The Quarry Potsdam, LLC., whereby The Quarry Potsdam, LLC will lease from Clarkson University one of its buildings located in downtown Potsdam, known as Old Snell Hall, comprising a total of 88,000 square feet. Under the terms of the lease agreement, The Quarry Potsdam, LLC will pay Clarkson University an annual nominal rent for this space, as well as, renovate the facility turning a majority of the space into affordable housing to be rented to residents of the Potsdam community.

In December 2021, the University began to lease back from The Quarry Potsdam, LLC approximately 22,000 square feet that includes a community theatre space, along with space to be utilized by the University's Shipley Center and future incubator endeavors. Under the terms of this operating lease, the University is obligated for an initial fifteen – year term expiring in 2036 with options to extend the lease up to the full 65 years of the master lease unless cancelled by either party.

The lease has been classified as an operating lease and is included in the data presented with in this footnote. Because the University is not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term, and associated potential option payments are excluded from lease payments.

Right of Use assets represent the University's right to use an underlying asset for the lease term, if greater than twelve months. Lease obligations represent the University's liability to make lease payment arising from the lease. Operating and finances lease right-of-use assets are related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

| | | 2022 | 2021 |
|---|---|---|---|
| Lease cost: | | | |
| Amortization of right-of-use assets | $ | 28,274 | — |
| Operating lease expense | | 29,597 | — |
| Total lease expense | $ | 57,871 | — |

Lease terms and discount rate follow:

| | 2022 | 2021 |
|---|---|---|
| Weighted average reamining Lease term (years): | | |
| Operating Lease | 14.4 years | — |
| Weighted average discount rate: | | |
| Operating Lease | 5.00 % | — |

The approximate future minimum lease payments under operating leases as of June 30, 2022 is as follows:

| | | Operating lease |
|---|---|---|
| 2023 | $ | 87,056 |
| 2024 | | 88,797 |
| 2025 | | 90,573 |
| 2026 | | 92,385 |
| 2027 | | 94,232 |
| Thereafter | | 984,894 |
| Net present value adjustment | | (427,809) |
| Total lease liabilities | $ | 1,010,128 |

## (9) Long-Term Debt

Outstanding debt consisted of the following at June 30:

| | | 2022 | 2021 |
|---|---|---|---|
| Clarkson University: | | | |
| St. Lawrence County Industrial Development Authority (IDA): | | | |
| St. Lawrence County IDA Bonds – 2012A (a) | $ | — | 18,160,000 |
| St. Lawrence County IDA Bonds – 2012B (b) | | 3,000,000 | 3,000,000 |
| St. Lawrence County IDA Bonds – 2017 (c) | | 27,995,000 | 29,355,000 |
| St. Lawrence County IDA Bonds – 2021A (d) | | 10,730,000 | 10,730,000 |
| St. Lawrence County IDA Bonds – 2021B (e) | | 14,875,000 | — |
| St. Lawrence County IDA Bonds – 2021C (f) | | 10,295,000 | 10,295,000 |
| City of Schenectady IDA Bonds – 2008A (g) | | 3,960,000 | 4,140,000 |
| M&T Loan (h) | | 1,000,000 | 1,083,333 |
| Total outstanding principal | | 71,855,000 | 76,763,333 |
| Bond premiums | | 9,773,417 | 6,823,145 |
| Bond issuance costs | | (1,382,736) | (1,607,355) |
| Total long-term debt | $ | 80,245,681 | 81,979,123 |

(a) These bonds were issued to restructure approximately $11,000,000 of prior debt as well as to complete construction upgrades of campus facilities. They bear interest at rates ranging from 4.00% to 5.25% and require annual principal payments from September 2029 through September 2041. These bonds were defeased in December 2021 with the issuance of St. Lawrence County IDA Bonds 2021B (see note (e).

(b) These bonds were issued for dormitory upgrades and assumed initial coupon interest at a rate 2.50% until March 1, 2016 then an estimated coupon of 3.36% to March 1, 2020 and then an estimated coupon of 1.55% to maturity. The principal payment of $3,000,000 is due September 2042.

(c) The 2017 bonds bear interest at rates ranging from 3.25% to 5.00% and require annual principal payments beginning in September 2020 through September 2047. 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. These bonds were issued to complete approximately $10,500,000 of facilities upgrades and defease approximately $20,000,000 of prior debt.

(d) These bonds were issued to restructure approximately $13,000,000 of prior debt. They bear a 5.00% interest rate and require annual principal and interest payment from September 2030 through 2041. These bonds are tax-exempt and were issued at a premium of approximately $3,323,000.

(e) These bonds were issued to restructure approximately $18,160,000 of prior debt. They bear a 5.00% interest rate and require annual principal and interest payment from September 2029 through 2041. These bonds are tax-exempt and were issued at a premium of approximately $4,000,000.



(Continued)

(f) These are taxable bonds issued to increase the University's operating liquidity by approximately $10,000,000. The bonds bear interest rates ranging from 1% to 3.75%. They require annual principal payments from June 2023 through June 2042.

(g) These are Letter of Credit Secured Bonds issued through M&T Bank, under Variable Rate Demand Civic Facility Revenue Bonds. The bonds were issued for facility upgrades and 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 0.54% at June 30, 2022.

(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. Required monthly interest payments at a fixed rate of 3.37% began in June 2019.

At June 30, 2022, 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: | | |
| 2023 | $ | 2,138,333 |
| 2024 | | 2,208,333 |
| 2025 | | 2,268,333 |
| 2026 | | 2,358,333 |
| 2027 | | 2,453,333 |
| Thereafter | | 60,428,335 |
| | $ | 71,855,000 |

The St. Lawrence County IDA bond agreements include provisions requiring the maintenance of a minimum annual debt service coverage ratio. As of June 30, 2022 and 2021, 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 $19,000,000 demand line of credit at a bank with a floating interest rate that is 1.5% above the daily Simple SOFR rate adjusting daily with a SOFR floor of 0.25% and an expiration date of April 8, 2023. There was an outstanding balance of $15,000,000 at June 30, 2022 and $4,800,000 at June 30, 2021.

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 $241,212 and $62,523 as of June 30, 2022 and 2021, 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.

## (10) 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, 2022 are as follows:

| | Salary and wages | Employee benefits | Supplies, services, other | Depreciation and amortization | Interest | Operations and maintenance allocation | Operating expenses |
|---|---|---|---|---|---|---|---|
| Instruction | $ 36,800,836 | 9,788,113 | 5,231,625 | 24,760 | 415,413 | 6,223,337 | 58,484,084 |
| Research | 5,620,591 | 691,779 | 3,618,901 | 12,470 | 20,493 | 3,134,196 | 13,098,430 |
| Academic support | 7,621,742 | 2,425,812 | 4,091,793 | 12,002 | — | 1,524,459 | 15,675,808 |
| Student services funds | 8,270,052 | 2,438,642 | 9,418,414 | 22,561 | 410,211 | 3,132,226 | 23,692,106 |
| Institutional support | 8,221,521 | 2,474,995 | 6,893,841 | 5,167 | 777,485 | 2,110,959 | 20,483,968 |
| Housing, dining and auxiliary | 594,416 | 166,969 | 7,704,010 | 12,818 | 916,989 | 7,295,821 | 16,691,023 |
| Operations and maintenance | 3,775,611 | 1,182,139 | 7,507,958 | 10,629,409 | 325,881 | (23,420,998) | — |
| 2022 Totals | $ 70,904,769 | 19,168,449 | 44,466,542 | 10,719,187 | 2,866,472 | — | 148,125,419 |

Functional expenses for the year ended June 30, 2021 are as follows:

| | Salary and wages | Employee benefits | Supplies, services, other | Depreciation and amortization | Interest | Operations and maintenance allocation | Operating expenses |
|---|---|---|---|---|---|---|---|
| Instruction | $ 34,510,675 | 9,207,984 | 3,999,964 | 73,694 | 407,751 | 5,844,998 | 54,045,066 |
| Research | 5,229,441 | 677,667 | 2,879,283 | 37,114 | 34,734 | 2,943,658 | 11,801,897 |
| Academic support | 6,777,536 | 2,119,183 | 3,702,289 | 14,476 | — | 1,431,781 | 14,045,265 |
| Student services funds | 8,443,299 | 3,003,190 | 6,948,348 | 24,090 | 558,407 | 2,941,805 | 21,919,139 |
| Institutional support | 7,194,474 | 1,298,966 | 5,266,019 | 5,558 | 359,735 | 1,982,625 | 16,107,377 |
| Housing, dining and auxiliary | 649,813 | 173,815 | 6,711,926 | 66,771 | 1,149,147 | 6,852,281 | 15,603,753 |
| Operations and maintenance | 3,800,535 | 1,223,285 | 6,066,263 | 10,255,508 | 651,557 | (21,997,148) | — |
| 2021 Totals | $ 66,605,773 | 17,704,090 | 35,574,092 | 10,477,211 | 3,161,331 | — | 133,522,497 |

## (11) 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:

| | | 2022 | 2021 |
|---|---|---|---|
| Change in benefit obligation: | | | |
| Benefit obligation at beginning of year | $ | 10,197,154 | 12,180,475 |
| Service cost | | 172,698 | 239,268 |
| Interest cost | | 271,140 | 313,055 |
| Plan participants' contributions | | 448,317 | 519,965 |
| Amendments | | — | (2,521,519) |
| Actuarial loss (gain) | | (2,751,840) | 357,513 |
| Benefits paid | | (905,483) | (891,604) |
| Medicare Part D subsidy | | 40,291 | — |
| Benefit obligation at end of year | | 7,472,277 | 10,197,153 |
| Change in plan assets: | | | |
| Fair value of plan assets at beginning of year | | — | — |
| Employer contributions | | 416,874 | 371,639 |
| Plan participants' contributions | | 448,318 | 519,966 |
| Benefits paid | | (905,483) | (891,605) |
| Medicare Part D subsidy | | 40,291 | — |
| Fair value of plan assets at end of year | | — | — |
| Funded status at end of year | $ | (7,472,277) | (10,197,153) |

| | | 2022 | 2021 |
|---|---|---|---|
| Components of adjustments other than service costs: | | | |
| Interest cost | $ | 271,140 | 313,055 |
| Actuarial gains, net | | (2,751,840) | 357,513 |
| Amendments | | — | (2,521,519) |
| Postretirement related adjustments other than service costs | $ | (2,480,700) | (1,850,951) |



(Continued)

The valuation reflects an updated discount rate from 2.7% to 4.5% which resulted in a decrease in the plan liability of $2,305,821. Gains from better than expected demographic experience of $1,238,960 offset plan losses of $1,021,629 from unexpected changes in claims, contributions and benefit payments. Other updates to plan assumptions, such as healthcare and dental cost trends, aging factors, mortality table projections and spousal assumptions for dental benefits further decreased the plan liability by $228,688.

| | | 2022 | 2021 |
|---|---|---|---|
| Discount rates: | | | |
| Year end benefit obligation | | 4.50 % | 2.70 % |
| Net periodic benefit cost | | 2.70 | 2.60 |
| Components of net periodic benefit cost: | | | |
| Service cost | $ | 172,698 | 239,268 |
| Interest cost | | 271,140 | 313,055 |
| Amortization of net gain | | (301,285) | (348,500) |
| Amortization of prior service credit | | (1,220,806) | (872,279) |
| Net periodic benefit | $ | (1,078,253) | (668,456) |

*Estimated Future Benefit Payments*

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

| | | Estimated benefit payments |
|---|---|---|
| 2023 | $ | 295,635 |
| 2024 | | 293,726 |
| 2025 | | 300,377 |
| 2026 | | 322,158 |
| 2027 | | 334,581 |
| 2028–2032 | | 2,028,544 |

For measurement purposes, a 5.4% and a 3% annual rate of increase in the per capita cost of covered health care and dental benefits, respectively, was assumed as of June 30, 2022. The health care rate was assumed to decrease each year through 2037 to 4.8% and remain at that level thereafter while the dental rate trend remains constant for all years.

## (12) 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 $9,863,366 and $9,876,975 in 2022 and 2021, 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 $723,892 and $498,000 as of June 30, 2022 and 2021, respectively, and is recorded within other liabilities on the balance sheets.

### (13) Risk and Uncertainties Amid Coronavirus Pandemic (COVID-19)

In March 2020, the World Health Organization classified the novel coronavirus (COVID-19) outbreak as a pandemic. Although management of the COVID-19 virus has become a matter of common practice, the University could continue to experience material adverse effects posed by the risks related to COVID-19.

Beginning in the fall of 2021, the University resumed full in-person education and other campus based activities, with proper capacity and social distancing constraints in place. The University continued to forego revenue related to auxiliary services and campus events and activities due to these constraints. Although the University incurred certain incremental costs due to the pandemic, including transitioning to hybrid education and work environments, it also experienced reductions in certain other recurring costs, such as travel.

Within the fiscal year ended June 30, 2022, the University received $6,407,824 in American Rescue Plan funds, including funding to assist with aid provided to students. The funds were recorded as Government Grants and Contracts in operating revenues. The University awarded $3,226,755 of direct student support and recorded recovery of $1,802,881 of COVID related expenses and $1,378,188 of COVID related lost revenue.

Within the fiscal year ended June 30, 2021, the University received $4,322,873 in CARES Act funds, including funding to assist with aid provided to students. The funds were recorded as Government Grants and Contracts in operating revenues. The University awarded $1,522,534 of direct student support and recorded recovery of $2,444,527 of COVID related expenses and $355,812 of COVID related lost revenue.

The pandemic could continue to materially affect the University's ability to conduct its operations, the cost of its operations, and the generation of certain revenue, including from enrollment, campus housing, and other operating activities, as well as from financial markets and fundraising, and such effects could be consequential to the University. The full extent of the impact of COVID-19 on the University will depend on various future developments, particularly the duration and depth of the pandemic, which may be influenced by applicable health and safety regulations as well as continued occurrence of virus variants.

### (14) Subsequent Events

The University has evaluated subsequent events through October 28, 2022, the date on which the consolidated financial statements were issued. The University is not aware of any additional subsequent events which would require recognition or disclosure in the consolidated financial statements.

## (15) Related-Party Transactions

Senior management and trustees may, from time to time, be associated either directly or indirectly with companies doing business with the University. The University has a written conflict of interest policy that requires annual reporting by each trustee, member of senior management and key employees. These reports are reviewed by the Audit Committee of the University's Board of Trustees and should such relationships exist, measures are taken to address the conflict based on terms that are fair and reasonable to and in the best interest of the University.

The University operates two related entities as noted in Footnote 1(a), the Beacon Institute, Inc. (Beacon) and J.R.Weston, Inc. (Weston). All significant inter-entity accounts and transactions are eliminated in consolidation.

**CLARKSON UNIVERSITY**

Consolidating Balance Sheet Schedule

June 30, 2022

| | Organization Holding Certificate of Exemption | Affiliates | | | |
|---|---|---|---|---|---|
| **Assets** | **Clarkson University** | **JR Weston, Inc.** | **Beacon Institute, Inc.** | **Eliminating Entries** | **Consolidated** |
| Cash and cash equivalents | $ 10,822,707 | 1,136,262 | 2,749 | — | 11,961,718 |
| Accounts receivable, net | 9,551,903 | 89,011 | — | (5,653) | 9,635,261 |
| Deposits with trustee | 83,494 | — | — | — | 83,494 |
| Pledges receivable, net | 11,629,549 | — | — | — | 11,629,549 |
| Notes receivable – students, net | 4,654,706 | — | — | — | 4,654,706 |
| Other assets | 3,917,617 | 142,991 | — | — | 4,060,608 |
| Right of use lease | 1,002,453 | — | — | — | 1,002,453 |
| Annuity and life income funds held in trust | 9,630,593 | — | — | — | 9,630,593 |
| Investments | 217,375,526 | — | — | — | 217,375,526 |
| Property and equipment, net | 213,599,681 | 1,587,668 | — | — | 215,187,349 |
| Total assets | $ 482,268,229 | 2,955,932 | 2,749 | (5,653) | 485,221,257 |
| **Liabilities and Net Assets** | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued expenses | $ 5,227,377 | 34,243 | 545 | (5,653) | 5,256,512 |
| Deposits and advances | 5,976,698 | — | — | — | 5,976,698 |
| Bank line of credit outstanding | 15,000,000 | — | — | — | 15,000,000 |
| Other liabilities | 6,700,899 | 45,563 | — | — | 6,746,462 |
| Right of use lease | 1,010,128 | — | — | — | 1,010,128 |
| Accrued postretirement benefits | 7,472,277 | — | — | — | 7,472,277 |
| Long-term debt | 80,245,681 | — | — | — | 80,245,681 |
| Asset retirement obligations | 6,592,531 | 34,316 | — | — | 6,626,847 |
| Federal and other loan advances | 4,934,468 | — | — | — | 4,934,468 |
| Total liabilities | 133,160,059 | 114,122 | 545 | (5,653) | 133,269,073 |
| Net assets: | | | | | |
| Without donor restrictions | 143,933,839 | 2,841,810 | 2,204 | — | 146,777,853 |
| With donor restrictions | 205,174,331 | — | — | — | 205,174,331 |
| Total net assets | 349,108,170 | 2,841,810 | 2,204 | — | 351,952,184 |
| Total liabilities and net assets | $ 482,268,229 | 2,955,932 | 2,749 | (5,653) | 485,221,257 |

See accompanying independent auditors' report.