KPMG

CLARKSON UNIVERSITY

Consolidated Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

CLARKSON UNIVERSITY

Consolidated Financial Statements

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees
Clarkson University:

We have audited the accompanying consolidated financial statements of Clarkson University (the University), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, 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, 2020 and 2019, 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.

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

October 28, 2020

CLARKSON UNIVERSITY

Consolidated Balance Sheets

June 30, 2020 and 2019

Assets		2020	2019
Cash and cash equivalents	$	918,109	6,387,978
Accounts receivable, net		8,304,534	8,219,930
Deposits with trustee		299,917	5,957,340
Pledges receivable, net		11,115,196	5,126,321
Notes receivable – students, net		6,295,960	7,514,208
Other assets		3,169,103	3,307,879
Annuity and life income funds held in trust		10,000,304	10,427,692
Investments		190,501,898	194,945,507
Property and equipment, net		220,023,616	203,479,060
Total assets	$	450,628,637	445,365,915
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	8,878,072	13,132,587
Deposits and advances		8,970,985	9,094,871
Bank line of credit outstanding		11,500,000	5,000,000
Other liabilities		7,510,590	7,718,050
Accrued postretirement benefits		12,180,475	14,053,694
Long-term debt		73,022,039	74,107,512
Asset retirement obligations		5,951,875	5,635,019
Federal and other loan advances		6,729,624	8,511,371
Total liabilities		134,743,660	137,253,104
Net assets:			
Without donor restriction		142,396,745	138,185,558
With donor restriction		173,488,232	169,927,253
Total net assets		315,884,977	308,112,811
Total liabilities and net assets	$	450,628,637	445,365,915

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2020
(with comparative totals for the year ended June 30, 2019)

	2020			
	Without donor restriction	**With donor restriction**	**Total**	**Total 2019**
Operating revenues:				
Tuition and fees, net	$ 69,396,509	—	69,396,509	69,069,957
Housing, dining, and other auxiliary services	28,348,090	—	28,348,090	29,618,670
Net tuition, fees and other services	97,744,599	—	97,744,599	98,688,627
Government contracts and grants	14,737,546	—	14,737,546	12,107,800
Private gifts and grants	6,490,206	2,107,984	8,598,190	8,969,668
Other sources	4,231,698	—	4,231,698	6,558,333
Allocation of endowment return for spending	9,206,083	—	9,206,083	8,959,557
Net assets released from restrictions	405,065	(405,065)	—	—
Total operating revenues	132,815,197	1,702,919	134,518,116	135,283,985
Operating expenses:				
Instruction	52,447,868	—	52,447,868	56,142,009
Research	10,981,159	—	10,981,159	12,056,676
Academic support	13,447,980	—	13,447,980	12,824,309
Student services	21,321,090	—	21,321,090	20,024,147
Institutional support	20,279,287	—	20,279,287	18,963,752
Housing, dining and other auxiliary services	14,779,366	—	14,779,366	16,861,233
Total operating expenses	133,256,750	—	133,256,750	136,872,126
Increase (decrease) from operating activity	(441,553)	1,702,919	1,261,366	(1,588,141)
Nonoperating activity:				
State grants and contributions for long-term investment	900,073	5,906,990	6,807,063	8,054,363
Change in pledges receivable	—	5,988,875	5,988,875	1,063,947
Total endowment investment return	717,692	1,394,220	2,111,912	8,251,113
Endowment return distributed for operations	(2,646,241)	(6,559,842)	(9,206,083)	(8,959,557)
Net assets released from restrictions – capital	4,514,297	(4,514,297)	—	—
Postretirement related adjustments other than service costs	1,516,602	—	1,516,602	13,271,680
Other nonoperating income (expense)	(349,683)	(357,886)	(707,569)	(2,735,589)
Increase (decrease) from nonoperating activity	4,652,740	1,858,060	6,510,800	18,945,957
Change in net assets	4,211,187	3,560,979	7,772,166	17,357,816
Net assets:				
Beginning of year	138,185,558	169,927,253	308,112,811	290,754,995
End of year	$ 142,396,745	173,488,232	315,884,977	308,112,811

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2019

	2019		
	Without donor restriction	**With donor restriction**	**Total**
Operating revenues:			
Tuition and fees	$ 69,069,957	—	69,069,957
Housing, dining, and other auxiliary services	29,618,670	—	29,618,670
Net tuition, fees and other services	98,688,627	—	98,688,627
Government contracts and grants	12,107,800	—	12,107,800
Private gifts and grants	7,322,446	1,647,222	8,969,668
Other sources	6,558,333	—	6,558,333
Allocation of endowment return for spending	8,959,557	—	8,959,557
Net assets released from restrictions	746,893	(746,893)	—
Total operating revenues	134,383,656	900,329	135,283,985
Operating expenses:			
Instruction	56,142,009	—	56,142,009
Research	12,056,676	—	12,056,676
Academic support	12,824,309	—	12,824,309
Student services	20,024,147	—	20,024,147
Institutional support	18,963,752	—	18,963,752
Housing, dining and other auxiliary services	16,861,233	—	16,861,233
Total operating expenses	136,872,126	—	136,872,126
Increase (decrease) from operating activity	(2,488,470)	900,329	(1,588,141)
Nonoperating activity:			
State grants and contributions for long-term investment	3,669,947	4,384,416	8,054,363
Change in pledges receivable	—	1,063,947	1,063,947
Total endowment investment return	2,332,342	5,918,771	8,251,113
Endowment return distributed for operations	(2,554,224)	(6,405,333)	(8,959,557)
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
Other nonoperating income (expense)	(2,748,537)	12,948	(2,735,589)
Increase (decrease) from nonoperating activity	22,085,202	(3,139,245)	18,945,957
Change in net assets	19,596,732	(2,238,916)	17,357,816
Net assets:			
Beginning of year, as restated	118,588,826	172,166,169	290,754,995
End of year	$ 138,185,558	169,927,253	308,112,811

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2020 and 2019

		2020	2019
Cash flows from operating activities:			
Change in net assets	$	7,772,166	17,357,816
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Depreciation and amortization		10,297,522	9,982,787
(Gain) loss on disposal of assets		(130,743)	26,967
Contributions received for long-term investment		(3,073,642)	(2,229,470)
Contributions received for investment in annuity agreements		(45,000)	(247,507)
Net realized and unrealized gain on investments		(1,843,250)	(7,982,154)
Adjustment on loans receivable		(6,219)	96,842
Asset retirement obligations		357,507	334,240
Amortization of bond premium		(207,126)	(207,127)
Forgiveness of debt		(333,340)	(333,340)
Changes in assets and liabilities that effect operating cash flows:			
Accounts receivable		(84,604)	771,293
Pledges receivable		(5,988,875)	(1,063,947)
Other assets		422,464	1,389,347
Accounts payable and accrued expenses		(6,906,560)	(1,442,436)
Asset retirement obligation		(36,973)	(20,230)
Deposits and advances		(194,477)	(144,084)
Other liabilities		(422,179)	223,379
Postretirement benefits		(1,873,219)	(13,652,103)
Net cash (used in) provided by operating activities		(2,296,548)	2,860,273
Cash flows from investing activities:			
Proceeds from maturity/sale of investments		43,759,217	50,990,913
Purchase of investments		(37,044,969)	(47,576,886)
Increase in short-term investments		(12,051)	(7,448)
Decrease in deposits with trustee		5,657,424	1,358,950
Student loans repaid, net		1,218,247	1,270,370
Other assets collected		19,893	54,053
Purchase of property and equipment		(23,990,528)	(17,540,533)
Net cash used in investing activities		(10,392,767)	(11,450,581)
Cash flows from financing activities:			
Contributions received for long-term investment		3,073,642	1,766,506
Contributions received for investment in annuity agreements		45,000	247,507
Proceeds from borrowing		—	1,250,000
Proceeds from bank line of credit		29,000,000	15,000,000
Payments on bank line of credit		(22,500,000)	(10,000,000)
Payment of debt principal		(617,449)	(522,581)
Changes in government loan funds		(1,781,747)	290,625
Net cash provided by financing activities		7,219,446	8,032,057
Net decrease cash and cash equivalents		(5,469,869)	(558,251)
Cash and cash equivalents:			
Beginning of year		6,387,978	6,946,229
End of year	$	918,109	6,387,978
Supplemental disclosures:			
Interest paid	$	2,988,281	2,945,647
Noncash transactions:			
Securities contributions		1,828,373	1,101,844
Increase in construction-related payables		2,652,044	3,305,111

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. Beacon has over 200 graduate students enrolled in programs on that campus, as well as in New York City out of classroom space at the American Management Association.

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.

(Continued)

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, voluntary early retirement costs and the changes in value of deferred gifts.

(c) Recent Accounting Pronouncements

In fiscal year 2020, the University retrospectively adopted the provisions of ASU-2016-18, *Restricted Cash*, which requires that a statement of cash flows explain the changes during the period in total cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 did not have a material impact on the Statement of Cash Flows.

(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, 2020 and 2019, the entire balance of $299,917 and $5,957,340, 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, 2020, 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, 2020 and 2019:

		2020	2019
Asset retirement obligations at beginning of year	$	5,635,019	5,323,074
Remediation		(36,973)	(22,295)
Accretion expense		353,829	334,240
Asset retirement obligations at end of year	$	5,951,875	5,635,019

(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 $4,162,171 and $4,219,980 for the years ended June 30, 2020 and 2019, 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.

(Continued)

(m) Reclassifications

Certain 2019 amounts have been reclassified to conform to the 2020 presentation.

(2) Liquidity

As of June 30, 2020 and 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.

		2020	2019
Cash and cash equivalents	$	918,109	6,387,978
Contributions receivable available for operations due within one year		540,775	170,235
University-issued student loan repayments due within one year		90,164	139,430
Accounts receivable, net		8,228,199	8,219,930
Short-term investments		679,445	667,394
Fiscal 2021 endowment appropriation		8,727,958	9,159,837
Total financial assets available within one year	$	19,184,650	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 $15 million line of credit with M&T Bank for immediate liquidity needs. As of June 30, 2020, $11.5 million of the line of credit had been utilized. 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 $52.8 million as of June 30, 2020. Although the 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.

(Continued)

(3) Investments and Fair Value

(a) Fair Value

The following table presents the financial instruments carried at fair value as of June 30, 2020, 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	$ 679,445	—	—	—	679,445
GATE receivable		—	219,716	—	219,716
Deposits with trustee	299,917	—	—	—	299,917
Annuity and life income funds held in trust	—	—	10,000,304	—	10,000,304
Investments:					
Money market and similar	55,482	—	—	—	55,482
Fixed income securities:					
U.S. government securities	16,193,078	—	—	—	16,193,078
Other	77,156	—	—	—	77,156
Equities:					
Domestic	29,819,295	—	—	—	29,819,295
International	40,175,594	—	—	31,502,720	71,678,314
Hedge funds:					
Multistrategy funds	—	—	—	36,319,330	36,319,330
Private equity	—	—	—	20,561,594	20,561,594
Venture capital		—	—	10,327,595	10,327,595
Real assets	—		16,000	5,130,213	5,146,213
Life insurance policies	—	—	323,841	—	323,841
Investments	86,320,605	—	339,841	103,841,452	190,501,898
Total assets at fair value	$ 87,299,967	—	10,559,861	103,841,452	201,701,280
Liabilities:					
GATE liability	$ —	—	42,884	—	42,884
Total liabilities at fair value	$ —	—	42,884	—	42,884

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	—	—	38,446,640	96,388,330
Hedge funds:					
Multistrategy funds	—	—	—	42,394,008	42,394,008
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 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, 2019	Gains (losses) net of fees	Gifts	Distributions/ payments	Present value adjustment	Fair value June 30, 2020
Assets:						
GATE receivable	$ 258,683	—	—	(23,483)	(15,484)	219,716
Real assets	16,000	—	—	—	—	16,000
Annuity and life insurance funds	10,427,692	237,081	45,000	(709,469)	—	10,000,304
Life insurance policies	359,140	(35,299)	—	—	—	323,841
Total assets at fair value	$ 11,061,515	201,782	45,000	(732,952)	(15,484)	10,559,861
Liabilities:						
GATE liability	$ 68,177	—	—	(3,590)	(21,703)	42,884
Total liabilities at fair value	$ 68,177	—	—	(3,590)	(21,703)	42,884

	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

(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:

		2020	2019
Investments in pooled funds, at fair value	$	190,139,395	194,548,848
Total number of units		803,087	791,293
Market value per unit	$	236.76	245.86

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

		2020	2019
Investment earnings, net of fees	$	268,662	268,959
Realized and unrealized gain, net		1,843,250	7,982,154
Total return on investment		2,111,912	8,251,113
Allocation for endowment spending policy		(9,206,083)	(8,959,557)
Nonoperating investment loss	$	(7,094,171)	(708,444)

Investment fees were $413,687 and $435,612 for the years ended June 30, 2020 and 2019, respectively.

The University has annuity and life income investments with a net value of $10,000,304 and $10,427,692 as of June 30, 2020 and 2019, 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 $5,526,171 and $5,918,249 as of June 30, 2020 and 2019, 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.

(Continued)

Under the terms of certain limited partnership agreements, the University is obligated periodically to advance additional funding. At June 30, 2020 and 2019, the University had unfunded commitments of approximately $32,365,000 and $28,984,000, 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 publically 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, 2020 and June 30, 2019 is a follows:

	2020					
	Daily	**Monthly**	**Quarterly**	**Annually**	**Illiquid**	**Total**
Cash and cash equivalents	$ 55,482	—	—	—	—	55,482
Fixed income	16,270,234	—	—	—	—	16,270,234
Global equities	42,090,381	24,325,077	3,507,860	71,571	—	69,994,889
Alternative equity	—	27,152,920	27,676,075	8,214,778	4,778,277	67,822,050
Private equity	—	—	—	—	20,561,594	20,561,594
Venture capital	—	—	—	—	10,327,595	10,327,595
Real assets	—	5,130,213	—	—	16,000	5,146,213
Other	—	—	—	—	323,841	323,841
Total	$ 58,416,097	56,608,210	31,183,935	8,286,349	36,007,307	190,501,898

	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	3,323,822	680,790	—	73,161,362
Alternative equity	6,972,643	33,653,401	29,361,324	11,792,278	5,352,855	87,132,501
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

(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, 2020 are approximately $197,500,000, with approximately $190,100,000 in endowed investments, $2,600,000 in assets less liabilities of Weston, and $4,800,000 due to the endowment.

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 consisted of the following as of June 30, 2020:

		Without donor restriction	With donor restriction	Total
Donor-restricted	$	—	144,706,968	144,706,968
Board-designated		52,775,788	—	52,775,788
Total endowment net assets	$	52,775,788	144,706,968	197,482,756

Changes in endowment net assets for the year ended June 30, 2020 were as follows:

		Without donor restriction	With donor restriction	Total
Net assets at June 30, 2019	$	54,959,190	146,739,274	201,698,464
Interest and dividends, net of fees		61,426	207,236	268,662
Net realized and unrealized gains		656,273	1,186,977	1,843,250
Total investment return		717,699	1,394,213	2,111,912
Contributions		—	3,070,664	3,070,664
Amounts appropriated for expenditure		(2,202,769)	(6,497,183)	(8,699,952)
Amounts appropriated for debt service		(699,574)	—	(699,574)
Other changes and reclassification		1,242	—	1,242
Net assets at June 30, 2020	$	52,775,788	144,706,968	197,482,756

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

(Continued)

(a) Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). These deficits result from unfavorable market fluctuations that occur after the investment of endowment funds or from spending deemed prudent.

When donor-restricted endowment deficits exist, they are classified as a reduction of donor-restricted net assets. Deficits of this nature were as follows for the years ended June 30:

		2020	2019
Aggregate amount by which funds are underwater	$	(4,881,907)	(3,232,226)
Aggregate of original gift amount		57,782,848	41,586,953
Fair value of underwater endowments	$	52,900,941	38,354,727

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.

(Continued)

(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 4.95% and 4.5% annual spending rates for the fiscal years ended June 30, 2020 and 2019, 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 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, 2020 and 2019, net assets were comprised as follows:

	Without donor restriction	
	2020	2019
Plant	$ 141,334,119	129,680,369
Board designated endowment	52,775,788	54,959,190
Undesignated	(51,731,892)	(43,726,781)
Board designated – other	12,199,205	11,326,474
Postretirement benefit obligations	(12,180,475)	(14,053,694)
Total net assets without donor restriction	$ 142,396,745	138,185,558

	With donor restriction	
	2020	2019
Pledges receivable	$ 11,115,196	5,126,321
Other program restrictions	8,436,368	7,193,484
Restricted for facilities	1,709,686	3,699,030
Restricted for student loans	3,637,133	3,228,995
Life income, annuity, and similar funds	3,882,881	3,940,149
Endowment funds:		
General operating	51,441,728	53,317,000
Instruction	45,006,323	44,460,523
Scholarship	42,806,111	42,953,809
Program support	2,643,325	3,116,207
Athletics/extracurricular	2,809,481	2,891,735
Total net assets with donor restriction	$ 173,488,232	169,927,253

	With donor restriction	
	2020	2019
Held in perpetuity	$ 137,465,538	131,176,156
Time or purpose restricted	36,022,694	38,751,097
Total	$ 173,488,232	169,927,253

(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, 2020 and 2019 is summarized as follows:

	2020	2019
Tuition and fees	$ 174,127,758	168,619,212
Less university scholarships	(104,146,064)	(98,817,309)
Government funded student aid	(585,185)	(731,946)
Tuition and fees, net	69,396,509	69,069,957
Housing	16,850,732	18,679,526
Dining	11,417,329	10,920,137
Other auxiliary services	80,029	19,007
Housing, dining and other auxiliary services	28,348,090	29,618,670
Net tuition, fees and other services	$ 97,744,599	98,688,627

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, 2020 and 2019, sponsored programs revenue earned from governmental sources totaled $14,737,546 and $12,107,800, 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.

(Continued)

Accounts receivable consisted of the following at June 30:

		2020	2019
Student receivable	$	3,482,584	2,877,445
Less allowance for bad debt		(554,177)	(353,938)
Student receivable, net		2,928,407	2,523,507
Research contracts and grants receivable		2,771,105	3,107,718
Less allowance for bad debt		(84,559)	(55,665)
Research contracts and grants receivable, net		2,686,546	3,052,053
Other receivables		2,689,581	2,644,370
Total receivables, net	$	8,304,534	8,219,930

Pledges receivable at June 30 are as follows:

		2020	2019
In less than one year	$	3,863,158	2,140,572
In one to five years		8,794,469	3,758,478
Greater than five years		20,000	268,000
Gross receivable		12,677,627	6,167,050
Less present value discount and allowance for doubtful receivables		(1,562,431)	(1,040,729)
Net contributions receivable	$	11,115,196	5,126,321

(7) Property and Equipment

Property and equipment consisted of the following at June 30:

		2020	2019
Buildings and grounds	$	323,501,023	305,126,823
Equipment		46,631,223	43,538,583
Construction in progress		18,964,987	13,777,408
Total property and equipment		389,097,233	362,442,814
Less accumulated depreciation		(169,073,617)	(158,963,754)
	$	220,023,616	203,479,060

(Continued)

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 $12,600,000. These projects consist of Cheel Center renovations, engineering lab additions, parking lot and grounds improvements and others.

Capitalized interest costs were $1,019,430 and $568,764 for the years ended June 30, 2020 and 2019, respectively. Depreciation expense was $10,225,080 and $9,910,345 for the years ended June 30, 2020 and 2019, respectively.

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. Clarkson University will lease back from The Quarry Potsdam, LLC approximately 22,000 square feet that will include a community theatre space, along with space to be utilized by the University's Shipley Center and future incubator endeavors. Renovation of Old Snell Hall started in March 2020 and is expected to be completed by July 2021. Clarkson is expected to begin sub-leasing space within this facility on or about July 2021, for an initial period of 15 years with options to extend up to 65 years.

(8) Long-Term Debt

Outstanding debt consisted of the following at June 30:

	2020	2019
Clarkson University:		
St. Lawrence County Industrial Development Authority (IDA):		
St. Lawrence County IDA Bonds – 2011 (a)	$ 13,455,000	13,745,000
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)	4,310,000	4,475,000
Empire State Development Corporation (f)	333,140	666,480
Capital lease (g)	—	79,115
M&T Loan (h)	1,166,667	1,250,000
Total outstanding principal	70,699,807	71,650,595
Bond premiums	3,778,318	3,985,444
Bond issuance costs	(1,456,086)	(1,528,527)
Total long-term debt	$ 73,022,039	74,107,512

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

(b) These bonds were issued to restructure approximately $11M 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.

(c) 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.

(d) 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 $10.5M of facilities upgrades and defease approximately $20M of prior debt.

(e) 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 1.3% at June 30, 2020.

(f) This is an interest-free mortgage related to the construction of 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, 2020 and 2019 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, 2020, 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:		
2021	$	1,506,473
2022		1,623,333
2023		1,733,333
2024		1,798,333
2025		1,853,333
Thereafter		62,185,002
	$	70,699,807

The St. Lawrence County IDA bond agreements include provisions requiring the maintenance of a minimum annual debt service coverage ratio. As of June 30, 2020 and 2019, 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 $15,000,000 demand line of credit at a bank with a floating interest rate that is 1.5% above the one month LIBOR rate adjusting daily with a LIBOR floor of 1.00% and an expiration date of April 8, 2021. There was an outstanding balance of $11,500,000 at June 30, 2020 and $5,000,000 at June 30, 2019.

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 $149,200 and $827,987 as of June 30, 2020 and 2019, 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, 2020 are as follows:

	Salary and wages	Employee benefits	Supplies, services, other	Depreciation and amortization	Interest	Operations and maintenance allocation	Operating expenses
Instruction	$ 32,514,043	9,216,825	4,620,594	155,046	317,624	5,623,736	52,447,868
Research	4,406,335	555,727	3,080,109	78,084	28,678	2,832,226	10,981,159
Academic support	6,267,207	2,130,388	3,657,088	15,716	—	1,377,582	13,447,981
Student services funds	8,191,750	2,624,851	7,229,188	25,673	419,183	2,830,444	21,321,089
Institutional support	8,047,515	2,714,781	7,334,374	5,603	269,441	1,907,573	20,279,287
Housing, dining and auxiliary	764,738	189,977	6,240,349	119,854	871,560	6,592,888	14,779,366
Operations and maintenance	4,205,343	1,433,273	5,405,989	9,825,103	294,741	(21,164,449)	—
2020 Totals	$ 64,396,931	18,865,822	37,567,691	10,225,079	2,201,227	—	133,256,750

Functional expenses for the year ended June 30, 2019 are as follows:

		Salary and wages	Employee benefits	Supplies, services, other	Depreciation and amortization	Interest	Operations and maintenance allocation	Operating expenses
Instruction	$	33,438,931	10,322,688	5,607,630	243,721	472,483	6,056,556	56,142,009
Research		4,581,018	619,143	3,641,264	122,743	42,306	3,050,202	12,056,676
Academic support		5,942,707	2,138,222	3,230,795	16,806	12,174	1,483,605	12,824,309
Student services funds		7,702,961	2,604,638	6,105,972	27,177	535,117	3,048,282	20,024,147
Institutional support		7,289,010	2,490,237	6,832,954	5,603	291,563	2,054,385	18,963,752
Housing, dining and auxiliary		686,016	188,169	7,577,580	122,977	1,186,195	7,100,296	16,861,233
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

(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:

		2020	2019
Change in benefit obligation:			
Benefit obligation at beginning of year	$	14,053,694	27,705,797
Service cost		217,491	538,068
Interest cost		470,499	1,114,756
Plan participants' contributions		638,183	769,571
Amendments		—	(5,417,274)
Medicare Part D subsidy		—	—
Actuarial gain		(1,987,100)	(8,969,162)
Benefits paid		(1,212,292)	(1,688,062)
Benefit obligation at end of year		12,180,475	14,053,694
Change in plan assets:			
Fair value of plan assets at beginning of year		—	—
Employer contributions		574,109	918,491
Plan participants' contributions		638,183	769,571
Benefits paid		(1,212,292)	(1,688,062)
Medicare Part D subsidy			—
Fair value of plan assets at end of year		—	—
Funded status at end of year	$	(12,180,475)	(14,053,694)

		2020	2019
Components of adjustments other than service costs:			
Interest cost	$	470,499	1,114,756
Actuarial gains, net		(1,987,100)	(8,969,162)
Amendments		—	(5,417,274)
Postretirement related adjustments other than service costs	$	(1,516,601)	(13,271,680)

		2020	2019
Discount rates:			
Year end benefit obligation		2.60 %	3.40 %
Net periodic benefit cost		3.40	4.10
Components of net periodic benefit cost:			
Service cost	$	217,491	538,068
Interest cost		470,499	1,114,756
Amortization of net (gain) loss		(133,908)	409,934
Amortization of prior service credit		(872,279)	(12,394)
Net periodic (benefit) cost	$	(318,197)	2,050,364

Estimated Future Benefit Payments

The following estimated benefit payments are expected:

		Estimated benefit payments
2021	$	281,600
2022		307,816
2023		323,702
2024		326,891
2025		345,618
2026–2030		2,135,226

For measurement purposes, a 6% and a 4% annual rate of increase in the per capita cost of covered health care and dental benefits, respectively, was assumed as of June 30, 2020. The health care rate was assumed to decrease each year through 2032 to 4.8% 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 2021 are $872,279 and $348,500, respectively.

Assumed healthcare costs trend rates have a significant effect on the amounts reported for the postretirement benefits plan. A one percentage point change in the assumed healthcare cost trends rates would have the following effects at June 30, 2020:

		1% increase	1% decrease
Effect on service cost and interest cost	$	148,093	(115,375)
Effect on year-end obligation		2,220,793	(1,772,551)

(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 $12,187,029 and $12,913,000 in 2020 and 2019, 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 $943,000 and $1,066,000 as of June 30, 2020 and 2019, respectively, and is recorded within other liabilities on the balance sheets.

(12) 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 it is not possible to determine the pandemic's ultimate length, severity, or impacts on the economy or the University's finances, the University could experience material adverse effects posed by the risks related to COVID-19.

As a result of the pandemic, beginning in March 2020, the University suspended in-person education and other campus-based activities, resulting in foregone revenues. Although the University incurred certain incremental costs due to the pandemic, including transitioning to online education and work environments, it also experienced reductions in certain other recurring costs, such as travel and utilities.

Within the fiscal year ended June 30, 2020, the University received $2,590,707 in CARES Act funding and $395,625 in private donations to assist with aid provided to students. The University refunded $3,047,920 of amounts collected for student housing and disbursed $1,946,241 on emergency student food relief payments. Additionally, the University offered discounted summer tuition which amounted to $1,574,947 in foregone revenue.

(Continued)

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 emerging medical treatments and applicable health and safety regulations.

(13) Subsequent Events

The University has evaluated subsequent events through October 28, 2020, 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.

Schedule 1

CLARKSON UNIVERSITY

Consolidating Balance Sheet

June 30, 2020

Assets	**Organization Holding Certificate of Exemption**	**Affiliates**			
	Clarkson University	**JR Weston, Inc.**	**Beacon Institute, Inc.**	**Eliminating Entries**	**Consolidated**
Cash and cash equivalents	$ 130,475	784,212	3,422	—	918,109
Accounts receivable, net	8,247,195	58,620	—	(1,281)	8,304,534
Deposits with trustee	299,917	—	—	—	299,917
Pledges receivable, net	11,115,196	—	—	—	11,115,196
Notes receivable – students, net	6,295,960	—	—	—	6,295,960
Other assets	2,955,720	213,383	—	—	3,169,103
Annuity and life income funds held in trust	10,000,304	—	—	—	10,000,304
Investments	190,501,898	—	—	—	190,501,898
Property and equipment, net	218,327,252	1,696,364	—	—	220,023,616
Total assets	$ 447,873,917	2,752,579	3,422	(1,281)	450,628,637
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$ 8,871,108	7,027	1,218	(1,281)	8,878,072
Deposits and advances	8,970,985	—	—	—	8,970,985
Other liabilities	7,383,531	127,059	—	—	7,510,590
Bank line of credit outstanding	11,500,000	—	—	—	11,500,000
Accrued postretirement benefits	12,180,475	—	—	—	12,180,475
Long-term debt	73,022,039	—	—	—	73,022,039
Asset retirement obligations	5,921,501	30,374	—	—	5,951,875
Federal and other loan advances	6,729,624	—	—	—	6,729,624
Total liabilities	134,579,263	164,460	1,218	(1,281)	134,743,660
Net assets:					
Without donor restrictions	139,806,422	2,588,119	2,204	—	142,396,745
With donor restrictions	173,488,232	—	—	—	173,488,232
Total net assets	313,294,654	2,588,119	2,204	—	315,884,977
Total liabilities and net assets	$ 447,873,917	2,752,579	3,422	(1,281)	450,628,637

See accompanying independent auditors' report.