CLARKSON UNIVERSITY

Auditors' Reports as Required by Uniform Guidance, *Government Auditing Standards* and Related Information

Year Ended June 30, 2017

CLARKSON UNIVERSITY

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Year ended June 30, 2017

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees
Clarkson University:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Clarkson University (the University), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor considers 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 consolidated financial position of Clarkson University as of June 30, 2017 and 2016, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of expenditures federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, and is not a required part of the 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 supplementary schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the consolidated financial statement as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2017 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

October 11, 2017, except as to the
Supplementary Schedule of Expenditures of
Federal Awards, which is as of February 13, 2018

CLARKSON UNIVERSITY

Consolidated Balance Sheets

June 30, 2017 and 2016

Assets		2017	2016
Cash and cash equivalents	$	12,796,335	10,612,050
Accounts receivable, net		10,018,183	6,381,488
Deposits with trustee		10,287,667	1,677,765
Pledges receivable, net		3,807,305	2,475,782
Notes receivable – students, net		8,674,912	8,543,202
Other assets		4,324,242	4,626,310
Annuity and life income funds held in trust		10,438,341	5,894,486
Investments		175,550,844	157,071,634
Property and equipment, net		191,863,793	194,418,491
Total assets	$	427,761,622	391,701,208
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	6,323,512	6,196,893
Deposits and advances		8,612,326	9,515,591
Other liabilities		9,158,501	6,509,034
Accrued postretirement benefits		17,942,055	18,732,630
Long-term debt		74,809,792	66,649,200
Asset retirement obligations		5,136,534	4,930,685
Federal and other loan advances		8,070,261	7,949,026
Total liabilities		130,052,981	120,483,059
Net assets:			
Unrestricted		131,090,175	116,120,110
Temporarily restricted		39,669,919	31,832,795
Permanently restricted		126,948,547	123,265,244
Total net assets		297,708,641	271,218,149
Total liabilities and net assets	$	427,761,622	391,701,208

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2017
(with comparative totals for the year ended June 30, 2016)

	2017				
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Total 2016**
Operating revenues:					
Tuition and fees	$ 165,953,612	—	—	165,953,612	158,456,966
Housing, dining, and other auxiliary services	31,293,273	—	—	31,293,273	29,543,911
Less:					
University funded scholarships	(93,433,317)	—	—	(93,433,317)	(90,530,726)
Government funded student aid	(510,281)	—	—	(510,281)	(518,532)
Net tuition and fees	103,303,287	—	—	103,303,287	96,951,619
Government contracts and grants	14,646,645	—	—	14,646,645	12,022,718
Private gifts and grants	6,290,096	1,122,285	—	7,412,381	10,065,891
Related entities	1,295,194	—	—	1,295,194	1,393,325
Other sources	4,556,447	—	—	4,556,447	4,421,911
Allocation of endowment return for spending	8,235,483	—	—	8,235,483	8,193,140
Net assets released from restrictions	2,772,315	(2,772,315)	—	—	—
Total operating revenues	141,099,467	(1,650,030)	—	139,449,437	133,048,604
Operating expenses:					
Instruction	59,132,454	—	—	59,132,454	56,614,150
Research	12,112,311	—	—	12,112,311	12,057,315
Academic support	12,618,666	—	—	12,618,666	12,358,622
Student services	17,891,038	—	—	17,891,038	16,343,583
Institutional support	20,142,598	—	—	20,142,598	19,833,839
Housing, dining and other auxiliary services	15,820,980	—	—	15,820,980	16,302,496
Related entities	1,454,072	—	—	1,454,072	1,584,729
Total operating expenses	139,172,119	—	—	139,172,119	135,094,734
Increase (decrease) from operating activity	1,927,348	(1,650,030)	—	277,318	(2,046,130)
Nonoperating activity:					
State grants and contributions for long-term investment	4,377,746	3,149,293	2,408,643	9,935,682	8,928,858
Change in pledges receivable	—	241,594	1,089,929	1,331,523	(1,534,093)
Total endowment investment return	5,706,598	14,219,003	—	19,925,601	(6,962,416)
Endowment return distributed for operations	(1,913,791)	(6,416,590)	94,898	(8,235,483)	(8,193,140)
Loss on disposal of assets	(138,742)	—	—	(138,742)	(338,503)
Other changes and reclassifications	1,942,656	(1,942,656)	—	—	—
Postretirement related adjustments other than net periodic benefit costs	484,555	—	—	484,555	(3,897,724)
Other nonoperating income (expense)	2,583,695	236,510	89,833	2,910,038	(404,810)
Increase (decrease) from nonoperation activity	13,042,717	9,487,154	3,683,303	26,213,174	(12,401,828)
Change in net assets before acquisition	14,970,065	7,837,124	3,683,303	26,490,492	(14,447,958)
Inherent contribution received through acquisition	—	—	—	—	8,414,785
Change in net assets	14,970,065	7,837,124	3,683,303	26,490,492	(6,033,173)
Net assets:					
Beginning of year	116,120,110	31,832,795	123,265,244	271,218,149	277,251,322
End of year	$ 131,090,175	39,669,919	126,948,547	297,708,641	271,218,149

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2016

	2016			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Operating revenues:				
Tuition and fees	$ 158,456,966	—	—	158,456,966
Housing, dining, and other auxiliary services	29,543,911	—	—	29,543,911
Less:				
University funded scholarships	(90,530,726)	—	—	(90,530,726)
Government funded student aid	(518,532)	—	—	(518,532)
Net tuition and fees	96,951,619	—	—	96,951,619
Government contracts and grants	12,022,718	—	—	12,022,718
Private gifts and grants	8,822,680	1,243,211	—	10,065,891
Related entities	1,393,325	—	—	1,393,325
Other sources	4,421,911	—	—	4,421,911
Allocation of endowment return for spending	8,193,140	—	—	8,193,140
Net assets released from restrictions	1,423,729	(1,423,729)	—	—
Total operating revenues	133,229,122	(180,518)	—	133,048,604
Operating expenses:				
Instruction	56,614,150	—	—	56,614,150
Research	12,057,315	—	—	12,057,315
Academic support	12,358,622	—	—	12,358,622
Student services	16,343,583	—	—	16,343,583
Institutional support	19,833,839	—	—	19,833,839
Housing, dining and other auxiliary services	16,302,496	—	—	16,302,496
Related entities	1,584,729	—	—	1,584,729
Total operating expenses	135,094,734	—	—	135,094,734
Decrease from operating activity	(1,865,612)	(180,518)	—	(2,046,130)
Nonoperating activity:				
State grants and contributions for long-term investment	1,854,876	3,233,862	3,840,120	8,928,858
Change in pledges receivable	—	(1,259,578)	(274,515)	(1,534,093)
Total endowment investment return	(1,488,561)	(5,473,855)	—	(6,962,416)
Endowment return distributed for operations	(2,268,053)	(6,000,670)	75,583	(8,193,140)
Loss on disposal of assets	(338,503)	—	—	(338,503)
Other changes and reclassifications	(4,264,612)	4,265,323	(711)	—
Postretirement related adjustments other than net periodic benefit costs	(3,897,724)	—	—	(3,897,724)
Other nonoperating expense	81,464	(297,772)	(188,502)	(404,810)
(Decrease) increase from nonoperating activity	(10,321,113)	(5,532,690)	3,451,975	(12,401,828)
Change in net assets before acquisition	(12,186,725)	(5,713,208)	3,451,975	(14,447,958)
Inherent contribution received through acquisition	6,893,390	621,488	899,907	8,414,785
Change in net assets	(5,293,335)	(5,091,720)	4,351,882	(6,033,173)
Net assets:				
Beginning of year	121,413,445	36,924,515	118,913,362	277,251,322
End of year	$ 116,120,110	31,832,795	123,265,244	271,218,149

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2017 and 2016

		2017	2016
Cash flows from operating activities:			
Change in net assets	$	26,490,492	(6,033,173)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Inherent contribution received through acquisition of Union Graduate College		—	(8,414,785)
Depreciation and amortization		10,126,553	9,236,943
Loss on disposal of assets		138,742	257,141
Contributions received for long-term investment		(2,514,588)	(6,792,001)
Contributions received for investment in annuity agreements		(4,326,372)	(310,203)
Net realized and unrealized (gain)/loss on investments		(19,416,646)	7,703,659
Adjustment on loans receivable		415,791	120,143
Asset retirement obligation		320,639	412,340
Forgiveness of debt		(333,340)	(333,340)
Changes in assets and liabilities that effect operating cash flows:			
Accounts receivable		(3,601,709)	3,891,966
Pledges receivable		(1,331,523)	1,529,093
Other assets		(249,321)	79,477
Accounts payable and accrued expenses		50,948	512,313
Asset retirement obligation		(103,723)	(710,357)
Deposits and advances		(903,265)	(1,598,922)
Other liabilities		2,649,467	(504,072)
Postretirement benefits		(790,575)	3,153,683
Net cash provided by operating activities		6,621,570	2,199,905
Cash flows from investing activities:			
Proceeds from maturity/sale of investments		59,494,043	29,603,427
Purchase of investments		(58,388,809)	(26,037,046)
Increase (decrease) in short-term investments		9,732	(1,715)
Increase in deposits with trustee		(8,609,902)	(561)
Student loans issued, net		(131,710)	(392,894)
Other assets collected		90,879	75,501
Cash acquired in acquisition of Union Graduate College		—	2,804,252
Purchase of property and equipment		(7,561,941)	(7,904,031)
Net cash used in investing activities		(15,097,708)	(1,853,067)
Cash flows from financing activities:			
Contributions received for long-term investment		1,770,296	5,416,973
Contributions received for investment in annuity agreements		359,013	310,203
Proceeds from borrowing		33,195,631	—
Payment of debt principal		(24,785,752)	(913,459)
Other changes in government loan funds		121,235	275,976
Net cash provided by financing activities		10,660,423	5,089,693
Net increase in cash and cash equivalents		2,184,285	5,436,531
Cash and cash equivalents:			
Beginning of year		10,612,050	5,175,519
End of year	$	12,796,335	10,612,050
Supplemental disclosures:			
Interest paid	$	3,176,667	2,856,357
Noncash transactions:			
Securities contributions		5,500,526	1,375,028
Increase (decrease) in construction-related payables		75,671	728,477
Equipment obtained through lease		—	412,226

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Clarkson University (the University) is an independent, co-educational, not-for-profit, nonsectarian institution of higher education, with its main campus located in Potsdam, New York. The University, founded in 1896, operates as an education corporation under the New York State Not-for-Profit Corporation Law under the direction of an independent Board of Trustees. The University's Potsdam Campus has a total enrollment of over 3,000 undergraduate students and 600 graduate students in more than 50 comprehensive programs in business, engineering, science, liberal arts, health sciences, and environmental studies. In addition to its Potsdam Campus, the University's Capital Region Campus (CRC) located in Schenectady, New York, has enrollment of over 400 graduate students in bio-ethics, healthcare management, and education.

J.R. Weston, Inc. (Weston, included within Related Entities on the Statements of Activities) is a for-profit, wholly owned subsidiary of the University. Weston operations consist of real estate rentals and a hotel operation. The Beacon Institute, Inc. is a not-for-profit organization of which the University is the sole member. All significant inter-entity accounts and transactions are eliminated in consolidation.

(b) Basis of Accounting

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

(c) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and reported amounts of revenues and expenses during the reporting periods. Management’s most significant use of estimates relate to allowances for receivables, investment valuations, accrued postretirement benefits and asset retirement obligations. Actual results could differ from those estimates.

(d) Net Assets

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

Unrestricted net assets may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties. Unrestricted net assets include operating, plant, and internally designated plant and funds functioning as endowment funds.

Temporarily restricted net assets are subject to donor-imposed or legal stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire with the passage of time. Total return on permanently and temporarily restricted assets are reported as temporarily restricted net assets until appropriated by the University’s Board of Trustees in accordance with New York State laws.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained into perpetuity and neither expire with the passage of time nor can be fulfilled or otherwise removed by the actions of the University. Generally, the donors of these assets permit the University to use all or part of the investment return on these assets to support program activities, principally financial aid and instruction.

Expenses are reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets as “net assets released from restrictions.”

(e) Cash Equivalents

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

(f) Deposits with Trustee

Deposits with trustee represents funds held in trust that are associated with the University's outstanding bonds. As of June 30, 2017, the entire balance of $10,287,667 was comprised of construction funds available for spending, and the June 30, 2016 balance of $1,677,765 represented reserve funds required by the trustee.

(g) Contributions

Contributions, including unconditional pledges, are recognized as revenues when donors’ commitments are received. Conditional pledges are recognized as revenues when the conditions are substantially met. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received except unconditional pledges to be received in future years, which are discounted, as of the date of the contribution, at rates commensurate with the period of time until the pledge is scheduled to be paid and reflecting an allowance for potential collection risk, and are classified as either permanently restricted or temporarily restricted. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets. Contributions specified for the acquisition or construction of long-lived assets are reported as unrestricted net assets when the assets are placed in service. In the absence of donor stipulations, income and gains on contributions or contributed assets are reported as unrestricted revenue.

(h) Investments

Investments are reported at estimated fair value. The values of publicly traded fixed income and equity securities are based on quoted market prices. Nonmarketable securities include alternative investments in hedge, private equity, and other similar funds, which are valued using current estimates of fair value in the absence of readily determinable market values. The University utilizes net asset value or its equivalent (NAV) reported by the fund managers as a practical expedient to fair value. The estimates, because of the inherent uncertainty of valuations for these investments, may differ from the values that would have been used had ready markets existed. As of June 30, 2017, the University had no specific plans or intentions to sell investments at amounts different than NAV.

(Continued)

(i) Fair Value

GAAP defines fair value and establishes a framework for measuring fair value. The GAAP definition of fair value focuses on the exit price of a financial instrument, which is the price that would be received to sell an asset or settle a liability in an orderly transaction between market participants at the measurement date, incorporating a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the reporting entity's own assumptions about how market participants would value a financial instrument based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis. A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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

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

(j) Property and Equipment

Buildings, grounds, equipment, and construction in progress are stated at cost, or, in the case of gifts, at fair value at date of donation, less accumulated depreciation. Expenditures for maintenance, repairs and renewals of relatively minor items are not capitalized. The cost of assets disposed of and related accumulated depreciation are eliminated from the accounts.

The University assesses its long-lived assets for impairment whenever events or changes in circumstances indicate potential impairment. The University has determined that no impairment losses need be recognized in the periods presented. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Such assets and lives are generally as follows:

Buildings	20–50 years
Equipment	3–20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(k) Asset Retirement Obligations

The University accrues for asset retirement obligations in the period in which they are incurred. Beginning with the date identified and through the estimated time of settlement of the obligation, the liability is accreted to its estimated settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded.

The following is a summary of the activity associated with asset retirement obligations during the years ended June 30, 2017 and 2016:

		2017	2016
Asset retirement obligations at beginning of year	$	4,930,685	5,307,725
Remediation		(103,723)	(136,820)
Accretion expense		309,572	333,317
Cost estimate revisions		—	(573,537)
Asset retirement obligations at end of year	$	5,136,534	4,930,685

(l) Retirement Plans

The University participates in defined contribution retirement plans. Total expense under these plans, representing the University’s contributions to these plans, was $4,374,979 and $4,107,378 for 2017 and 2016, respectively.

(m) Income Taxes

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

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

(n) Allocation of Certain Expenses

The statements of activities present expenses by functional classification. Operation and maintenance of plant and depreciation are allocated based on square footage. Interest expense is allocated to functional expenses according to the original purpose of the bond proceeds.

(Continued)

(o) Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 presentation.

(2) Investments and Fair Value

(a) Fair Value

The following table presents the financial instruments carried at fair value as of June 30, 2017, by balance sheet caption, based on the valuation hierarchy defined in note 1(i):

	Level 1	Level 2	Level 3	Measured at NAV	Total	Redemption or liquidation
Other assets:						
Short-term investments	$ —	668,330	—	—	668,330	Daily
GATE receivable	—	—	500,815	—	500,815	Illiquid
Deposits with trustee	10,287,667	—	—	—	10,287,667	Daily
Annuity and life income funds held in trust	—	—	10,438,341	—	10,438,341	Illiquid
Investments:						
Money market and similar	35,853	—	—	—	35,853	Daily
Fixed income securities:						
U.S. government securities	11,275,735	—	—	—	11,275,735	Daily
Other	75,700	—	—	—	75,700	Daily
Equities:						
Domestic	7,692,077	—	—	—	7,692,077	Daily
International	50,457,723	—	—	44,725,519	95,183,242	Daily/Monthly
Hedge funds:						
Multistrategy funds	—	—	—	45,483,607	45,483,607	Quarterly/Annual
Private equity	—	—	—	7,349,153	7,349,153	Illiquid
Venture capital	—	—	—	4,737,091	4,737,091	Illiquid
Real assets	—	—	16,000	3,384,735	3,400,735	Monthly
Life insurance policies	—	—	317,651	—	317,651	Illiquid
Investments	69,537,088	—	333,651	105,680,105	175,550,844	
Total assets at fair value	$ 79,824,755	668,330	11,272,807	105,680,105	197,445,997	
Liabilities:						
GATE liability	$ —	—	103,478	—	103,478	
Total liabilities at fair value	$ —	—	103,478	—	103,478	

The following table presents the financial instruments carried at fair value as of June 30, 2016, by caption on the balance sheet by the valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Measured at NAV	Total	Redemption or liquidation
Other assets:						
Short-term investments	$ —	678,062	—	—	678,062	Daily
GATE receivable	—	—	1,064,545	—	1,064,545	Illiquid
Deposits with trustee	1,677,765	—	—	—	1,677,765	Daily
Annuity and life income funds held in trust	—	—	5,894,486	—	5,894,486	Illiquid
Investments:						
Money market and similar	357,769	—	—	—	357,769	Daily
Fixed income securities:						
U.S. government securities	12,311,434	—	—	—	12,311,434	Daily
Other	76,325	—	—	—	76,325	Daily
Equities:						
Domestic	8,714,706	—	—	—	8,714,706	Daily
International	26,776,700	—	—	31,425,461	58,202,161	Daily/Monthly
Hedge funds:						
Multistrategy funds	—	—	—	48,619,141	48,619,141	Quarterly/Annual
Private equity	—	—	—	7,356,682	7,356,682	Illiquid
Venture capital	—	—	—	4,876,144	4,876,144	Illiquid
Real assets	14,165,821	—	16,000	2,083,190	16,265,011	Daily/Monthly/ Illiquid
Life insurance policies	—	—	292,261	—	292,261	Illiquid
Investments	62,402,755	—	308,261	94,360,618	157,071,634	
Total assets at fair value	$ 64,080,520	678,062	7,267,292	94,360,618	166,386,492	
Liabilities:						
GATE liability	$ —	—	149,578	—	149,578	
Total liabilities at fair value	$ —	—	149,578	—	149,578	

The University was involved in the Guaranteed Access to Education (GATE) loan program from 1994 to 2005. Under this program, the University recognizes future residual cash flows as an asset. Based on historical default rates and other assumptions, the residual receivables are $500,815 and $1,064,545 as of June 30, 2017 and 2016, respectively. This amount is recorded at estimated fair value in other assets on the accompanying consolidated balance sheets. The discounted estimated pledge contribution liability is $103,478 and $149,578 as of June 30, 2017 and 2016, respectively. This amount has been recorded at fair value in other liabilities in the accompanying consolidated balance sheets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a roll forward of the balance sheet amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above.

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

	Fair value July 1, 2015	Earnings	Gains (losses) net of fees	Gifts	Payments received and pledge payment	Distributions	Present value adjustment	Fair value June 30, 2016
Assets:								
GATE receivable	$ 1,376,007	—	—	—	(75,501)	—	(235,961)	1,064,545
Real assets	16,000	—	—	—	—	—	—	16,000
Annuity and life insurance funds	6,211,728	66,994	(217,986)	288,199	—	(454,449)	—	5,894,486
Life insurance policies	281,210	—	11,051	—	—	—	—	292,261
Total assets at fair value	$ 7,884,945	66,994	(206,935)	288,199	(75,501)	(454,449)	(235,961)	7,267,292
Liabilities:								
GATE liability	$ 265,396	—	—	—	(93,224)	—	(22,594)	149,578
Total liabilities at fair value	$ 265,396	—	—	—	(93,224)	—	(22,594)	149,578

(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:

		2017	2016
Investments in pooled funds, at fair value	$	175,153,331	155,752,823
Total number of units		768,833	757,956
Market value per unit	$	227.82	205.49

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

		2017	2016
Investment earnings, net of fees	$	508,955	741,243
Realized and unrealized gain/(loss), net		19,416,646	(7,703,659)
Total return on investment		19,925,601	(6,962,416)
Allocation for endowment spending policy		(8,235,483)	(8,193,140)
Nonoperating investment gain (loss)	$	11,690,118	(15,155,556)

Investment fees were $486,869 and $587,639 for the years ended June 30, 2017 and 2016, respectively. The University has annuity and life income investments with a gross value of $10,719,421 and $6,151,844 as of June 30, 2017 and 2016, respectively. These funds pass to the University upon the death of the beneficiaries and, in some cases, survivors. As a result, a liability is recorded to reflect the present value of the annuity and life income obligations. The amount of this liability, which is included in other liabilities on the accompanying consolidated balance sheets, is $6,700,986 and $4,068,267 as of June 30, 2017 and 2016, respectively.

(c) Liquidity

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

Under the terms of certain limited partnership agreements, the University is obligated periodically to advance additional funding. At June 30, 2017 and 2016, the University had commitments of approximately $31,476,000 and $24,656,000, respectively, for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses.

(Continued)

(3) Endowment Funds

The University is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA), which governs the management and investment of funds held by not-for-profit corporations and other institutions. Absent donor stipulations to the contrary, the statutory guidelines contained in NYPMIFA relate to the prudent management, investment and expenditure of donor-restricted endowment funds without regard to the original value of the gifts. However, NYPMIFA contains specific factors that must be considered prior to making investment decisions or appropriating funds for expenditure. For accounting purposes, the University applies the concepts included in NYPMIFA and ASC Topic 958, *Not-for-Profit Entities*, in its classification of unspent accumulated total return as temporarily restricted net assets.

The Board of Trustees' interpretation of its fiduciary responsibilities for donor-restricted endowment funds under New York State's Not-for-Profit Corporation Law, including NYPMIFA, is to preserve intergenerational equity to the extent possible by prudently managing, investing, and spending from the endowment funds. This principle holds that future endowment beneficiaries should receive at least the same level of economic support that the current generation receives. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to a true endowment, (b) the original value of subsequent gifts to a true endowment fund, and (c) accumulations to a true endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unspent appropriations related to donor-restricted endowment funds are classified as temporarily restricted net assets until the amounts are able to be expended by the University in a manner consistent with the donor's intent.

The Board of Trustees determines the appropriate amount to withdraw from endowment and similar funds on an annual basis to provide support for operations with prudent concern for the long-term growth in the underlying assets as well as the specific factors detailed in NYPMIFA. The Board-approved spending policy is designed to insulate endowment support for programming from short-term fluctuations in capital markets.

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

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

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

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

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

Endowment net assets consisted of the following as of June 30, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	$ (7,583,358)	15,612,850	119,395,146	127,424,638
Board-designated	49,674,643	—	—	49,674,643
Total endowment net assets	$ 42,091,285	15,612,850	119,395,146	177,099,281

Changes in endowment net assets for the year ended June 30, 2016 were as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2015	$	49,134,944	22,197,963	114,807,448	186,140,355
Interest and dividends, net of fees		210,809	530,434	—	741,243
Net realized and unrealized losses		(1,699,370)	(6,004,289)	—	(7,703,659)
Total investment return		(1,488,561)	(5,473,855)	—	(6,962,416)
Contributions		—	—	4,512,880	4,512,880
Board designated transfers		903,743	—	—	903,743
Amounts appropriated for expenditure		(1,708,440)	(6,000,670)	74,818	(7,634,292)
Amounts appropriated for debt service		(716,640)	—	—	(716,640)
Other changes and reclassification		(4,033,761)	4,889,412	—	855,651
Net assets at June 30, 2016	$	42,091,285	15,612,850	119,395,146	177,099,281

(a) Endowment Funds with Deficits

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

When donor-restricted endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature were $4,300,404 and $7,583,358 as of June 30, 2017 and 2016, respectively. These deficits were related to endowment funds with an original fair value of $52,043,224 and $61,723,033 as of June 30, 2017 and 2016, respectively.

(b) Return Objectives and Risk Parameters

The University has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The University expects its endowment funds over time, to provide an average rate of return of approximately 8.0% annually. Actual returns in any given year may vary from this amount.

(c) Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The University targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

(d) Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

The Board of Trustees determines the appropriate amount to withdraw from endowment and similar funds on an annual basis to provide support for operations with prudent concern for the long-term growth in the underlying assets as well as the specific factors detailed in NYPMIFA. The Board of Trustees of the University determines the method to be used to appropriate endowment funds for expenditure. During the fiscal year ended June 30, 2009, the Board of Trustees made the determination to reduce the annual 5.0% spending rate by 0.1% each year, until a rate of 4.0% is attained. The 4.1% and 4.2% annual spending rates for the fiscal years ended June 30, 2017 and 2016, respectively, are based on a trailing 12-quarter average market value of restricted and unrestricted pooled assets. An additional annual spending of approximately 1% based on the trailing 12-quarter average market value of unrestricted pooled assets is appropriated for the Board of Trustees approved debt service expenses or capital expenditures. Furthermore, the Board of Trustees has authorized additional annual spending for certain debt service. Distributions of earnings from the fund to support expenditures are expected to be equal to or less than actual returns, therefore achieving the financial objective of preserving the value of the fund assets and related revenue stream over time.

(4) Temporarily and Permanently Restricted Net Assets

At June 30, 2017 and 2016, temporarily and permanently restricted net assets were comprised as follows:

	2017		2016	
	Temporarily restricted	Permanently restricted	Temporarily restricted	Permanently restricted
Pledges and bequests receivable	$ 2,317,583	1,489,722	2,075,989	399,793
Other program restrictions	6,100,485	5,000	6,113,997	5,000
Restricted for facilities	6,465,494	—	6,578,335	—
Restricted for student loans	—	2,815,014	—	2,811,347
Life income, annuity, and similar funds	3,313,751	720,979	1,451,624	653,958
Endowment funds	21,472,606	121,917,832	15,612,850	119,395,146
Total net assets	$ 39,669,919	126,948,547	31,832,795	123,265,244

(5) Receivables

Accounts receivable consisted of the following at June 30:

	2017	2016
Students, net	$ 1,481,433	1,590,563
Research contracts and grants	3,703,185	3,449,989
Other	4,833,565	1,340,936
	$ 10,018,183	6,381,488

(Continued)

The University maintains an allowance for uncollectible student and grant accounts. These allowances were approximately $444,000 and $508,000 for student and grant receivables at June 30, 2017 and 2016, respectively.

Notes receivable consisted of the following at June 30:

		2017	2016
Federal and other external student loans	$	7,073,839	6,907,007
Unrestricted student loans		188,486	211,259
Permanently restricted student loans		1,412,587	1,424,936
	$	8,674,912	8,543,202

The University maintains an allowance for uncollectible notes receivable, which was approximately $1,059,000 and $1,023,000 at June 30, 2017 and 2016, respectively.

Pledges receivable at June 30 are as follows:

		2017	2016
In less than one year	$	1,050,264	1,006,764
In one to five years		2,546,496	1,219,062
Greater than five years		756,000	410,000
Gross receivable		4,352,760	2,635,826
Present value discount and reserve		545,455	160,044
Net receivable	$	3,807,305	2,475,782

(6) Property and Equipment

Property and equipment consisted of the following at June 30:

		2017	2016
Buildings and grounds	$	287,238,142	258,942,158
Equipment		42,446,153	40,687,453
Construction in progress		5,070,246	28,540,560
Total property and equipment		334,754,541	328,170,171
Less accumulated depreciation		(142,890,748)	(133,751,680)
	$	191,863,793	194,418,491

Construction in progress is made up of certain projects started but not completed at June 30, 2017. The estimated costs to complete these projects, most of which represent costs to be incurred under contracts with vendors, are approximately $18,390,000. These projects consist of engineering lab additions, dining facility upgrades, parking lot and grounds improvements and others.

Capitalized interest costs were $216,240 and $102,392 for the years ended June 30, 2017 and 2016, respectively. Depreciation expense was $9,919,707 and $9,050,213 for the years ended June 30, 2017 and 2016, respectively.

(7) Long-term Debt

Outstanding debt consisted of the following at June 30:

	2017	2016
Clarkson University:		
St. Lawrence County Industrial Development Authority (IDA):		
St. Lawrence County IDA Bonds – 2003 (a)	$ —	$ 2,975,000
St. Lawrence County IDA Bonds – 2007 (b)	—	21,230,000
St. Lawrence County IDA Bonds – 2011 (c)	14,290,000	14,490,000
St. Lawrence County IDA Bonds – 2012A (d)	18,160,000	18,160,000
St. Lawrence County IDA Bonds – 2012B (e)	3,000,000	3,000,000
St. Lawrence County IDA Bonds – 2017 (a)	30,275,000	—
City of Schenectady IDA Bonds – 2008A (f)	4,785,000	4,935,000
Empire State Development Corporation (g)	1,333,160	1,666,500
Capital lease (h)	240,346	314,004
Total outstanding principal	72,083,506	66,770,504
Bond premiums	4,399,697	1,459,894
Bond issuance costs	(1,673,411)	(1,581,198)
Total long-term debt	$ 74,809,792	$ 66,649,200

(a) On April 27, 2017, the University placed $30,275,000 of debt in the public market to refinance the 2003 and 2007 St. Lawrence County IDA Bonds, as well as to finance approximately $10,800,000 in capital projects. The 2017 bonds bear interest at rates ranging from 3.25% to 5.00% and require annual principal payments through June 2048. The bonds are tax-exempt and were issued at a premium of approximately $3,528,000 and included an underwriter's discount and issuance costs of approximately $151,000 and $456,000, respectively.

(b) On April 27, 2017, the outstanding balance of approximately $21,120,000 was refinanced with proceeds from the 2017 St. Lawrence County IDA Bonds, as described above.

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

(d) These bonds bear interest at rates ranging from 4.0% to 5.25% and require annual principal payments from September 2029 through September 2041.

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

(f) These are Letter of Credit Secured Bonds issued through M&T Bank, under Variable Rate Demand Civic Facility Revenue Bonds. The bonds are secured by land and building in the City of Schenectady, New York. The bonds are paid in variable increments through September 1, 2037. Interest is variable and approximates 1.0% at June 30, 2017.

(g) This is an interest-free mortgage related to the Center for Advanced Materials Process (CAMP facility). The mortgage requires annual principal payments of $333,340 through January 2021. The principal payments that were due for fiscal years ended June 30, 2017 and 2016 were forgiven by New York State.

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

At June 30, 2017, 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:		
2018	$	826,989
2019		855,922
2020		867,455
2021		1,423,140
2022		1,540,000
Thereafter		66,570,000
	$	72,083,506

The St. Lawrence County IDA bond agreements include provisions requiring the maintenance of a minimum annual debt service coverage ratio. As of June 30, 2017 and 2016, the University is in compliance with these provisions. These balances are secured by the operating and non-operating revenues of the University.

The University has a $5,000,000 line of credit at a bank with an interest rate that is the greater of 1.75% above the one month LIBOR with an interest period duration of one day or 2.25%. There is no expiration date associated with this line of credit. There was no balance outstanding at June 30, 2017 or 2016.

The University has a $960,000 revolving line of credit with a bank related to its procurement card program on which there was an outstanding balance of $32,628 and $37,133 as of June 30, 2017 and 2016, respectively. It is interest free if full payment is received within the monthly billing cycle. The credit line is on an annual automatic renewal.

Beacon has a revolving line of credit with a bank which provides for a variable interest rate which, at June 30, 2017 and 2016, was 0.75% above the prime rate with a minimum of 4.0%. The maximum authorized amount available is $750,000. Borrowings under the line are collateralized by Beacon's property and equipment and payable on demand. There was no balance outstanding at June 30, 2017 or 2016.

Weston has a $500,000 line of credit at a bank's prime rate (4.25% at June 30, 2017) on which there was no outstanding balance at June 30, 2017 or 2016. There is no expiration date associated with this line of credit.

(8) Postretirement Benefits

The University provides certain health care and sick leave benefits for retired employees. The University's employees may become eligible for those benefits if they reach retirement age while working for the University and meet certain minimum service requirements. The following table sets forth the status of the plan, which is unfunded, as of June 30:

		2017	2016
Change in benefit obligation:			
Benefit obligation at beginning of year	$	18,732,630	15,578,947
Service cost		517,095	397,314
Interest cost		664,207	676,039
Plan participants' contributions		628,725	690,325
Medicare Part D subsidy		85,491	—
Actuarial (gain) loss		(1,297,817)	2,810,665
Benefits paid		(1,388,276)	(1,420,660)
Benefit obligation at end of year		17,942,055	18,732,630
Change in plan assets:			
Fair value of plan assets at beginning of year		—	—
Employer contributions		674,060	730,335
Plan participants' contributions		628,725	690,325
Benefits paid		(1,388,276)	(1,420,660)
Medicare Part D subsidy		85,491	—
Fair value of plan assets at end of year		—	—
Funded status at end of year	$	(17,942,055)	(18,732,630)
Discount rates:			
Year end benefit obligation		3.80%	3.60%
Net periodic benefit cost		3.60	4.40

		2017	2016
Components of net periodic benefit cost:			
Service cost	$	517,095	397,314
Interest cost		664,207	676,039
Amortization of net gain		(570,618)	(336,730)
Amortization of prior service credit		—	(756,699)
Net periodic benefit cost	$	610,684	(20,076)

During the year ended June 30, 2017, the following were the key factors in the decrease in the postretirement obligation: demographic experience, changes in plan participation rates, medical claims experience, discount rates, participant contribution rates and mortality rates.

Estimated Future Contributions and Benefit Payments

The following estimated benefit payments are expected:

		Benefit payments
2018	$	740,926
2019		665,369
2020		588,883
2021		490,794
2022		529,616
2023–2027		3,214,205

For measurement purposes, a 7.0% and a 5.0% annual rate of increase in the per capita cost of covered health care and dental benefits, respectively, was assumed as of June 30, 2017. The health care rate was assumed to decrease each year through 2030 to 5.0% and remain at that level thereafter while the dental rate trend remains constant for all years.

The estimated prior service credit and net actuarial gain for the postretirement benefits plan that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal 2018 are $12,394 and $142,775, respectively.

(9) Commitments and Contingencies

The University is subject to various claims and lawsuits arising during the normal course of business. In management's opinion, the resolution of these matters will not have a significant adverse effect on the University's financial position, operations, or cash flows.

The University partially retains the risk for medical insurance. The University carries stop/loss insurance that covers medical and prescription drug claims that exceed the annual aggregate attachment point of approximately $11,793,000 and $10,317,000 in 2017 and 2016, respectively. The attachment point for any individual claim is $175,000. The University's estimated liability for its retained risk under these policies amounted to approximately $1,061,000 and $981,000 as of June 30, 2017 and 2016 and is recorded within other liabilities on the balance sheets.

(10) Union Graduate College Acquisition

Prior to its acquisition, Union Graduate College (UGC) was an independent, co-educational, not-for-profit graduate college located in Schenectady, New York. On May 11, 2015, the University and UGC entered into an agreement, effective February 1, 2016, pursuant to which UGC was merged with and into the University in accordance with the provisions of the New York Educational Law, whereupon the separate corporate existence of UGC ceased and Clarkson University is the surviving entity. The University acquired UGC to form the Clarkson University Capital Region Campus (CRC) and expand its graduate offerings by continuing the distinguished bio-ethics, healthcare management, and education programs offered by UGC. The CRC will also serve as an integrated hub for program marketing, student recruitment and admissions for graduate programs. There was no consideration exchanged for the acquisition, and the transaction resulted in an inherent contribution received, as UGC was seeking to provide students, faculty and alumni from both institutions access to a richer pool of resources that will provide heightened opportunities for meaningful collaboration, enhanced course offerings, cutting-edge research, expanded career services, and enriched corporate and alumni networks.

The change in control of UGC was accounted for as an acquisition. As such, the University recorded approximately $8,415,000 of inherent contribution income in the consolidated statement of activities for the year ended June 30, 2016. The amount represented the excess of the fair value of assets acquired over the fair value of liabilities assumed.

(11) Subsequent Events

The University has evaluated subsequent events through October 11, 2017, 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.

CLARKSON UNIVERSITY

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

Federal grantor/pass-through grantor/program or cluster title	Direct award or pass-through entity identifying number	Federal CFDA number	Passed through to subrecipients	Federal expenditures
Research and Development Cluster:				
U.S. National Aeronautics and Space Administration:				
Cornell University	76156-10484	43.008	$ —	$ 33,654
Total U.S. National Aeronautics and Space Administration			—	33,654
U.S. Department of Agriculture:				
Agriculture and Food Research Initiative	Direct	10.310	77,395	80,607
Total U.S. Department of Agriculture			77,395	80,607
U.S. Department of Defense:				
Defense Threat Reduction Agency	Direct	12.000	9,147	233,917
Characterization of Particle Interaction with Non-Ideal Surfaces				
Strategic Environmental R & D Program Office	Direct	12.000	—	134,772
Strategic Environmental Research and Development Program				
Subtotal			9,147	368,689
U.S. Department of the Navy:				
Basic and Applied Scientific Research	Direct	12.300	—	605,276
Defense Threat Reduction Agency:				
Basic Scientific Research	Direct	12.351	—	139,395
U.S. Army Material Command:				
Basic Scientific Research	Direct	12.431	—	199,348
Basic Scientific Research	1130204-374345	12.431	—	34,134
Subtotal			—	233,482
Uniformed Services University of the Health Sciences:				
Uniformed Services University Medical Research Projects	416786	12.750	—	47,056
Office of the Secretary of Defense:				
Basic, Applied, and Advanced Research	HM02101310010	12.630	—	37,118
Total U.S. Department of Defense			—	1,431,016
U.S. Department of Energy:				
Office of Science Financial Assistance Program	Direct	81.049	—	20,017
Electricity Delivery and Energy Reliability, Research, Development and Analysis	Direct	81.122	—	6,312
Electric Power Research Institute	10001650	81.087	—	86,539
Syracuse University	25734-02953-01	81.117	—	10,391
Syracuse University	29112-04491-01	81.117	—	3,677
Subtotal			—	14,068
General Electric Company	401004230	81.122	—	16,401
Total U.S. Department of Energy			—	143,337
U.S. Department of Health and Human Services:				
National Institutes of Health:				
Cancer Cause and Prevention Research	Direct	93.393	—	24,128
Biomedical Research and Research Training	Direct	93.859	—	123,526
International Research and Research Training	Direct	93.989	71,822	591,946
Massachusetts General Hospital	230317	93.173	—	477
Total U.S. Department of Health and Human Services			71,822	740,077
U.S. Department of the Interior:				
Cornell University	78963-10648	15.805	—	4,582
Total U.S. Department of the Interior			—	4,582
U.S. Environmental Protection Agency:				
Office of Water:				
Great Lakes Program	Direct	66.469	511,351	1,083,429
Office of Research and Development:				
Science To Achieve Results (STAR) Research Program	Direct	66.509	—	70,831
Office of Research and Development:				
(GRO) Fellowships For Undergraduate Environmental Studies	Direct	66.513	—	29,710
Office of Research and Development:				
P3 Award: National Student Design Competition for Sustainability	Direct	66.516	—	10,434
Total U.S. Environmental Protection Agency			511,351	1,194,404
U.S. Department of Transportation:				
University Transportation Research Center	49198-35-27	20.701	—	9,054
Total U.S. Department of Transportation			—	9,054

(Continued)

CLARKSON UNIVERSITY

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

Federal grantor/pass-through grantor/program or cluster title	Direct award or pass-through entity identifying number	Federal CFDA number	Passed through to subrecipients	Federal expenditures
National Science Foundation:				
Engineering Grants	Direct	47.041	$ 68,992	$ 1,772,163
NEXID Biometrics	not available	47.041	—	921
Michigan State University	RC107126	47.041	—	67,757
Potsdam Sensors LLC	not available	47.041	—	24,463
Subtotal			68,992	1,865,304
Mathematical and Physical Sciences	Direct	47.049	—	152,940
University of Georgia	RR583-311/4945966	47.049	—	22,192
Subtotal			—	175,132
Geosciences	Direct	47.050	—	86,990
Computer and Information Science and Engineering	Direct	47.070	3,568	568,669
University Corp for Atmospheric Research	Z17-21305	47.070	—	18,883
Subtotal			3,568	587,552
Education and Human Resources	Direct	47.076	57,043	159,726
Syracuse University	25901-03200-S06	47.076	—	35,165
Syracuse University	25901-03200-S06	47.076	—	14,282
Subtotal			57,043	209,173
Total National Science Foundation			129,603	2,924,151
Total Research and Development Cluster			799,318	6,560,882
Student Financial Assistance Cluster:				
U.S. Department of Education:				
Supplemental Educational Opportunity Grant Program	Direct	84.007	—	336,437
Federal Direct Loan Program	Direct	84.268	—	32,560,621
Federal Work-Study Program	Direct	84.033	—	490,820
Federal Perkins Loan Cancellations	Direct	84.037	—	12,075
Federal Perkins Loan Program (note 2)	Direct	84.038	—	7,976,504
Pell Grant Program	Direct	84.063	—	3,146,990
Total Student Financial Assistance Cluster			—	44,523,447
TRIO Cluster:				
U.S. Department of Education:				
CU Student Support Services	Direct	84.042	—	274,130
McNair Program	Direct	84.217	—	257,820
Total TRIO Cluster			—	531,950
Other Programs:				
Northern Border Regional Commission:				
Northern Border Regional Development	Direct	90.601	—	405,217
Total Expenditures of Federal Awards			$ 799,318	$ 52,021,496

See accompanying notes to supplementary schedule of expenditures of federal awards.

(1) Basis of Presentation

The accompanying supplementary schedule of expenditures of federal awards (the Schedule) includes the federal grant transactions of Clarkson University (the University). The Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule includes the expenditures of the University's two campuses: Clarkson University and Capital Region Campus.

(2) Loan Programs

The University has the following loan balance outstanding for the Federal Perkins Loan Program:

Loan receivable balance at June 30, 2016	$	6,767,682
Loans advanced during fiscal year 2017		1,151,259
Administrative allowance		57,563
Federal expenditures		7,976,504
Current year loan reduction		1,127,875
Administrative allowance		(57,563)
Loan receivable balance at June 30, 2017	$	6,906,192

The Federal Perkins Loan Program is administered directly by the University and the balance and transactions related to this program are included in the University's consolidated financial statements.

Federally guaranteed loans issued to students of the University during the year ended June 30, 2017 amounted to $23,942,449. Federally guaranteed loans issued to parents of students of the University under the PLUS Loan Program during the year ended June 30, 2017 amounted to $8,618,172. The University is responsible only for the performance of certain administrative duties with respect to the programs and, accordingly, balances and transactions relating to them are not included in the University's consolidated financial statements.

(3) Facilities and Administrative Costs

For research and development awards, the University has obtained predetermined facilities and administrative cost rates for fiscal years 2017–2020, which have been reviewed and approved by the U.S. Department of Health and Human Services, the University's federal oversight agency. The base rate for on-campus research is 53.0% for fiscal year 2017. The base rate for off-campus research is 18.1% for fiscal year 2017. Both rates use modified total direct cost as a base.

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Trustees
Clarkson University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Clarkson University (the University), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the (consolidated) financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Colchester, Vermont
October 11, 2017

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Independent Auditors' Report on Compliance for Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

The Board of Trustees
Clarkson University:

Report on Compliance for Major Federal Program

We have audited Clarkson University's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University's major federal program for the year ended June 30, 2017. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the University's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the University's major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

February 13, 2018

Vt. Reg. No. 92-0000241

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting standards:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?	______	Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______	Yes	X	None reported
Noncompliance material to the financial statements noted?	______	Yes	X	No

Federal Awards

Internal control over major program:				
• Material weakness(es) identified?	______	Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______	Yes	X	None reported
Type of auditors' report issued on compliance for major program:	Unmodified			
• Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance	______	Yes	X	No

Identification of Major Program

Name of federal program or cluster	CFDA number(s)
Student Financial Assistance Cluster	Various

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	Yes	______	No

(Continued)

CLARKSON UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

Section II – Financial Statement Findings

None noted.

Section II – Federal Awards – Findings and Questioned Costs

None noted.