CLARKSON UNIVERSITY

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

Year Ended June 30, 2018

CLARKSON UNIVERSITY

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Year ended June 30, 2018

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

Independent Auditors' Report

The Board of Trustees
Clarkson University:

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, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018 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 12, 2018

Vt. Reg. No. 92-0000241

CLARKSON UNIVERSITY

Consolidated Balance Sheets

June 30, 2018 and 2017

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

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statement of Activities

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

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

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2017

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

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2018 and 2017

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

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

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

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

(b) Basis of Accounting

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

(c) Use of Estimates

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

(d) Net Assets

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

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

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

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

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

(e) Cash Equivalents

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

(f) Deposits with Trustee

Deposits with trustee represents funds held in trust that are associated with the University’s outstanding bonds. As of June 30, 2018, the entire balance of $7,316,290 was comprised of construction funds available for spending, and the June 30, 2017 balance of $10,287,667 represented reserve funds required by the trustee.

(g) Contributions

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

(h) Investments

Investments are reported at estimated fair value. The values of publicly traded fixed income and equity securities are based on quoted market prices. Nonmarketable securities include alternative investments in hedge, private equity, and other similar funds, which are valued using current estimates of fair value in the absence of readily determinable market values. The University utilizes net asset value or its equivalent (NAV) reported by the fund managers as a practical expedient to fair value. The estimates, because of the inherent uncertainty of valuations for these investments, may differ from the values that would have been used had ready markets existed. As of June 30, 2018, the University had no specific plans or intentions to sell investments at amounts different than NAV.

(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, 2018 and 2017:

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

(l) Retirement Plans

The University participates in defined contribution retirement plans. Total expense under these plans, representing the University's contributions to these plans, was $4,410,089 and $4,374,979 for the years ended June 30, 2018 and 2017, respectively.

(m) Income Taxes

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

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

On December 22, 2017, the President signed in law H.R. 1, originally known as the Tax Cuts and Jobs Act. The new law (Public Law No 115-97) includes substantial changes to the taxation of individuals, businesses, multinational enterprises and others. In addition to many generally applicable provisions, the law contains several specific provisions that result in changes to the tax treatment of tax-exempt organizations and their donors. The University has reviewed these provisions and the potential impact and concluded that the enactment of H.R. 1 will not have a material effect on the operations of the University.

(n) Allocation of Certain Expenses

The statements of activities present expenses by functional classification. Operation and maintenance of plant and depreciation are allocated based on square footage. In the year ended June 30, 2018 the University updated the square footage base to allocate by functional classification. This change resulted in the year ended June 30, 2017 being restated to reflect the new allocation. Interest expense is allocated to functional expenses according to the original purpose of the bond proceeds.

(o) Reclassifications

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

(2) Investments and Fair Value

(a) Fair Value

The following table presents the financial instruments carried at fair value as of June 30, 2018, by balance sheet caption, based on the valuation hierarchy defined in note 1(i):

	Level 1	Level 2	Level 3	Measured at NAV	Total	Redemption or liquidation
Other assets:						
Short-term investments	$ 659,946	—	—	—	659,946	Daily
GATE receivable	—	—	385,158	—	385,158	Illiquid
Deposits with trustee	7,316,290	—	—	—	7,316,290	Daily
Annuity and life income funds held in trust	—	—	10,281,085	—	10,281,085	Illiquid
Investments:						
Money market and similar	16,364	—	—	—	16,364	Daily
Fixed income securities:						
U.S. government securities	10,828,091	—	—	—	10,828,091	Daily
Other	73,072	—	—	—	73,072	Daily
Equities:						
Domestic	8,792,255	—	—	—	8,792,255	Daily
International	57,155,809	—	—	44,685,509	101,841,318	Daily/Monthly
Hedge funds:						
Multistrategy funds	—	—	—	49,903,817	49,903,817	Quarterly/Annual
Private equity	—	—	—	7,737,742	7,737,742	Illiquid
Venture capital	—	—	—	5,681,818	5,681,818	Illiquid
Real assets	—	—	16,000	4,827,308	4,843,308	Monthly
Life insurance policies	—	—	343,239	—	343,239	Illiquid
Investments	76,865,591	—	359,239	112,836,194	190,061,024	
Total assets at fair value	$ 84,841,827	—	11,025,482	112,836,194	208,703,503	

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

The following table presents the financial instruments carried at fair value as of June 30, 2017, by caption on the balance sheet by the valuation hierarchy defined above:

		Level 1	Level 2	Level 3	Measured at NAV	Total	Redemption or liquidation
Other assets:							
Short-term investments	$	668,330	—	—	—	668,330	Daily
GATE receivable		—	—	500,815	—	500,815	Illiquid
Deposits with trustee		10,287,667	—	—	—	10,287,667	Daily
Annuity and life income funds held in trust		—	—	10,438,341	—	10,438,341	Illiquid
Investments:							
Money market and similar		35,853	—	—	—	35,853	Daily
Fixed income securities:							
U.S. government securities		11,275,735	—	—	—	11,275,735	Daily
Other		75,700	—	—	—	75,700	Daily
Equities:							
Domestic		7,692,077	—	—	—	7,692,077	Daily
International		50,457,723	—	—	44,725,519	95,183,242	Daily/Monthly
Hedge funds:							
Multistrategy funds		—	—	—	45,483,607	45,483,607	Quarterly/Annual
Private equity		—	—	—	7,349,153	7,349,153	Illiquid
Venture capital		—	—	—	4,737,091	4,737,091	Illiquid
Real assets		—	—	16,000	3,384,735	3,400,735	Monthly
Life insurance policies		—	—	317,651	—	317,651	Illiquid
Investments		69,537,088	—	333,651	105,680,105	175,550,844	
Total assets at fair value	$	80,493,085	—	11,272,807	105,680,105	197,445,997	
Liabilities:							
GATE liability	$	—	—	103,478	—	103,478	
Total liabilities at fair value	$	—	—	103,478	—	103,478	

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

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

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

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

(b) Investment Return

A majority of endowment assets are pooled on a fair value basis, and the University utilizes a total return approach to investments in the endowment pool. This approach considers yield (primarily interest and dividends) as well as the net realized and unrealized gain (loss) in the fair value of pooled investments when determining the spending amount. The unit fair value is used to account for income distributed and pool transactions. Pooled funds were as follows as of June 30:

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

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

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

Investment fees were $356,255 and $486,869 for the years ended June 30, 2018 and 2017, respectively. The University has annuity and life income investments with a gross value of $10,587,192 and $10,719,421 as of June 30, 2018 and 2017, respectively. These funds pass to the University upon the death of the beneficiaries and, in some cases, survivors. As a result, a liability is recorded to reflect the present value of the annuity and life income obligations. The amount of this liability, which is included in other liabilities on the accompanying consolidated balance sheets, is $6,478,762 and $6,700,986 as of June 30, 2018 and 2017, respectively.

(c) Liquidity

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

Under the terms of certain limited partnership agreements, the University is obligated periodically to advance additional funding. At June 30, 2018 and 2017, the University had commitments of approximately $27,827,000 and $31,476,000, respectively, for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses.

(3) Endowment Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

(a) Endowment Funds with Deficits

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

When donor-restricted endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature were $3,047,223 and $4,300,404 as of June 30, 2018 and 2017, respectively. These deficits were related to endowment funds with an original fair value of $40,510,379 and $52,043,224 as of June 30, 2018 and 2017, respectively.

(b) Return Objectives and Risk Parameters

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

(c) Strategies Employed for Achieving Investment Objectives

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

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

The Board of Trustees determines the appropriate amount to withdraw from endowment and similar funds on an annual basis to provide support for operations with prudent concern for the long-term growth in the underlying assets as well as the specific factors detailed in NYPMIFA. The Board of Trustees of the University determines the method to be used to appropriate endowment funds for expenditure. The 4.0% and 4.1% annual spending rates for the fiscal years ended June 30, 2018 and 2017, respectively, are based on a trailing 12-quarter average market value of restricted and unrestricted pooled assets. An additional annual spending of approximately 1% based on the trailing 12-quarter average market value of unrestricted pooled assets is appropriated for the Board of Trustees approved debt service expenses or capital expenditures. Furthermore, the Board of Trustees has authorized additional annual spending for certain debt service. Distributions of earnings from the fund to support expenditures are expected to be equal to or less than actual returns, therefore achieving the financial objective of preserving the value of the fund assets and related revenue stream over time.

(Continued)

(4) Temporarily and Permanently Restricted Net Assets

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

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

(5) Receivables

Accounts receivable consisted of the following at June 30:

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

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

Notes receivable consisted of the following at June 30:

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

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

Pledges receivable at June 30 are as follows:

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

(6) Property and Equipment

Property and equipment consisted of the following at June 30:

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

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

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

(Continued)

(7) Long-term Debt

Outstanding debt consisted of the following at June 30:

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

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

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

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

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

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

(f) This is an interest-free mortgage related to the Center for Advanced Materials Process (CAMP facility). The mortgage requires annual principal payments of $333,340 through January 2021. The principal payments that were due for fiscal years ended June 30, 2018 and 2017 were forgiven by New York State.

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

At June 30, 2018, the aggregate amounts of principal and sinking-fund requirements for long-term debt over the next five fiscal years and thereafter are as follows:

		Amount
Fiscal year:		
2019	$	855,922
2020		867,455
2021		1,423,140
2022		1,540,000
2023		1,650,000
Thereafter		64,919,999
	$	71,256,516

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

The University has a $5,000,000 line of credit at a bank with an interest rate that is the greater of 1.75% above the one month LIBOR with an interest period duration of one day or 2.25%. There was no balance outstanding at June 30, 2018 or 2017.

The University has a $960,000 revolving line of credit with a bank related to its procurement card program on which there was an outstanding balance of $736,195 and $32,628 as of June 30, 2018 and 2017, respectively, included in accounts payable and accrued expenses on the balance sheets. It is interest free if full payment is received within the monthly billing cycle. The credit line is on an annual automatic renewal.

(8) Postretirement Benefits

The University provides certain health care and sick leave benefits for retired employees. The University's employees may become eligible for those benefits if they reach retirement age while working for the

University and meet certain minimum service requirements. The following table sets forth the status of the plan, which is unfunded, as of June 30:

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

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

(Continued)

Estimated Future Contributions and Benefit Payments

The following estimated benefit payments are expected:

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

For measurement purposes, a 7.0% and a 5.0% annual rate of increase in the per capita cost of covered health care and dental benefits, respectively, was assumed as of June 30, 2018. The health care rate was assumed to decrease each year through 2028 to 5.0% and remain at that level thereafter while the dental rate trend remains constant for all years.

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

(9) Commitments and Contingencies

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

The University partially retains the risk for medical insurance. The University carries stop/loss insurance that covers medical and prescription drug claims that exceed the annual aggregate attachment point of approximately $13,476,000 and $11,793,000 in 2018 and 2017, respectively. The attachment point for any individual claim is $175,000. The University's estimated liability for its retained risk under these policies amounted to approximately $867,000 and $1,061,000 as of June 30, 2018 and 2017 and is recorded within other liabilities on the balance sheets.

(10) Subsequent Events

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

CLARKSON UNIVERSITY

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

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	—	23,305
Total U.S. National Aeronautics and Space Administration			—	23,305
U.S. Department of Agriculture:				
Agriculture and Food Research Initiative	Direct	10.310	25,356	78,166
Total U.S. Department of Agriculture			25,356	78,166
U.S. Department of Defense:				
Defense Threat Reduction Agency				
Basic Scientific Research	Direct	12.351	—	308,193
Strategic Environmental R & D Program Office				
Basic, Applied, and Advanced Research in Science and Engineering	Direct	12.630	—	13,664
Defense Advanced Research Projects Agency				
Research and Technology Development	Direct	12.910	—	1,223
Uniformed Services University of the Health Sciences:				
Uniformed Services University Medical Research Projects	416786	12.750	—	1,825
U.S. Department of the Navy:				
Basic and Applied Scientific Research	Direct	12.300	—	360,629
U.S. Army Material Command:				
Basic Scientific Research	Direct	12.431	—	251,832
Carnegie Mellon University	1130204-374345	12.431	—	81,959
Subtotal			—	333,791
U.S. Department of the Army - Corp of Engineers				
Collaborative Research and Development	Direct	12.114	13,187	244,574
Basic, Applied, and Advanced Research in Science and Engineering	Direct	12.630	—	25,248
Department of the Air Force:				
Basic, Applied, and Advanced Research in Science and Engineering	Direct	12.630	142,601	374,223
Griffiss Institute	ICA2017-UP-017	12.800	—	40,000
Total U.S. Department of Defense			155,788	1,703,370
U.S. Department of Energy:				
Office of Science Financial Assistance Program	Direct	81.049	—	165,326
Electricity Delivery and Energy Reliability, Research, Development and Analysis	Direct	81.122	28,863	59,520
Electric Power Research Institute	10001650	81.087	—	132,524
Syracuse University	29112-04491-01	81.117	—	14,323
Total U.S. Department of Energy			28,863	371,693
U.S. Department of Health and Human Services:				
Centers for Disease Control and Prevention:				
Occupational Safety and Health Program	Direct	93.262	—	15,026
National Institutes of Health:				
Biomedical Research and Research Training	Direct	93.859	—	142,471
Child Health and Human Development Extramural Research	Direct	93.865	—	75,922
International Research and Research Training	Direct	93.989	66,360	462,602
Massachusetts General Hospital	230317	93.173	—	146,116
Total U.S. Department of Health and Human Services			66,360	842,137
U.S. Department of the Interior:				
Cornell University	78963-10648	15.805	—	3,778
Total U.S. Department of the Interior			—	3,778
U.S. Department of Transportation:				
Research Foundation of CUNY	49204-H	20.200	—	21,967
Total U.S. Department of Transportation			—	21,967
U.S. Environmental Protection Agency				
Office of Water:				
Great Lakes Program	Direct	66.469	519,292	1,226,102
Office of Research and Development:				
Science To Achieve Results (STAR) Research Program	Direct	66.509	—	5,203
(GRO) Fellowships For Undergraduate Environmental Studies	Direct	66.513	—	156
P3 Award: National Student Design Competition for Sustainability	Direct	66.516	—	5,150
Total U.S. Environmental Protection Agency			519,292	1,236,611

(Continued)

CLARKSON UNIVERSITY

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

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	$ 202,354	1,502,410
Arizona State University	17-033	47.041	—	47,916
Infineon Technologies Americas Corp	1650503	47.041	—	7,375
Michigan State University	RC107126	47.041	—	269,546
NEXID Biometrics	not available	47.041	—	9,661
Potsdam Sensors LLC	not available	47.041	—	71,436
Subtotal			202,354	1,908,344
Mathematical and Physical Sciences	Direct	47.049	—	517,629
Geosciences	Direct	47.050	—	67,667
University Corp for Atmospheric Research	Z17-21305	47.050	—	134,830
Subtotal			—	202,497
Computer and Information Science and Engineering	Direct	47.070	69,853	556,590
West Virginia University	16-800-CU	47.070	—	25,001
Subtotal			69,853	581,591
Social, Behavioral, and Economic Sciences	Direct	47.075	—	171,666
Education and Human Resources	Direct	47.076	52,994	249,635
Syracuse University	25901-03200-S06	47.076	—	12,599
Syracuse University	25914-04742-S03	47.076	—	50,422
Subtotal			52,994	312,656
Total National Science Foundation			325,201	3,694,383
Total Research and Development Cluster			1,120,860	7,975,410
Student Financial Assistance Cluster:				
U.S. Department of Education:				
Supplemental Educational Opportunity Grant Program	Direct	84.007	—	365,353
Federal Direct Loan Program (note 2)	Direct	84.268	—	33,326,238
Federal Work-Study Program	Direct	84.033	—	532,789
Federal Perkins Loan Cancellations	Direct	84.037	—	18,804
Federal Perkins Loan Program (note 2)	Direct	84.038	—	8,062,268
Pell Grant Program	Direct	84.063	—	3,174,578
Total Student Financial Assistance Cluster			—	45,480,030
TRIO Cluster:				
U.S. Department of Education:				
CU Student Support Services	Direct	84.042	—	282,210
McNair Program	Direct	84.217	—	199,304
Total TRIO Cluster			—	481,514
Total Expenditures of Federal Awards			$ 1,120,860	53,936,954

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

CLARKSON UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

(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, 2017	$	6,906,192
Loans advanced during fiscal year 2018		1,101,026
Administrative cost allowance		55,050
Federal expenditures		8,062,268
Current year loan reduction		(1,046,535)
Administrative cost allowance		(55,050)
Loan receivable balance at June 30, 2018	$	6,960,683

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, 2018 amounted to $25,560,159. Federally guaranteed loans issued to parents of students of the University under the PLUS Loan Program during the year ended June 30, 2018 amounted to $7,766,079. 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 2018–2020, 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 2018. The base rate for off-campus research is 18.1% for fiscal year 2018. Both rates use modified total direct cost as a base.

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

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, 2018, 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 12, 2018.

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 12, 2018

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

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
Clarkson University:

Report on Compliance for Each 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 each of the University's major federal programs for the year ended June 30, 2018. The University's major federal programs are 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 each of the University's major federal programs 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 each of the University's major federal programs. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2018.

KPMG

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

The University's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2018, and have issued our report thereon dated October 12, 2018, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the Uniform Guidance, 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 supplementary schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Colchester, Vermont
March 29, 2019

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 programs:				
• 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 each major program:	Unmodified			
• Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance	X	Yes	______	No

Identification of Major Programs

Name of federal program or cluster	number(s)
Student Financial Assistance Cluster	Various
Research and Development 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

Section II – Financial Statement Findings

None noted.

Section III – Federal Awards – Findings and Questioned Costs

Program: Student Financial Assistance Cluster

Federal Agency: U.S. Department of Education

Program Year: July 1, 2017 – June 30, 2018

CFDA Number: 84.063 Federal Pell Grant Program

Finding Number: 2018-001

Criteria upon Which Finding is Based

Institutions must report student payment data within 15 calendar days after the school makes a payment; or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 15 calendar days, bi-weekly or weekly or may set up their own system to ensure that changes are reported in a timely manner.

Condition Found

During our test work over Pell Reporting, we noted that for 7 out of our sample of 40 students selected for test work, the required Pell student payment data was not reported to the Common Origination and Disbursement (COD) website within the 15 day timeframe as required by federal regulations. For these submissions, we noted that the submission dates ranged from 42 to 110 days.

Our sample was not, and was not intended to be statistically valid.

The above condition is not a repeat finding.

Questioned Costs

None

Cause

The cause of the condition found is due to insufficient review controls to ensure that all records submitted to COD were accepted and, for those that were rejected, that corrected data is submitted within the required timeframe.

Effect

The effect of the condition found is that the University may not be reporting Pell disbursements to COD timely.

(Continued)

Recommendation

We recommend the University review its process for reporting Pell disbursements to COD to ensure records are sent in a manner which allows for both timely reporting and timely follow-up on and correction of records that were not accepted by COD during the initial submission.

Views of Responsible Officials

During the period of March – May of 2018 it came to our attention that there were rejected Pell Grant disbursement records in PeopleSoft that were not previously identified and corrected in order to meet the 15 day disbursement record reporting deadline. During the period of July – October of 2018 procedures were put in place to more closely monitor the daily processing of Pell Grant origination and disbursement records. These procedures include:

- A daily review of the PS disbursements.
- Running the Pell origination and disbursement processes in PS on at least a 3 time per week basis to determine if there are records needing to be sent to COD.
- A review of the records in PS that are originated and transmitted to COD.
- Correction and re-transmission of records that failed origination in PS.
- A review of the status of the records in COD.
- The identification of rejected records in COD and the correction and update of the records in PS after the return receipt of the COD files.
- The fiscal item type amounts for the Pell Grant program are also reviewed at least twice a week and compared to the Current CFL in COD. If the amounts are not equal, further investigation is undertaken to resolve the discrepancy and ensure the amounts are reconciled.