CLARKSON UNIVERSITY

Consolidated Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

CLARKSON UNIVERSITY

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KPMG LLP
One Park Place
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Independent Auditors' Report

The Board of Trustees
Clarkson University:

Opinion

We have audited the consolidated financial statements of Clarkson University (the University), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023 and 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

KPMG LLP

Colchester, Vermont
November 17, 2023

Vt. Reg. No. 92-0000241

CLARKSON UNIVERSITY

Consolidated Balance Sheets

June 30, 2023 and 2022

Assets		2023	2022
Cash and cash equivalents	$	8,560,353	11,961,718
Grants and accounts receivable, net		12,656,151	9,635,261
Deposits with trustee		73,074	83,494
Pledges receivable, net		9,728,810	11,629,549
Notes receivable – students, net		3,970,836	4,654,706
Other assets		3,957,118	4,060,608
Right of use lease assets		1,642,112	1,002,453
Annuity and life income funds held in trust		9,617,839	9,630,593
Investments		218,622,166	217,375,526
Property and equipment, net		212,069,246	215,187,349
Total assets	$	480,897,705	485,221,257
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	3,460,401	5,256,512
Deposits and advances		5,555,626	5,976,698
Bank line of credit outstanding		19,000,000	15,000,000
Other liabilities		6,249,491	6,746,462
Right of use lease obligations		1,658,383	1,010,128
Accrued postretirement benefits		4,138,884	7,472,277
Long-term debt		77,649,470	80,245,681
Asset retirement obligations		6,958,232	6,626,847
Federal and other loan advances		4,397,755	4,934,468
Total liabilities		129,068,242	133,269,073
Net assets:			
Without donor restriction		139,701,592	146,777,853
With donor restriction		212,127,871	205,174,331
Total net assets		351,829,463	351,952,184
Total liabilities and net assets	$	480,897,705	485,221,257

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2023
(with comparative totals for the year ended June 30, 2022)

	2023			
	Without donor restriction	With donor restriction	Total	Total 2022
Operating revenues:				
Tuition and fees, net	$ 55,910,767	—	55,910,767	61,736,913
Housing, dining, and other auxiliary services	31,876,965	—	31,876,965	31,598,177
Net tuition, fees and other services	87,787,732	—	87,787,732	93,335,090
Government contracts and grants	12,836,189	—	12,836,189	20,050,488
Private gifts and grants	11,087,231	1,460,228	12,547,459	8,806,010
Other sources	4,657,099	—	4,657,099	3,277,541
Allocation of endowment return for spending	18,091,371	242,538	18,333,909	16,458,914
Net assets released from restrictions	1,970,484	(1,970,484)	—	—
Total operating revenues	136,430,106	(267,718)	136,162,388	141,928,043
Operating expenses:				
Instruction	55,582,577	—	55,582,577	58,484,084
Research	14,067,856	—	14,067,856	13,098,430
Academic support	14,350,459	—	14,350,459	15,675,808
Student services	19,981,057	—	19,981,057	23,692,106
Institutional support	18,824,796	—	18,824,796	20,483,968
Housing, dining and other auxiliary services	17,681,596	—	17,681,596	16,691,023
Total operating expenses	140,488,341	—	140,488,341	148,125,419
Decrease from operating activity	(4,058,235)	(267,718)	(4,325,953)	(6,197,376)
Nonoperating activity:				
State grants and contributions for long-term investment	—	8,122,771	8,122,771	13,331,991
Change in pledges receivable	—	(1,900,739)	(1,900,739)	(158,677)
Total endowment investment return	3,568,209	9,478,589	13,046,798	(7,427,020)
Endowment return distributed for operations	(9,434,158)	(8,899,751)	(18,333,909)	(16,458,914)
Other changes and reclassifications	5,920	—	5,920	3,200
Net assets released from restrictions – capital	276,005	(276,005)	—	—
Postretirement related adjustments other than service costs	3,069,257	—	3,069,257	2,480,700
Other nonoperating income (expense)	(503,259)	696,393	193,134	(2,942,014)
Increase (decrease) from nonoperating activity	(3,018,026)	7,221,258	4,203,232	(11,170,734)
Change in net assets	(7,076,261)	6,953,540	(122,721)	(17,368,110)
Net assets:				
Beginning of year	146,777,853	205,174,331	351,952,184	369,320,294
End of year	$ 139,701,592	212,127,871	351,829,463	351,952,184

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2022

	2022		
	Without donor restriction	With donor restriction	Total
Operating revenues:			
Tuition and fees, net	$ 61,736,913	—	61,736,913
Housing, dining, and other auxiliary services	31,598,177	—	31,598,177
Net tuition, fees and other services	93,335,090	—	93,335,090
Government contracts and grants	20,050,488	—	20,050,488
Private gifts and grants	7,152,861	1,653,149	8,806,010
Other sources	3,277,541	—	3,277,541
Allocation of endowment return for spending	16,458,914	—	16,458,914
Net assets released from restrictions	207,917	(207,917)	—
Total operating revenues	140,482,811	1,445,232	141,928,043
Operating expenses:			
Instruction	58,484,084	—	58,484,084
Research	13,098,430	—	13,098,430
Academic support	15,675,808	—	15,675,808
Student services	23,692,106	—	23,692,106
Institutional support	20,483,968	—	20,483,968
Housing, dining and other auxiliary services	16,691,023	—	16,691,023
Total operating expenses	148,125,419	—	148,125,419
Increase (decrease) from operating activity	(7,642,608)	1,445,232	(6,197,376)
Nonoperating activity:			
State grants and contributions for long-term investment	717,527	12,614,464	13,331,991
Change in pledges receivable	—	(158,677)	(158,677)
Total endowment investment return	(1,829,681)	(5,597,339)	(7,427,020)
Endowment return distributed for operations	(8,913,809)	(7,545,105)	(16,458,914)
Other changes and reclassifications	2,195,925	(2,192,725)	3,200
Net assets released from restrictions – capital	2,321,392	(2,321,392)	—
Postretirement related adjustments other than service costs	2,480,700	—	2,480,700
Other nonoperating income (expense)	(485,854)	(2,456,160)	(2,942,014)
Increase (decrease) from nonoperating activity	(3,513,800)	(7,656,934)	(11,170,734)
Change in net assets	(11,156,408)	(6,211,702)	(17,368,110)
Net assets:			
Beginning of year	157,934,261	211,386,033	369,320,294
End of year	$ 146,777,853	205,174,331	351,952,184

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2023 and 2022

		2023	2022
Cash flows from operating activities:			
Change in net assets	$	(122,721)	(17,368,110)
Adjustments to reconcile change in net assets to net cash provided by (used in) net cash operating activities:			
Depreciation and amortization		10,782,214	10,719,187
Loss (gain) on disposal of assets		(5,920)	88,866
Loss on defeasement of debt		—	23,450
Contributions received for long-term investment		(6,305,260)	(11,534,989)
Contributions received for investment in annuity agreements		—	(67,127)
Net realized and unrealized loss (gain) on annuities agreements		(899,456)	1,929,440
Net realized and unrealized loss (gain) on investments		(11,591,345)	7,943,645
Adjustment on loans receivable		16,388	15,901
Asset retirement obligations		422,397	400,480
Amortization of bond premium		(533,697)	(448,722)
Changes in assets and liabilities that effect operating cash flows:			
Accounts receivable		(3,020,890)	(999,646)
Pledges receivable		1,900,739	158,677
Other assets		91,415	(627,190)
Accounts payable and accrued expenses		(1,898,025)	(269,359)
Asset retirement obligation		(84,853)	(64,873)
Deposits and advances		(421,072)	(386,086)
Other liabilities		(496,971)	(959,839)
Right of use – operating lease		12,153	7,675
Postretirement benefits		(3,333,393)	(2,724,876)
Net cash used in operating activities		(15,488,297)	(14,163,496)
Cash flows from investing activities:			
Proceeds from maturity/sale of investments		73,910,483	63,222,028
Purchase of investments		(62,653,568)	(55,207,852)
Increase in short-term investments		(4,046)	25,790
Decrease in deposits with trustee		10,420	(67,035)
Student loans repaid, net		683,870	739,186
Other assets collected		(268)	14,871
Purchase of property and equipment		(7,431,963)	(5,673,054)
Net cash provided by investing activities		4,514,928	3,053,934
Cash flows from financing activities:			
Contributions received for long-term investment		6,305,260	11,534,989
Contributions received for investment in annuity agreements		—	67,127
Proceeds from borrowing		—	18,701,333
Proceeds from bank line of credit		36,000,000	26,600,000
Payments on bank line of credit		(32,000,000)	(16,400,000)
Payment of debt principal		(2,138,334)	(19,783,333)
Payments for debt issuance costs		—	(226,168)
Right of use – finance lease		(58,209)	—
Changes in government loan funds		(536,713)	(791,771)
Net cash provided by financing activities		7,572,004	19,702,177
Net increase in cash and cash equivalents		(3,401,365)	8,592,615
Cash and cash equivalents:			
Beginning of year		11,961,718	3,369,103
End of year	$	8,560,353	11,961,718
Supplemental disclosures:			
Interest paid	$	2,857,943	2,476,418
Noncash transactions:			
Securities contributions		1,893,493	4,910,666
Decrease in construction-related payables		101,914	(42,603)

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 offers approximately 50+ comprehensive programs in business, engineering, science, liberal arts, health sciences, and environmental studies. In addition to its Potsdam Campus, the University's Capital Region Campus (CRC) located in Schenectady, New York, has graduate programs in bio-ethics, healthcare management, education, business, engineering and K-13 outreach. The University also operates the Beacon Institute, Inc. (Beacon) which consists of a hands-on location in Beacon, New York, that serves as both a research institute focused on healthy water solutions and a provider of educational services, including K-12, public, family and professional graduate programs.

The University serves approximately 4000+ undergraduate and graduate students at its three locations and is accredited by the Middle States Commission on Higher Education (MSCHE), the Accreditation Board of Engineering Technology (ABET), and the Association to Advance Collegiate Schools of Business (AACSB). Programs in health sciences are accredited by the Commission on Accreditation in Physical Therapy Education (CAPTE) of the American Physical Therapy Association (APTA), the Accreditation Review Committee on Education for the Physician Assistant (ARC-PA), and the Accreditation Council for Occupational Therapy Education (ACOTE) of the American Occupational Therapy Association.

J.R. Weston, Inc. (Weston) is a for-profit, wholly owned subsidiary of the University. Weston operations consist of real estate rentals. All significant inter-entity accounts and transactions are eliminated in consolidation.

(b) Basis of Accounting

The University prepares its consolidated financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Accordingly, the University's resources are classified and reported based upon the existence or absence of donor-imposed restrictions as follows:

Net assets with donor restriction are subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire with the passage of time. Also included are assets that are subject to donor-imposed stipulations that they be maintained into perpetuity. These stipulations do not expire with the passage of time and cannot be fulfilled or otherwise removed by the actions of the University. Generally, the donors of these assets permit the University to use all or part of the investment return on these assets to support program activities, principally financial aid and instruction. Total return on donor restricted assets are reported as net assets with donor restriction until appropriated by the University's Board of Trustees in accordance with New York State laws.

Net assets without donor restriction are available for use in general operations and not subject to donor-imposed restrictions. They may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties.

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

Expenses are reported as decreases in net assets without donor restriction. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets as net assets released from restrictions.

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

(c) Use of Estimates

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

(d) Cash Equivalents

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

(e) Deposits with Trustee

Deposits with trustee represents funds held in trust that are associated with the University’s outstanding bonds. As of June 30, 2023 and 2022, the entire balance of 73,074 and $83,494, respectively, was comprised of construction funds available for spending.

(f) Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unconditional promises to give are reported at their net realizable value if they are expected to be collected within one year. Unconditional promises to give to be collected after one year 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 net assets with donor restrictions.

Gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction. Contributions specified for the acquisition or construction of long-lived assets are reported as net assets without donor restriction when the assets are placed in service. In the absence of donor stipulations, income and gains on contributions or contributed assets are reported as revenue (increases) to net assets without donor restrictions. Conditional pledges are recognized as revenues when the conditions are met.

(g) Investments

Investments are reported at 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, 2023, the University had no specific plans or intentions to sell investments at amounts different than NAV.

(h) Fair Value

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

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

- Level 1 – quoted prices (unadjusted) in active markets that are observable for assets and liabilities at the measurement date. Assets classified as Level 1 generally include listed equity securities and US Treasury Obligations.
- Level 2 – observable prices that are based on inputs not quoted in active markets but corroborated by market data. Assets and liabilities classified as Level 2 generally include certain debt securities.
- Level 3 – inputs include pricing inputs that are unobservable for the assets and reflect certain assumptions to determine fair value.

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

(i) Property and Equipment and Asset Retirement Obligations

Buildings, grounds, equipment, and construction in progress are stated at cost, or, in the case of gifts, at fair value at date of donation, less accumulated depreciation. Expenditures for maintenance, repairs and renewals of relatively minor items are not capitalized. Upon disposal of capital assets, the calculated net gain or loss, if any, is included within non-operating activities in the accompanying consolidated statement of activities.

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

Buildings	20–50 years
Equipment	3–20 years

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

The following is a summary of the activity associated with asset retirement obligations during the years ended June 30, 2023 and 2022:

		2023	2022
Asset retirement obligations at beginning of year	$	6,626,847	6,296,246
Remediation		(84,853)	(64,873)
Accretion expense		416,238	395,474
Asset retirement obligations at end of year	$	6,958,232	6,626,847

(j) Split-Interest Agreements

The University's split-interest agreements include charitable remainder trusts, life income funds and perpetual trusts. The underlying assets of the trust agreements are invested in cash, cash equivalents, and equity securities and are carried at fair value. Charitable remainder trusts and life income funds for one or more beneficiaries generally pay lifetime income to those beneficiaries, after which, the principal is made available to the University in accordance with donor stipulations. A liability is established for the present value of the estimated future payments to the beneficiaries, with the difference between the liability and the fair value of the amount received by the University recorded as a contribution. The present value calculation is performed using rates prescribed by the IRS. The split-interest investments have a value of $9,617,839 and $9,630,593 as of June 30, 2023 and 2022, respectively. The amount of this liability, which is included in other liabilities on the accompanying consolidated balance sheet, is $4,652,445 and $5,029,051 as of June 30, 2023 and 2022, respectively.

(k) Retirement Plans

The University participates in a defined contribution retirement plan. Total expense under this plan, representing the University's contributions to the plan, was $4,526,389 and $4,801,105 for the years ended June 30, 2023 and 2022, respectively.

(Continued)

(l) Income Taxes

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

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

(2) Liquidity

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, were as follows.

		2023	2022
Cash and cash equivalents	$	8,560,353	11,961,718
Contributions receivable available for operations due within one year		119,940	105,390
University-issued student loan repayments due within one year		494,737	825,578
Grants and accounts receivable, net		10,228,717	7,619,127
Short-term investments		665,321	661,275
Board approved endowment appropriation for following year		10,601,568	10,333,909
Total financial assets available within one year	$	30,670,636	31,506,997

The University’s cash flows have seasonal variations attributable to timing of tuition and contributions received. To manage liquidity, the University maintains a $19 million line of credit for immediate liquidity needs. As of June 30, 2023, $19 million of the line of credit had been utilized. Additionally, the University has board-designated endowment funds of approximately $47 million as of June 30, 2023. The Board approved in June 2023 an additional draw of $6 million from the board-designated endowment funds and $2 million from total pooled endowment assets, with the exception of the Coulter endowed funds, to support operations. Board-designated endowment funds in excess of the amounts appropriated for operations, could be made available if necessary.

As of June 30, 2022, $15 million of the line of credit had been utilized. The University had board-designated endowment funds of approximately $53 million as of June 30, 2022. The Board approved in June 2022 an additional draw of $6 million from the board-designated endowment funds to support operations.

(3) Investments and Fair Value

(a) Fair Value

Investment valuations are established and classified based on a variety of inputs, as described in note 1(h). The fair value of investments and the input classifications or levels, by investment category, at June 30, 2023 and 2022, are shown in the following tables:

2023	Level 1	Level 2	Level 3	Measured at NAV	Total
Deposits with trustee	$ 73,074	—	—	—	73,074
Investment manager cash	56,634	—	—	—	56,634
Other assets:					
Short-term investments	665,321	—	—	—	665,321
GATE receivable	—	—	99,842	—	99,842
Subtotal other assets	665,321	—	99,842	—	765,163
Annuity and life income funds held in trust:					
Money market and similar	78,716	—	—	—	78,716
U.S. government securities	3,289,269	—	—	—	3,289,269
Equities:					
Domestic	4,727,837	—	—	—	4,727,837
International	1,330,360	—	—	—	1,330,360
Real assets	95,945	—	—	—	95,945
Commodities	95,712	—	—	—	95,712
Subtotal annuity and life income funds held in trust	9,617,839	—	—	—	9,617,839
Investments:					
Money market and similar	27,303,085	—	—	—	27,303,085
U.S. government securities	19,855,397	—	—	—	19,855,397
Equities:					
Domestic	43,112,303	—	—	—	43,112,303
International	4,781,935	—	—	31,775,360	36,557,295
Hedge funds:					
Multistrategy funds	—	—	—	22,920,410	22,920,410
Private equity	—	—	—	37,401,162	37,401,162
Venture capital	—	—	—	23,034,199	23,034,199
Real assets	—	—	16,000	8,059,795	8,075,795
Life insurance policies	—	—	362,520	—	362,520
Investments	95,052,720	—	378,520	123,190,926	218,622,166
Total assets at fair value	$ 105,465,588	—	478,362	123,190,926	229,134,876

2022	Level 1	Level 2	Level 3	Measured at NAV	Total
Deposits with trustee	$ 83,494	—	—	—	83,494
Investment manager cash	294,789	—	—	—	294,789
Other assets:					
Short-term investments	661,275	—	—	—	661,275
GATE receivable	—	—	115,963	—	115,963
Sub-total other assets	661,275	—	115,963	—	777,238
Annuity and life income funds held in trust:					
Money market and similar	195,244	—	—	—	195,244
U.S. government securities	3,001,316	—	—	—	3,001,316
Equities:					
Domestic	4,528,004	—	—	—	4,528,004
International	1,609,227	—	—	—	1,609,227
Real assets	142,796	—	—	—	142,796
Commodities	154,006	—	—	—	154,006
Subtotal annuity and life income funds held in trust	9,630,593	—	—	—	9,630,593
Investments:					
Money market and similar	16,359,555	—	—	—	16,359,555
U.S. government securities	14,089,968	—	—	—	14,089,968
Equities:					
Domestic	41,577,563	—	—	—	41,577,563
International	10,942,163	—	—	26,661,146	37,603,309
Hedge funds:					
Multistrategy funds	—	—	—	32,225,638	32,225,638
Private equity	—	—	—	38,099,247	38,099,247
Venture capital	—	—	—	28,134,890	28,134,890
Real assets	—	—	16,000	8,926,543	8,942,543
Life insurance policies	—	—	342,813	—	342,813
Investments	82,969,249	—	358,813	134,047,464	217,375,526
Total assets at fair value	$ 93,639,400	—	474,776	134,047,464	228,161,640

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

The following table summarizes the changes in value of financial instruments within Level 3 of the fair value hierarchy defined above.

	Fair value July 1, 2022	Gains (losses) net of fees	Gifts	Distributions/ payments	Present value adjustment	Fair value June 30, 2023
Assets:						
GATE receivable	$ 115,963	—	—	(11,535)	(4,586)	99,842
Real assets	16,000	—	—	—	—	16,000
Life insurance policies	342,813	19,707	—	—	—	362,520
Total assets at fair value	$ 474,776	19,707	—	(11,535)	(4,586)	478,362

	Fair value July 1, 2021	Gains (losses) net of fees	Gifts	Distributions/ payments	Present value adjustment	Fair value June 30, 2022
Assets:						
GATE receivable	$ 146,735	—	—	(17,736)	(13,036)	115,963
Real assets	16,000	—	—	—	—	16,000
Life insurance policies	351,022	(8,209)	—	—	—	342,813
Total assets at fair value	$ 513,757	(8,209)	—	(17,736)	(13,036)	474,776

(b) Investment Return

A majority of endowment assets are pooled for investment, 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:

	2023	2022
Investments in pooled funds, at fair value	$ 218,225,723	217,246,772
Total number of units	799,612	795,440
Market value per unit	$ 272.91	273.12

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

		2023	2022
Investment earnings, net of fees	$	1,453,434	516,625
Realized and unrealized gain/(loss), net		11,593,364	(7,943,645)
Total return on investment		13,046,798	(7,427,020)
Allocation for endowment spending policy		(18,333,909)	(16,458,914)
Nonoperating investment loss	$	(5,287,111)	(23,885,934)

(c) Liquidity of Investments

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

Under the terms of certain limited partnership agreements, the University is obligated periodically to advance additional funding. At June 30, 2023 and 2022, the University had unfunded commitments of approximately $16,761,836 and $21,286,000, respectively, for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses.

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

Detailed liquidity of the University's investments as of June 30, 2023 and June 30, 2022 is a follows:

	2023						
	Daily	Monthly	Quarterly	Annually	Illiquid		Total
Money market and similar	$ 27,303,085	—	—	—	—		27,303,085
U.S. government securities	19,855,397	—	—	—	—		19,855,397
Equities:							
Domestic	37,188,134	5,924,169	—	—	—		43,112,303
International	4,677,566	14,622,896	9,815,370	—	7,441,463	*	36,557,295
Hedge funds:							
Multistrategy funds	—	12,167,690	819,756	5,879,679	4,053,285		22,920,410
Private equity	—	—	—	—	37,401,162		37,401,162
Venture capital	—	—	—	—	23,034,199		23,034,199
Real assets	—	8,059,795	—	—	16,000		8,075,795
Other	—	—	—	—	362,520		362,520
Total	$ 89,024,182	40,774,550	10,635,126	5,879,679	72,308,629		218,622,166

	2022						
	Daily	Monthly	Quarterly	Annually	Illiquid		Total
Money market and similar	$ 16,359,555	—	—	—	—		16,359,555
U.S. Government securities	14,089,968	—	—	—	—		14,089,968
Equities:							
Domestic	32,331,995	9,245,568	—	—	—		41,577,563
International	10,837,489	9,243,624	10,210,940	—	7,311,256		37,603,309
Hedge funds:							
Multistrategy funds	—	16,238,316	3,698,357	5,856,858	6,432,107	*	32,225,638
Private equity	—	—	—	—	38,099,247		38,099,247
Venture capital	—	—	—	—	28,134,890		28,134,890
Real assets	—	8,926,543	—	—	16,000		8,942,543
Other	—	—	—	—	342,813		342,813
Total	$ 73,619,007	43,654,051	13,909,297	5,856,858	80,336,313		217,375,526

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

(4) Endowment Funds

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

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

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

Endowment net assets as of June 30, 2023 are approximately $218,427,000 with approximately $218,226,000 in endowed investments, and $201,000 due to the endowment.

Endowment net assets as of June 30, 2022 are approximately $216,603,000 with approximately $217,247,000 in endowed investments, and $644,000 due from the endowment. As a result of an internal review, including review of donor documentation, the net assets of Weston in the amount of $2,628,031 were removed from the endowment during fiscal year 2022.

Endowment net assets consisted of the following as of June 30, 2023:

		Without donor restriction	With donor restriction	Total
Donor-restricted	$	—	171,646,595	171,646,595
Board-designated		46,780,624	—	46,780,624
Total endowment net assets	$	46,780,624	171,646,595	218,427,219

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

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

Changes in endowment net assets for the year ended June 30, 2023 were as follows:

		Without donor restriction	With donor restriction	Total
Net assets at June 30, 2022	$	52,756,058	163,846,621	216,602,679
Interest and dividends, net of fees		351,006	1,102,428	1,453,434
Net realized and unrealized gains		3,217,203	8,376,161	11,593,364
Total investment return		3,568,209	9,478,589	13,046,798
Contributions		—	6,734,235	6,734,235
Amounts appropriated for expenditure		(8,779,901)	(8,752,475)	(17,532,376)
Amounts appropriated for debt service		(763,742)	—	(763,742)
Other reclassifications		—	339,625	339,625
Net assets at June 30, 2023	$	46,780,624	171,646,595	218,427,219

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

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

(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, i.e the funds are "underwater". These deficits result from unfavorable market fluctuations that occur after the investment of endowment funds or from spending deemed prudent.

In accordance with the Prudent Management standards contained in NYPMIFA, the University has the ability to spend from individual endowments that are underwater, if it considers such action to be prudent for that particular endowment. In accordance with the implementation of NYPMIFA in 2011, the University asked existing donors if they wished to prevent spending from their endowment if it was underwater, their responses were recorded and are followed. Absent the donor prohibition on spending from underwater endowments, the Board policy is to apply the spending formula to underwater endowments.

When donor-restricted endowment deficits exist, they are classified as a reduction of net assets with donor restrictions. Deficits of this nature at June 30 were as follows:

		2023	2022
Aggregate amount by which funds are underwater	$	(905,864)	(991,978)
Aggregate of original gift amount		25,047,079	26,027,083
Fair value of underwater endowments	$	24,141,215	25,035,105

(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. Annual spending rates of 4.57% and 5.37% for fiscal years ended June 30, 2023 and 2022, respectively, are based on a trailing 12-quarter average market value of donor restricted and board-designated pooled assets. In both years, an additional annual spending of approximately 1% based on the trailing 12-quarter average market value of board-designated endowments was by the Board of Trustees for debt service expenses or capital expenditures. In fiscal year 2023, the Board of Trustees authorized special distributions of $6 million from the board-designated endowment and $2 million from donor restricted and board-designated pooled assets to support operations.

(5) Net Assets

At June 30, 2023 and 2022, net assets were comprised as follows:

	Without donor restriction	
	2023	2022
Net investment in plant	$ 127,525,917	128,447,533
Board designated endowment	46,780,624	52,756,058
Other	(30,466,065)	(26,953,461)
Postretirement benefit obligations	(4,138,884)	(7,472,277)
Total net assets without donor restriction	$ 139,701,592	146,777,853

	With donor restriction	
	2023	2022
Pledges receivable	$ 9,728,810	11,629,549
Other program restrictions	9,358,486	9,625,558
Restricted for facilities	12,199,689	11,288,984
Restricted for student loans	4,428,614	4,401,503
Life income, annuity, and similar funds	4,765,677	4,382,116
Endowment funds:		
General operating	57,907,013	57,716,326
Instruction	49,011,705	49,239,536
Scholarship	54,832,523	48,094,526
Research	2,215,464	2,208,520
Program support	4,350,419	3,311,411
Athletics/extracurricular	3,329,471	3,276,302
Total net assets with donor restriction	$ 212,127,871	205,174,331

	With donor restriction	
	2023	**2022**
Held in perpetuity	$ 149,674,366	142,217,728
Time or purpose restricted	62,453,505	62,956,603
Total	$ 212,127,871	205,174,331

(6) Revenues and Related Receivables

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

The composition of net tuition, fees and other services for the years ended June 30, 2023 and 2022 is summarized as follows:

	2023	**2022**
Tuition and fees	$ 165,045,912	173,216,800
Less university scholarships	(108,660,116)	(110,948,942)
Government funded student aid	(475,029)	(530,945)
Tuition and fees, net	55,910,767	61,736,913
Housing	20,438,310	20,134,878
Dining	11,124,198	11,392,774
Other auxiliary services	314,457	70,525
Housing, dining and other auxiliary services	31,876,965	31,598,177
Net tuition, fees and other services	$ 87,787,732	93,335,090

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

Auxiliary Services Revenue

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

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

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

Sponsored Awards

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

The University has elected the simultaneous release option for conditional contributions that are subject to purpose restrictions. Under this option, net assets without donor restrictions will include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized.

In the years ended June 30, 2023 and 2022, sponsored programs revenue earned from governmental sources totaled $12,836,189 and $20,050,488, respectively. Indirect costs recovered on federally sponsored programs are generally based on predetermined reimbursement rates, which are stated as a percentage and allocated based on the modified total direct costs incurred. The University negotiates this federal indirect rate with its cognizant federal agency. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsors. Funds received for sponsored research activity are subject to audit. Based upon information currently available, management believes that any liability resulting from such audits will not materially affect the financial position or operations of the University.

Accounts receivable consisted of the following at June 30:

		2023	2022
Student receivable	$	4,750,807	4,518,376
Less allowance for bad debt		(828,080)	(816,556)
Student receivable, net		3,922,727	3,701,820
Research contracts and grants receivable		6,158,846	3,853,050
Less allowance for bad debt		(202,129)	(13,122)
Research contracts and grants receivable, net		5,956,717	3,839,928
Other receivables		2,776,707	2,093,513
Total receivables, net	$	12,656,151	9,635,261

(Continued)

Pledges receivable, net, as of June 30 2023 and 2022, consisted of the following:

		2023	2022
Payments anticipated to be received:			
In less than one year	$	3,103,536	4,581,317
In one to five years		7,709,900	8,326,283
In greater than five years		100,000	225,000
Gross receivable		10,913,436	13,132,600
Less present value discount and allowance for doubtful receivables		(1,184,626)	(1,503,051)
Net pledges receivable	$	9,728,810	11,629,549

(7) Property and Equipment

Property and equipment consisted of the following at June 30:

		2023	2022
Buildings and grounds	$	352,480,953	349,759,291
Equipment		50,910,642	49,232,435
Construction in progress		6,438,128	4,161,826
Total property and equipment		409,829,723	403,153,552
Less accumulated depreciation		(197,760,477)	(187,966,203)
	$	212,069,246	215,187,349

Construction in progress is comprised of projects started but not completed at June 30. The estimated costs to complete these projects, most of which represent costs to be incurred under contracts with vendors, are approximately $395,824. These projects consist of site work, academic space renovations, townhouse exterior updates, project design costs and others.

Capitalized interest costs were $137,859 and $46,754 for the years ended June 30, 2023 and 2022, respectively. Depreciation expense was $10,706,393 and $10,719,187 for the years ended June 30, 2023 and 2022, respectively.

(8) Leases

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

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

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

During the fiscal year, the University engaged with Enterprise Fleet Management as part of a long term plan to lease all University vehicles. As of June 30, 2023, the University has leased 15 vehicles. These leases were evaluated and have been classified as finance leases.

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

		2023	2022
Lease cost:			
Amortization of right-of-use assets - operating	$	49,912	28,274
Operating lease expense		49,297	29,597
Total operating lease expense	$	99,209	57,871
Amortization of right-of-use assets - finance	$	54,653	—
Finance lease expense		8,590	—
Total finance lease expense	$	63,243	—

Lease terms and discount rate follow:

	2023	2022
Weighted average remaining lease term (years):		
Operating lease	13.4 years	14.4 years
Finance lease	3.7 years	—
Weighted average discount rate:		
Operating lease	5.00 %	5.00 %
Finance lease	5.26	—

The approximate future minimum lease payments under operating and finance leases as of June 30, 2023 is as follows:

	Operating lease	Finance lease
2024	$ 88,797	205,819
2025	90,573	205,819
2026	92,385	205,819
2027	94,232	139,019
2028	96,117	—
Thereafter	888,777	—
Net present value adjustment	(378,512)	(70,462)
Total lease liabilities	$ 972,369	686,014

(9) Long-Term Debt

Outstanding debt consisted of the following at June 30:

		2023	2022
Clarkson University:			
St. Lawrence County Industrial Development Authority (IDA):			
St. Lawrence County IDA Bonds – 2012B (a)	$	3,000,000	3,000,000
St. Lawrence County IDA Bonds – 2017 (b)		26,530,000	27,995,000
St. Lawrence County IDA Bonds – 2021A (c)		10,730,000	10,730,000
St. Lawrence County IDA Bonds – 2021B (d)		14,875,000	14,875,000
St. Lawrence County IDA Bonds – 2021C (e)		9,890,000	10,295,000
City of Schenectady IDA Bonds – 2008A (f)		3,775,000	3,960,000
M&T Loan (g)		916,667	1,000,000
Total outstanding principal		69,716,667	71,855,000
Bond premiums		9,239,721	9,773,417
Bond issuance costs		(1,306,918)	(1,382,736)
Total long-term debt	$	77,649,470	80,245,681

(a) The 2012B IDA bonds were issued for dormitory upgrades and had an initial coupon interest at a rate 2.50% until March 1, 2016, increasing to an estimated coupon of 3.36% to March 1, 2020 and then decreasing to an estimated coupon of 1.55% to maturity. The principal payment of $3,000,000 is due September 2042.

(b) The 2017 bonds bear interest at rates ranging from 3.25% to 5.00% and require annual principal payments beginning in September 2020 through September 2047. The bonds are tax-exempt and were issued at a premium of approximately $3,528,000 and included an underwriter's discount and issuance costs of approximately $151,000 and $456,000, respectively. These bonds were issued to complete approximately $10,500,000 of facilities upgrades and defease approximately $20,000,000 of prior debt.

(c) The 2021A IDA bonds were issued to restructure approximately $13,000,000 of prior debt. They bear a 5.00% interest rate and require annual principal and interest payment from September 2030 through 2041. These bonds are tax-exempt and were issued at a premium of approximately $3,323,000.

(d) The 2021B IDA bonds were issued to restructure approximately $18,160,000 of prior debt. They bear a 5.00% interest rate and require annual principal and interest payment from September 2029 through 2041. These bonds are tax-exempt and were issued at a premium of approximately $4,000,000.

(e) The 2021C IDA bonds are taxable bonds issued to increase the University's operating liquidity by approximately $10,000,000. The bonds bear interest rates ranging from 1% to 3.75%. They require annual principal payments from June 2023 through June 2042.

(f) The City of Schenectady IDA bonds are Letter of Credit Secured Bonds issued through M&T Bank, under Variable Rate Demand Civic Facility Revenue Bonds. The bonds were issued for facility upgrades and are secured by land and building in the City of Schenectady, New York. The bonds are paid in variable increments through September 1, 2037. Interest is variable and approximates 2.39% at June 30, 2023.

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

At June 30, 2023, 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:	
2024	$ 2,208,333
2025	2,268,333
2026	2,358,333
2027	2,453,333
2028	2,553,333
Thereafter	57,875,002
	$ 69,716,667

The St. Lawrence County IDA bond agreements include provisions requiring the maintenance of a minimum annual debt service coverage ratio. As of June 30, 2023 and 2022, the University is in compliance with these provisions. These balances are secured by the operating and nonoperating revenues of the University.

The University has a $19,000,000 demand line of credit at a bank with a floating interest rate that is 1.5% above the daily Simple SOFR rate adjusting daily with a SOFR floor of 0.25% and an expiration date of February 9, 2024. The outstanding balances at June 30, 2023, and 2022 were $19,000,000 and $15,000,000, respectively.

The University has a $2,011,000 revolving line of credit with a bank related to its procurement card and supplier pay program on which there was an outstanding balance of $430,370 and $241,212 as of June 30, 2023 and 2022, respectively, included in accounts payable and accrued expenses on the consolidated balance sheets. It is interest free if full payment is received within the monthly billing cycle. The credit line is on an annual automatic renewal.

(10) Functional Expenses

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

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

Functional expenses for the year ended June 30, 2023 are as follows:

	Salary and wages	Employee benefits	Supplies, services, other	Depreciation	Interest	Operations and maintenance allocation	Operating expenses
Instruction	$ 32,255,914	9,431,223	7,341,214	8,480	357,544	6,188,202	55,582,577
Research	6,070,545	626,545	4,231,787	3,856	18,620	3,116,503	14,067,856
Academic support	7,417,391	2,461,153	2,945,194	10,868	—	1,515,853	14,350,459
Student services funds	7,863,740	2,336,356	6,355,901	21,815	288,703	3,114,542	19,981,057
Institutional support	7,275,857	2,260,716	6,221,871	4,731	962,581	2,099,040	18,824,796
Housing, dining and auxiliary	710,904	191,246	8,593,165	8,015	923,635	7,254,631	17,681,596
Operations and maintenance	3,990,576	1,270,309	7,047,229	10,648,628	332,029	(23,288,771)	—
2023 Totals	$ 65,584,927	18,577,548	42,736,361	10,706,393	2,883,112	—	140,488,341

Functional expenses for the year ended June 30, 2022 are as follows:

	Salary and wages	Employee benefits	Supplies, services, other	Depreciation	Interest	Operations and maintenance allocation	Operating expenses
Instruction	$ 34,765,716	9,788,113	7,266,745	24,760	415,413	6,223,337	58,484,084
Research	5,620,591	691,779	3,618,901	12,470	20,493	3,134,196	13,098,430
Academic support	7,621,742	2,425,812	4,091,793	12,002	—	1,524,459	15,675,808
Student services funds	8,270,052	2,438,642	9,418,414	22,561	410,211	3,132,226	23,692,106
Institutional support	8,221,521	2,474,995	6,893,841	5,167	777,485	2,110,959	20,483,968
Housing, dining and auxiliary	594,416	166,969	7,704,010	12,818	916,989	7,295,821	16,691,023
Operations and maintenance	3,775,611	1,182,139	7,507,958	10,629,409	325,881	(23,420,998)	—
2022 Totals	$ 68,869,649	19,168,449	46,501,662	10,719,187	2,866,472	—	148,125,419

(11) Postretirement Benefits

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

		2023	2022
Change in benefit obligation:			
Benefit obligation at beginning of year	$	7,472,277	10,197,154
Service cost		108,085	172,698
Interest cost		329,674	271,140
Plan participants' contributions		382,578	448,317
Amendments		—	—
Actuarial loss (gain)		(3,398,931)	(2,751,840)
Benefits paid		(801,677)	(905,483)
Medicare Part D subsidy		46,878	40,291
Benefit obligation at end of year		4,138,884	7,472,277
Change in plan assets:			
Fair value of plan assets at beginning of year		—	—
Employer contributions		372,221	416,874
Plan participants' contributions		382,578	448,318
Benefits paid		(801,677)	(905,483)
Medicare Part D subsidy		46,878	40,291
Fair value of plan assets at end of year		—	—
Funded status at end of year	$	(4,138,884)	(7,472,277)

		2023	2022
Components of adjustments other than service costs:			
Interest cost	$	329,674	271,140
Actuarial gains, net		(3,398,931)	(2,751,840)
Postretirement related adjustments other than service costs	$	(3,069,257)	(2,480,700)

The valuation reflects an updated discount rate from 4.5% to 4.9% which resulted in a decrease in the plan liability of $175,450. Gains from better than expected demographic experience were $522,836. Plan participation rates decreased as retirees found other benefit alternatives, resulting in a $851,267 decrease in liability. As a result of this persistent trend, an experience study was completed which evaluated trends in termination, retirement, plan participation and spousal coverage. The result of this study updated rates in all of these areas and drove a decrease in plan liability of $1,859,133.

		2023	2022
Discount rates:			
Year end benefit obligation		4.90 %	4.50 %
Net periodic benefit cost		4.50	2.70
Components of net periodic benefit cost:			
Service cost	$	108,085	172,698
Interest cost		329,674	271,140
Amortization of net gain		(600,874)	(301,285)
Amortization of prior service credit		(1,210,583)	(1,220,806)
Net periodic benefit	$	(1,373,698)	(1,078,253)

Estimated Future Benefit Payments

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

		Estimated benefit payments
2024	$	276,072
2025		275,296
2026		283,940
2027		281,259
2028		291,820
2029–2033		1,506,016

For measurement purposes, 6% and a 3.5% annual rate of increase in the per capita cost of covered health care and dental benefits, respectively, was assumed as of June 30, 2023. The health care rate was assumed to increase for 2024 and then decrease each year through 2045 to 4.7% and remain at that level thereafter while the dental rate trend remains constant for all years.

(12) Commitments and Contingencies

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

The University partially retains the risk for medical insurance. The University carries stop/loss insurance that covers medical and prescription drug claims that exceed the annual aggregate attachment point of approximately $9,832,205 and $9,863,366 in 2023 and 2022, 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 $780,493 and $723,892 as of June 30, 2023 and 2022, respectively, and is recorded within other liabilities on the consolidated balance sheets.

(13) Subsequent Events

The University has evaluated subsequent events through November 17, 2023, the date on which the consolidated financial statements were issued. The University is not aware of any additional subsequent events which would require recognition or disclosure in the consolidated financial statements.

(14) Related-Party Transactions

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

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