



CLARKSON UNIVERSITY

Single Audit Report

Year Ended June 30, 2022

(With Independent Auditors' Report Thereon)

CLARKSON UNIVERSITY

Single Audit Report

Year Ended June 30, 2022

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Independent Auditors' Report

The Board of Trustees
Clarkson University:

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* 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 and *Government Auditing Standards*, we:

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022 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

Colchester, Vermont
October 28, 2022

CLARKSON UNIVERSITY
Consolidated Balance Sheets
June 30, 2022 and 2021

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

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2022

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

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

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2021

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

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

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

See accompanying notes to consolidated financial statements.

CLARKSON UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) Organization

Clarkson University (the University) is an independent, co-educational, not-for-profit, nonsectarian institution of higher education, with its main campus located in Potsdam, New York. The University, founded in 1896, operates as an education corporation under the New York State Not-for-Profit Corporation Law under the direction of an independent Board of Trustees. The University's Potsdam Campus has a total enrollment of over 2,800 undergraduate students and 1000 graduate students in approximately 50 comprehensive programs in business, engineering, science, liberal arts, health sciences, and environmental studies. In addition to its Potsdam Campus, the University's Capital Region Campus (CRC) located in Schenectady, New York, has enrollment of over 300 graduate students in bio-ethics, healthcare management, education, business and engineering. The University also operates the Beacon Institute, Inc. (Beacon) which consists of a campus in Beacon, New York, that serves as both a research institute focused on healthy water solutions and a provider of educational services, including K-12, public, family and professional graduate programs. Beacon has over 100 graduate students enrolled in programs on that campus.

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

(b) Basis of Accounting

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

The accompanying consolidated financial statements present information in two classes of net assets: without donor restriction and with donor restriction. The two classes are differentiated by the presence or absence of donor-imposed restrictions. Net assets having similar characteristics have been classified as follows:

Net assets without donor restriction may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties. Without donor restriction net assets include operating, plant, and internally designated plant and funds functioning as endowment funds.

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

Net assets with donor restriction also includes those assets that are subject to donor-imposed stipulations that they be maintained into perpetuity. These stipulations do not expire with the passage of time and cannot be fulfilled or otherwise removed by the actions of the University. Generally, the donors of these assets permit the University to use all or part of the investment return on these assets to support program activities, principally financial aid and instruction.

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

CLARKSON UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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

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

(c) Use of Estimates

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

(d) Cash Equivalents

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

(e) Deposits with Trustee

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

(f) Contributions

Contributions, including unconditional pledges, are recognized as revenues when donors’ commitments are received. Conditional pledges are recognized as revenues when the conditions are met. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received except unconditional pledges to be received in future years, which are discounted, as of the date of the contribution, at rates commensurate with the period of time until the pledge is scheduled to be paid and reflecting an allowance for potential collection risk, and are classified as donor restricted. Gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction. Contributions specified for the acquisition or construction of long-lived assets are reported as net assets without donor restriction when the assets are placed in service. In the absence of donor stipulations, income and gains on contributions or contributed assets are reported as without donor restriction revenue.

CLARKSON UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(g) Investments

Investments are reported at estimated fair value. The values of publicly traded fixed income and equity securities are based on quoted market prices. Nonmarketable securities include alternative investments in hedge, private equity, and other similar funds, which are valued using current estimates of fair value in the absence of readily determinable market values. The University utilizes net asset value or its equivalent (NAV) reported by the fund managers as a practical expedient to fair value. The estimates, because of the inherent uncertainty of valuations for these investments, may differ from the values that would have been used had ready markets existed. As of June 30, 2022, the University had no specific plans or intentions to sell investments at amounts different than NAV.

(h) Fair Value

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

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

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

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

(i) Property and Equipment and Asset Retirement Obligations

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

CLARKSON UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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

Buildings	20–50 years
Equipment	3–20 years

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

The following is a summary of the activity associated with asset retirement obligations during the years ended June 30, 2022 and 2021:

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

(j) Retirement Plans

The University participates in a defined contribution retirement plan. Total expense under this plan, representing the University's contributions to the plan, was \$4,801,105 and \$4,428,631 for the years ended June 30, 2022 and 2021, respectively.

(k) Income Taxes

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

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

CLARKSON UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(2) Liquidity

As of June 30, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, were as follows.

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

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

(3) Investments and Fair Value

(a) Fair Value

The following table presents the financial instruments carried at fair value as of June 30, 2022, based on the valuation hierarchy defined in note 1(h).

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

CLARKSON UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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

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

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

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

The methods above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Level 1 includes Annuity and Life Income Funds. The securities underlying these funds include non-marketable securities and marketable equity and debt securities. These financial instruments are held in trust and are considered illiquid.

The University has annuity and life income investments with a value of \$9,630,593 and \$12,187,993 as of June 30, 2022 and 2021, respectively. These funds pass to the University upon the death of the beneficiaries and, in some cases, survivors. As a result, a liability is recorded to reflect the present value of the annuity and life income obligations. The amount of this liability, which is included in other liabilities on the accompanying consolidated balance sheets, is \$5,704,399 and \$6,145,158 as of June 30, 2022 and 2021, respectively.

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

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

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

(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:

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

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

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

(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.

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

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

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

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

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

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

(4) Endowment Funds

The University is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA), which governs the management and investment of funds held by not-for-profit corporations and other institutions. Absent donor stipulations to the contrary, the statutory guidelines contained in NYPMIFA relate

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to the prudent management, investment and expenditure of donor-restricted endowment funds without regard to the original value of the gifts. However, NYPMIFA contains specific factors that must be considered prior to making investment decisions or appropriating funds for expenditure. For accounting purposes, the University applies the concepts included in NYPMIFA and ASC Topic 958, *Not-for-Profit Entities*, in its classification of unspent accumulated total return as donor restricted net assets.

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

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

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

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

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

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

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

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

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

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
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	<u>(1,967,786)</u>	<u>(5,975,859)</u>	<u>(7,943,645)</u>
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	<u>32,084</u>	<u>(2,628,028)</u>	<u>(2,595,944)</u>
Net assets at June 30, 2022	\$ <u>52,756,058</u>	<u>163,846,621</u>	<u>216,602,679</u>

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

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

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(a) Endowment Funds with Deficits

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

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

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

The Board policy is to disburse funds on underwater endowments as if they were not underwater.

Endowment funds are considered to be underwater when their fair value is less than their historical gift amounts. In accordance with the Prudent Management standards contained in NYPMIFA, the University has the ability to spend from individual endowments that are underwater, if it considers such action to be prudent for that particular endowment. In addition, in accordance with the implementation of NYPMIFA in 2011, the University was required to ask certain existing donors if they wished to prevent spending from their endowment if underwater. If the donor had requested spending not occur if their endowment is underwater, the University is required to comply with this request.

(b) Return Objectives and Risk Parameters

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

(c) Strategies Employed for Achieving Investment Objectives

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

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

The Board of Trustees determines the appropriate amount to withdraw from endowment and similar funds on an annual basis to provide support for operations with prudent concern for the long-term growth in the underlying assets as well as the specific factors detailed in NYPMIFA. The Board of Trustees of the University determines the method to be used to appropriate endowment funds for expenditure. The 5.37% and 4.52% annual spending rates for the fiscal years ended June 30, 2022 and 2021, respectively, are based on a trailing 12-quarter average market value of donor restricted and without donor restriction pooled assets. An additional annual spending of approximately 1% based on the trailing 12-quarter average market value of without donor restriction pooled assets is appropriated for the Board of Trustees approved debt service expenses or capital expenditures. In fiscal year 2022, the Board of Trustees authorized a special distribution of \$6,000,000 from the quasi endowment to support operations. Distributions of earnings from the fund to support expenditures are expected to be equal to or less than actual returns over the same trailing 12-quarters, therefore achieving the financial objective of preserving the value of the fund assets and related revenue stream over time.

(5) Net Assets

At June 30, 2022 and 2021, net assets were comprised as follows:

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

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

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

(6) Revenues and Related Receivables

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

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The composition of net tuition, fees and other services for the years ended June 30, 2022 and 2021 is summarized as follows:

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

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

Auxiliary Services Revenue

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

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

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

Sponsored Awards

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

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

In the years ended June 30, 2022 and 2021, sponsored programs revenue earned from governmental sources totaled \$20,050,488 and \$16,127,041, respectively. Indirect costs recovered on federally sponsored programs are generally based on predetermined reimbursement rates, which are stated as a percentage and distributed based on the modified total direct costs incurred. The University negotiates this federal indirect rate with its cognizant federal agency. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsors. Funds received for sponsored research activity are subject to audit. Based upon information currently available, management believes that any liability resulting from such audits will not materially affect the financial position or operations of the University.

Accounts receivable consisted of the following at June 30:

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

Pledges receivable at June 30 are as follows:

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

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(7) Property and Equipment

Property and equipment consisted of the following at June 30:

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

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

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

(8) Leases

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

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

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

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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.

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

Lease terms and discount rate follow:

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

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

	Operating lease
2023	\$ 87,056
2024	88,797
2025	90,573
2026	92,385
2027	94,232
Thereafter	984,894
Net Present Value Adjustment	(427,809)
Total lease liabilities	\$ 1,010,128

CLARKSON UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(9) Long-Term Debt

Outstanding debt consisted of the following at June 30:

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

- (a) These bonds were issued to restructure approximately \$11,000,000 of prior debt as well as to complete construction upgrades of campus facilities. They bear interest at rates ranging from 4.00% to 5.25% and require annual principal payments from September 2029 through September 2041. These bonds were defeased in December 2021 with the issuance of St. Lawrence County IDA Bonds 2021B (see note (e)).
- (b) These bonds were issued for dormitory upgrades and assumed initial coupon interest at a rate 2.50% until March 1, 2016 then an estimated coupon of 3.36% to March 1, 2020 and then an estimated coupon of 1.55% to maturity. The principal payment of \$3,000,000 is due September 2042.
- (c) The 2017 bonds bear interest at rates ranging from 3.25% to 5.00% and require annual principal payments beginning in September 2020 through September 2047. The bonds are tax-exempt and were issued at a premium of approximately \$3,528,000 and included an underwriter's discount and issuance costs of approximately \$151,000 and \$456,000, respectively. These bonds were issued to complete approximately \$10,500,000 of facilities upgrades and defease approximately \$20,000,000 of prior debt.
- (d) These bonds were issued to restructure approximately \$13,000,000 of prior debt. They bear a 5.00% interest rate and require annual principal and interest payment from September 2030 through 2041. These bonds are tax-exempt and were issued at a premium of approximately \$3,323,000.
- (e) These bonds were issued to restructure approximately \$18,160,000 of prior debt. They bear a 5.00% interest rate and require annual principal and interest payment from September 2029 through 2041. These bonds are tax-exempt and were issued at a premium of approximately \$4,000,000.

CLARKSON UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

- (f) These are taxable bonds issued to increase the University's operating liquidity by approximately \$10,000,000. The bonds bear interest rates ranging from 1% to 3.75%. They require annual principal payments from June 2023 through June 2042.
- (g) These are Letter of Credit Secured Bonds issued through M&T Bank, under Variable Rate Demand Civic Facility Revenue Bonds. The bonds were issued for facility upgrades and are secured by land and building in the City of Schenectady, New York. The bonds are paid in variable increments through September 1, 2037. Interest is variable and approximates 0.54% at June 30, 2022.
- (h) Represents a \$1,250,000 bank loan from M&T bank to purchase and renovate property on Maple Street in Potsdam for use by the University facilities department. Fixed monthly principal payments of \$20,833 begin August 2019 through February 2029. Required monthly interest payments at a fixed rate of 3.37% began in June 2019.

At June 30, 2022, the aggregate amounts of principal and sinking-fund requirements for long-term debt over the next five fiscal years and thereafter are as follows:

	Amount
Fiscal year:	
2023	\$ 2,138,333
2024	2,208,333
2025	2,268,333
2026	2,358,333
2027	2,453,333
Thereafter	60,428,335
	\$ 71,855,000

The St. Lawrence County IDA bond agreements include provisions requiring the maintenance of a minimum annual debt service coverage ratio. As of June 30, 2022 and 2021, the University is in compliance with these provisions. These balances are secured by the operating and nonoperating revenues of the University.

The University has a \$19,000,000 demand line of credit at a bank with a floating interest rate that is 1.5% above the daily Simple SOFR rate adjusting daily with a SOFR floor of 0.25% and an expiration date of April 8, 2023. There was an outstanding balance of \$15,000,000 at June 30, 2022 and \$4,800,000 at June 30, 2021.

The University has a \$2,000,000 revolving line of credit with a bank related to its procurement card and supplier pay program on which there was an outstanding balance of \$241,212 and \$62,523 as of June 30, 2022 and 2021, respectively, included in accounts payable and accrued expenses on the balance sheets. It is interest free if full payment is received within the monthly billing cycle. The credit line is on an annual automatic renewal.

CLARKSON UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(10) Functional Expenses

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

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

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

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

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

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

CLARKSON UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(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:

	<u>2022</u>	<u>2021</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 10,197,154	12,180,475
Service cost	172,698	239,268
Interest cost	271,140	313,055
Plan participants' contributions	448,317	519,965
Amendments	—	(2,521,519)
Actuarial loss (gain)	(2,751,840)	357,513
Benefits paid	(905,483)	(891,604)
Medicare Part D subsidy	40,291	—
	<u>7,472,277</u>	<u>10,197,153</u>
Benefit obligation at end of year		
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contributions	416,874	371,639
Plan participants' contributions	448,318	519,966
Benefits paid	(905,483)	(891,605)
Medicare Part D subsidy	40,291	—
	<u>—</u>	<u>—</u>
Fair value of plan assets at end of year		
Funded status at end of year	\$ <u><u>(7,472,277)</u></u>	<u><u>(10,197,153)</u></u>
	<u>2022</u>	<u>2021</u>
Components of adjustments other than service costs:		
Interest cost	\$ 271,140	313,055
Actuarial gains, net	(2,751,840)	357,513
Amendments	—	(2,521,519)
	<u>—</u>	<u>(2,521,519)</u>
Postretirement related adjustments other than service costs	\$ <u><u>(2,480,700)</u></u>	<u><u>(1,850,951)</u></u>

CLARKSON UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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

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

Estimated Future Benefit Payments

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

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

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

(12) Commitments and Contingencies

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

CLARKSON UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

The University partially retains the risk for medical insurance. The University carries stop/loss insurance that covers medical and prescription drug claims that exceed the annual aggregate attachment point of approximately \$9,863,366 and \$9,876,975 in 2022 and 2021, respectively. The attachment point for any individual claim is \$175,000. The University's estimated liability for its retained risk under these policies amounted to approximately \$723,892 and \$498,000 as of June 30, 2022 and 2021, respectively, and is recorded within other liabilities on the balance sheets.

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

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

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

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

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

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

(14) Subsequent Events

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

CLARKSON UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(15) Related-Party Transactions

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

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

CLARKSON UNIVERSITY

Schedule of Expenditures of Federal Awards (Restated)

Year ended June 30, 2022

Federal agency/pass-through entity	Direct award or pass-through entity identifying number	Federal AL number	Passed through to subrecipients	Federal expenditures
Research and Development Cluster:				
U.S. National Aeronautics and Space Administration:				
NASA	Direct	43.002	\$ —	27,830
NASA	Direct	43.012	—	8,641
Cornell University	90830-21692	43.008	—	23,474
Cornell University	90830-20364	43.008	—	26,182
Total U.S. National Aeronautics and Space Administration			—	86,127
U.S. Department of Agriculture:				
C2C2C COLBY USDA				
	2021-NIFA-CRs-02	10.310	—	19,253
DEPT OF AGRICULTURE				
	Direct	10.310	—	70,312
Total U.S. Department of Agriculture			—	89,565
U.S. Department of Defense:				
Department of the Air Force:				
SERD				
	DIRECT	12.114	136,171	269,691
BATTELLE				
	US001-0000790251	12.000	—	7,793
Air Force Office of Scientific Research				
	DIRECT	12.800	—	49,620
Subtotal			136,171	327,104
U.S. Department of the Navy:				
US Naval laboratory				
	Direct	12.300	98,068	560,731
Florida State University				
	R02084	12.300	—	170,651
Subtotal			98,068	731,382
U.S. Army Material Command:				
Basic Scientific Research				
	DIRECT	12.431	—	92,128
CARNEGIE MELLON				
	1130204-374345	12.431	—	6,819
METIS Foundation				
	#S-W81XWH-20-2-0054-01	12.420	—	66,293
Subtotal			—	165,240
Defense Advanced Research Projects Agency:				
SIGMA TECH INTERNATIONAL				
	W911SR20C009	12.910	—	26,605
QUEENSLAND UNIV OF TECHNOLOGY				
	W81XWH2010708	12.910	—	88,674
Subtotal			—	115,279
National Security Agency				
NSA/Mathematics				
	Direct	12.901	—	47,280
Subtotal			—	47,280
Total U.S. Department of Defense			234,239	1,386,285
U.S. Department of Energy:				
Dept of Energy				
	Direct	81.086	—	93,251
University of Minnesota				
	A006801506	81.049	—	46,222
University of Michigan				
	SUBK00011109	81.049	—	126,925
SYRACUSE UNIVERSITY				
	29112-04491-S01	81.117	—	17,051
Total U.S. Department of Energy			—	283,449
U.S. Department of Health and Human Services:				
National Institutes of Health:				
NIH				
	Direct	93.394	—	235,375
NIH				
	Direct	93.865	—	219,366
NW CARES Learning from Covid				
	CT-ORH 2021-02	93.913	—	7,600
Wakeforest univ Health science				
	997-39243-11000000215	93.273	—	67,320
THE WINDWARD ISLAND RESEARCH & DEV				
	R25TW009731	93.989	—	8,935
Massachusetts General Hospital				
	230317	93.173	—	50,822
RESEARCH FOUNDATION OF SUNY				
	250-1124264-86213	93.859	—	2,616
Total U.S. Department of Health and Human Services			—	592,034
U.S. Department of Transportation:				
HWHA				
	Direct	20.215	—	3,798
Purdue University				
	192000267-029	20.200	—	135,549
Total U.S. Department of Transportation			—	139,347
U.S. Department of Commerce				
NOAA				
	Direct	11.431	—	78,920
Measurement and Engineering Research and Standards				
	Direct	11.609	—	43,130
Total U.S. Department of Commerce			—	122,050

CLARKSON UNIVERSITY

Schedule of Expenditures of Federal Awards (Restated)

Year ended June 30, 2022

Federal agency/pass-through entity	Direct award or pass-through entity identifying number	Federal AL number	Passed through to subrecipients	Federal expenditures
Research and Development Cluster, continued:				
U.S. Environmental Protection Agency:				
Office of Water:				
Great Lakes Program – GLFMSP 2021	Direct	66.469	\$ 468,262	1,018,908
EPA	Direct	66.511	—	17,249
Total U.S. Environmental Protection Agency			468,262	1,036,157
U.S. Department of Homeland Security:				
Dept of Homeland Security	Direct	97.077	—	62,166
Total U.S. Department of Homeland Security			—	62,166
U.S. Department of Interior				
US Geological Survey – Natural Resource Stewardship	Direct	15.944	5,251	6,170
Total U.S. Department of Interior			5,251	6,170
National Science Foundation:				
Engineering Grants	Direct	47.041	36,336	1,097,431
MICHIGAN STATE UNIVERSITY	RC107126-CU	47.041	10,747	92,447
UNIVERSITY OF BUFFALO	1822190	47.041	—	4,156
University of NC – Charlotte	TASK STMT 007	47.041	—	63,469
University of NC – Charlotte	TASK STMT 011	47.041	—	45,547
University of NC – Charlotte	TASK STMT 013	47.041	—	4,219
University of NC – Charlotte	TASK STMT 009	47.041	—	7,816
Subtotal			47,083	1,315,085
Mathematical and Physical Sciences				
University of Texas at Austin	Direct	47.049	—	246,292
	UTA19-000905	47.049	—	17,248
Subtotal			—	263,540
Geosciences				
Subtotal	Direct	47.050	—	145,324
			—	145,324
Computer and Information Science and Engineering				
Computer and Information Science and Engineering	Direct	47.070	146,160	870,368
MICHIGAN STATE UNIV	RC110306CU	47.070	—	36,099
WEST VIRGINIA UNIV	16-800-CU-2	47.070	—	86,663
INFINEON TECH AMERICAS CORP	1650503	47.070	—	3,719
Subtotal			146,160	996,849
Social, Behavioral, and Economic Sciences - Mispercept Random				
Subtotal	Direct	47.075	16,000	119,135
			16,000	119,135
Biological Sciences				
Education and Human Resources	Direct	47.074	—	63,895
AMERICAN SOCIETY FOR ENGINEERING ED	Direct	47.076	—	554,089
The Concord Consortium	211318	47.076	—	3,877
The Concord Consortium	353.21-01	47.076	—	54,416
Syracuse University	317.18.03	47.076	—	11,134
	25914-04742-S03	47.076	—	80,122
Subtotal			—	767,533
Total National Science Foundation			209,243	3,607,466
Total Research and Development Cluster			916,995	7,410,816
National Endowment for the Humanities:				
Promotion of the Humanities Teaching and Learning Resources	Direct	45.162	—	14,289
Total National Endowment for Humanities			—	14,289
U.S. Department of Education:				
COVID-19 - Education Stabilization Fund:				
COVID-19 Higher Education Emergency Relief Fund - Student Portion	Direct	84.425E	—	3,204,011
Sub-total Education Stabilization Fund			—	3,204,011
English Language Acquisition Grant Program				
NY Department of Education	Direct	84.365	—	232,285
	C013414	84.126	—	344
Subtotal			—	232,629

CLARKSON UNIVERSITY

Schedule of Expenditures of Federal Awards (Restated)

Year ended June 30, 2022

<u>Federal agency/pass-through entity</u>	<u>Direct award or pass-through entity identifying number</u>	<u>Federal AL number</u>	<u>Passed through to subrecipients</u>	<u>Federal expenditures</u>
U.S. Department of Education:				
Student Financial Assistance Cluster:				
Supplemental Educational Opportunity Grant Program	Direct	84.007	\$ —	440,184
Federal Direct Loan Program (note 2)	Direct	84.268	—	27,582,655
Federal Work-Study Program	Direct	84.033	—	584,074
Federal Perkins Loan Cancellations	Direct	84.037	—	4,700
Federal Perkins Loan Program (note 2)	Direct	84.038	—	3,592,439
Pell Grant Program	Direct	84.063	—	2,840,039
Total Student Financial Assistance Cluster			—	35,044,091
U.S. Department of Education:				
TRIO Cluster:				
CU Student Support Services	Direct	84.042	—	300,517
McNair Program	Direct	84.217	—	276,721
Total TRIO Cluster			—	577,238
Total U.S. Department of Education			—	39,057,969
Total expenditures of federal awards			\$ 916,995	46,483,074

See accompanying notes to Schedule of Expenditures of Federal Awards

CLARKSON UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards (Restated)

Year ended June 30, 2022

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant transactions of Clarkson University (the University). The Schedule is prepared on the accrual basis of accounting. 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, 2021	\$	3,592,439
Loans advanced during fiscal year 2022		—
Administrative cost allowance		—
		<hr/>
Federal expenditures		3,592,439
Current year loan reduction		<hr/> (1,189,280)
Loan receivable balance at June 30, 2022	\$	<hr/> <u>2,403,159</u>

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, 2022 amounted to \$21,370,229. Federally guaranteed loans issued to parents of students of the University under the PLUS Loan Program during the year ended June 30, 2022 amounted to \$6,212,426. 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 2019–2024, 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% for fiscal year 2022. The base rate for off-campus research is 18.1% for fiscal year 2022. Both rates use modified total direct costs as a base.

CLARKSON UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards (Restated)

Year ended June 30, 2022

(4) Restatement of the Schedule of Expenditures of Federal Awards

The University determined that \$1,552,891 related to the Research and Development Cluster (various ALN's) were inadvertently omitted from the Schedule. Also, expenditures in the amount of \$14,289 related to the National Endowment for the Humanities - Promotion of the Humanities Teaching and Learning Resources (AL #45.162) had been incorrectly included as part of the Research and Development Cluster. The combination of these errors resulted in a total of \$1,538,602 of Research and Development Cluster expenditures being added to the June 30, 2022 Schedule.

Additionally, the University determined that \$232,285 related to the U.S. Department of Education - English Language Acquisition Grant Program (AL #84.365) was inadvertently omitted from the Schedule.



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 University's consolidated balance sheet as of June 30, 2022, 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 28, 2022.

Report on 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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below we did identify certain deficiencies in internal control that we consider to be significant deficiencies.

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 a 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. During our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described below as item 2022-001 to be a significant deficiency.

Finding 2022-001, Financial Reporting

During the fiscal 2021 audit we disclosed a significant deficiency in internal controls over financial reporting and during the fiscal 2022 audit we did not observe substantial improvement in financial reporting controls and oversight. We continued to see a number of financial statement adjustments that were identified as part of the audit process. In addition, in fiscal 2022 we noted a number of journal entries that required reversal and reposting due to the initial errors in the original journal entry. This occurred as the journal entries were not reviewed by someone other than the preparer prior to posting to the general ledger. This breakdown in internal control creates a risk that the consolidated financial statements are materially misstated. We recommend that management perform a review of the University's policies and procedures for journal entry review, strengthen



controls or add monitoring controls to ensure periodic reconciliation of all balance sheet accounts and the University's process for timely compiling and reviewing the financial statements.

Management's Response

Management acknowledges deficiencies in internal controls that resulted in a number of entries posted to correct previous improper postings. Management is implementing an action plan with measurable objectives to correct this deficiency. This action plan includes a review of current processes to identify opportunities to further limit manual data entry to limit key punch errors. Further, processes will be revised to include secondary review prior to posting. Quarterly data reviews will be utilized to identify developing variances for investigation and further action as necessary. A more robust system of account reconciliation will be developed, with particular attention to high activity and / or high value accounts. Finally, year end processes will continue to be enhanced to ensure proper and timely completion of consolidated financial statements.

Report on 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 financial statements. 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*.

University's Response to the Finding

The University's response to the finding identified in our audit is described above . The University's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Colchester, Vermont
October 28, 2022



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**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

Opinion on Each Major Federal Program

We have audited Clarkson University's (the University) compliance with the types of compliance requirements identified as subject to audit 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, 2022. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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,



Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003, to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



Government Auditing Standards requires the auditor to perform limited procedures on the University's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

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.

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, 2022, and have issued our report thereon dated October 28, 2022 which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 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 GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the consolidated financial statements as a whole.

Other Matter-Reissuance of Reports

The report on compliance for each major federal program, the report on internal control over compliance, and the report on the schedule of expenditures of federal awards replace our previously issued reports dated March 31, 2023. As discussed in note 4 to the schedule of expenditures of federal awards, the schedule of expenditures was restated to include additional federal expenditures that were omitted from the schedule of expenditures of federal awards for the year ended June 30, 2022. Our report on compliance for each major federal program, our report on internal control over compliance, and the schedule of findings and questioned costs have been reissued for our opinion on the Research and Development Cluster and to revise the previously reported findings 2022-002 and 2022-003.

KPMG LLP

Colchester, Vermont

March 31, 2023, except as to our opinion on the Research and Development Cluster major program, findings 2022-002 and 2022-003, and our report on the schedule of expenditures of federal awards, which are as of May 20, 2024.

CLARKSON UNIVERSITY

Schedule of Findings and Questioned Costs (Reissued)

Year ended June 30, 2022

Financial Statements

Type of auditors' report issued on whether the consolidated 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)? X Yes _____ None reported

Noncompliance material to the consolidated financial statements noted? _____ Yes X No

Federal Awards

Internal control deficiencies over major programs disclosed by the audit:

- Material weaknesses identified? X Yes _____ No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: 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

Major Programs:

<u>Name of federal program or cluster</u>	<u>Federal ALN</u>
Research and Development Cluster	Various
COVID-19 Education Stabilization Fund	84.425E
Student Financial Assistance Cluster	Various

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

CLARKSON UNIVERSITY

Schedule of Findings and Questioned Costs (Reissued)

Year ended June 30, 2022

Section II – Findings related to Consolidated Financial Statements

Finding 2022-001 Financial Reporting is listed on pages 37 and 38.

Section III – Federal Awards – Findings and Questioned Costs

Finding Number: 2022-002

Program: Research and Development Cluster

Federal Agency Names: U.S. National Aeronautics and Space Administration; U.S. Department of Agriculture; U.S. Department of Defense; U.S. Department of Energy; U.S. Department of Health and Human Services; U.S. Department of Transportation; U.S. Department of Commerce; U.S. Environmental Protection Agency; U.S. Department of Homeland Security; U.S. Department of Interior; and National Science Foundation

Federal Award Numbers: Various – as listed on the Schedule

Federal Award Years: Various

Federal Assistance Listing Numbers: Various – as listed on the Schedule

Compliance Requirement: Other – Inaccurate reporting of the Schedule of Expenditures of Federal Awards

Criteria

According to 2 CFR 200.510(b), a recipient of federal awards is required to prepare a schedule of expenditures of Federal awards (Schedule) for the period covered by the auditee's financial statements which must include the total federal awards expended as determined in accordance with 2 CFR 200.502. Additionally, 2 CFR 200.303 requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure federal expenditures are accurately reported on the Schedule and information provided for audit purposes is complete and accurate.

Conditions Found

The University did not have adequate controls relating to the reporting of expenditures on the Schedule for the Research and Development Cluster. Specifically, the University did not have documented procedures on how to query and analyze expenditure data from the Peoplesoft system and the management review controls over the preparation of the Schedule were not designed to operate at an appropriate level of precision. As a result, during 2023 the University determined that \$1,552,891 related to the Research and Development Cluster were inadvertently omitted from the June 30, 2022 Schedule. Additionally, expenditures in the amount of \$14,289 related to the National Endowment for the Humanities – Promotion of the Humanities Teaching and Learning Resources (ALN 45.162) had been incorrectly included as part of the Research and Development Cluster. The combination of these errors resulted in a total of \$1,538,602 of Research and Development Cluster expenditures being added to the June 30, 2022 Schedule.

The University also had incorrectly reported encumbrances, which represent future expenditures that have been obligated but not incurred.

CLARKSON UNIVERSITY

Schedule of Findings and Questioned Costs (Reissued)

Year ended June 30, 2022

Cause

In discussing these conditions with the University, they stated the errors were primarily due to turnover in staff responsible for preparation of the Schedule as well as a lack of documented procedures. Additionally, the management review controls in place were not operating at a sufficient level of precision to detect the errors.

Effect

Failure to establish effective internal controls regarding financial reporting for the preparation of the Schedule may prevent the University from completing an audit in accordance with the timelines of Uniform Guidance.

Questioned Costs

Not applicable.

Statistical Sample

Not applicable.

Repeat Finding

This finding is not a repeat finding in the immediately prior audit.

Recommendation

We recommend the University implement a system of internal control that is designed and operating at a level of precision to ensure the Schedule is complete and accurate.

View of Responsible Officials

Management accepts this finding. A detailed set of procedures was documented immediately after the discovery of this error in preparing the Schedule. Included in these procedures, a query is run of research projects. This query is sent to Sponsored Research Services (SRS) to review to verify the reporting status and AL numbers, and other items are correct and complete.

Once SRS has verified the data in the query is complete and accurate, then the Controller's office will proceed with preparing the Schedule as well as reconciling it to the Statement of Activities (SOA)

In the procedures, we have added that SRS and the Controller, and/or Chief Financial Officer review the Schedule prior to initiation of the audit review process.

Finding Number: 2022-003

Program: Research and Development Cluster

Federal Agency Names: U.S. National Aeronautics and Space Administration; U.S. Department of Agriculture; U.S. Department of Defense; U.S. Department of Energy; U.S. Department of Health and Human Services; U.S. Department of Transportation; U.S. Department of Commerce; U.S. Environmental Protection Agency; U.S. Department of Homeland Security; U.S. Department of Interior; and National Science Foundation

Federal Award Numbers: Various – as listed on the Schedule

CLARKSON UNIVERSITY

Schedule of Findings and Questioned Costs (Reissued)

Year ended June 30, 2022

Federal Award Years: Various

Federal Assistance Listing Numbers: Various – as listed on the Schedule

Compliance Requirement: Allowable costs/Cost principles

Criteria

In accordance with 2 CFR 200.303(a), non-federal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Additionally, 2 CFR 200.430 states that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Conditions Found

The University performs certain manual calculations (total supplemental pay authorization divided by the number of pay periods over the summer as well as percentage allocations to multiple awards) to determine the amount to pay each pay period for both faculty and graduate assistants who work on Research and Development Cluster awards. During our testing of internal controls and compliance related to allowable costs/cost principles specific to payroll, we determined that internal controls were not designed at a level of precision to prevent or detect clerical errors associated with the manual calculations and the manual processing of payroll allocations to Research and Development Cluster awards. As a result, there were 14 errors in our sample of 81 transactions related to errors in the manual calculations, however only 7 of the errors resulted in overcharges to federal awards. The following were those errors that resulted in overcharges to federal awards:

<u>Federal assistance listing number</u>	<u>Award number</u>	<u>Payroll amount</u>	<u>Fringe amount</u>	<u>Indirect amount</u>	<u>Total</u>
12.300	N00014-21-1-2057	\$ 170	—	90	260
13.300	N00014-21-1-2057	170	—	90	260
14.300	N00014-21-1-2057	1,425	—	755	2,180
47.041	2003307	5,744	439	3,044	9,227
47.076	1936144	7	1	4	12
47.076	2050074	10	1	5	16
47.076	1852820	20	2	11	33
		<u>\$ 7,546</u>	<u>443</u>	<u>3,999</u>	<u>11,988</u>

Cause

In discussing these conditions with the University, they stated the errors primarily stem from when there are multiple supplemental pay authorizations or superseding appointments that require a manual calculation of the pay per pay period, retroactive adjustments or changes in allocations to federal awards. There was no secondary review of such manual calculations by someone other than the preparer. The University did not have a system of internal control that was designed and operating at a level of precision to prevent or detect errors in manual calculations and other clerical errors associated with calculations and payroll allocations for Research

CLARKSON UNIVERSITY

Schedule of Findings and Questioned Costs (Reissued)

Year ended June 30, 2022

and Development Cluster awards related to supplemental summer payroll and graduate assistant appointments.

Effect

Ineffective controls could result in unallowable costs being charged to the Research and Development Cluster awards.

Questioned Costs

\$11,988 which includes payroll, fringe benefits and applicable indirect costs.

Statistical Sample

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

Repeat Finding

This finding is a repeat finding – see prior year finding 2021-003.

Recommendation

We recommend the University design and implement a more precise system of internal control to ensure manual calculations and payroll allocations for Research and Development Cluster awards are accurate and an allowable cost prior to processing payroll and recording payroll allocations.

View of Responsible Officials

Management accepts the finding and notes that the prior year finding was not reported until near the end of the current audit period, contributing to the repeat finding. Effective in June 2022, payroll authorizations were directed through the PeopleSoft system to the Payroll Manager who prepared and documented the necessary allocation calculation. This calculation, along with a copy of the original payroll authorization for the employee and the superseding payroll authorization were sent to the Associate Controller for review and verification. This secondary review was marked approved and returned to the Payroll Manager for final entry in the payroll system and records archiving.

Further, a campus committee with representatives from the offices of; Controller, Information Technology, Sponsored Research Services, Payroll and Academic Affairs Operations was formed to further review and address this prior year finding. The Committee has developed a form within PeopleSoft that will allow for entering payroll authorization data, system calculation of applicable fringe adjustments, and a system driven workflow review and approval process from initial entry by the Principal Investigator to approval by Sponsored Research Services to the approval by either the Research Accountant or the Associate Controller for posting of all prior period reallocations. Any adjustments affecting future periods will be processed through the existing payroll authorization process and system entered by the Payroll Office. This cost transfer process was implemented on April 1, 2023. A further enhancement of automating a portion of the related journal entry posting upon final approval by the Research Accountant or Associate Controller was implemented in June 2023.

CLARKSON UNIVERSITY

Schedule of Findings and Questioned Costs (Reissued)

Year ended June 30, 2022

In light of the repeat finding, the University engaged an outside firm, Bowers and Company CPAs PLLC in May 2023, to conduct an internal review evaluation of the Payroll Department with a focus on reviewing assessing current internal controls and processes from employees set up through issuance of compensation and filing of state and federal forms relating to payroll procedures and transactions. The outcome of this review was to identify areas of potential weakness, process improvement, and current utilization of existing financial systems and tools. The results of this review evaluation were received in August 2023. In the limited scope review they identified no reportable findings and provided several recommendations to improve University-wide payroll processes. The implementation of these recommendations improved University-wide payroll processes.

Additionally, we carried out an internal audit encompassing all federally funded research payroll transactions involving students, staff, and research faculty for the fiscal year 2022. We compared payroll authorizations against the actual payroll amounts for a total of 231 faculty, staff and students. We identified 6 findings, in addition to the findings from KPMG during the initial audit, between payroll authorizations or graduate appointments and the actual amounts charged to federal accounts, which is an overall error rate of 5.6%. Clarkson's Payroll Department is conducting monthly review of allocations in payroll to proactively identify errors, aiming to facilitate prompt corrections. In addition to the monthly review, Sponsored Research Services will continue in processing cost transfers whenever errors are identified, necessitating adjustments to the allocation of payroll to federal awards.