

**Financial Statements and Report of Independent  
Certified Public Accountants**

**Clark University**

**May 31, 2011 and 2010**

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Audit • Tax • Advisory

**Grant Thornton LLP**  
226 Causeway Street, 6th Floor  
Boston, MA 02114-2155

T 617.723.7900  
F 617.723.3640  
[www.GrantThornton.com](http://www.GrantThornton.com)

## Report of Independent Certified Public Accountants

To the Board of Trustees of  
Clark University

We have audited the accompanying statements of financial position of Clark University (the "University") as of May 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clark University as of May 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

Boston, Massachusetts  
September 16, 2011

**CLARK UNIVERSITY**  
**Statements of Financial Position**  
**May 31, 2011 and 2010**  
(In thousands of dollars)

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 34,150	33,522
Funds held by bond trustee (Note F)	991	831
Interest and dividends receivable	32	34
Grants and contracts receivable	483	818
Student accounts receivable, net of allowance for doubtful accounts of \$320 and \$302 in 2011 and 2010, respectively	162	164
Other accounts receivable	1,116	489
Prepaid expenses and other assets	1,032	931
Contributions receivable - net (Note E)	4,619	5,297
Bond issue costs, net	677	705
Student loans receivable - net (Note D)	6,031	6,490
Beneficial interests in outside trusts	980	882
Investments, at fair value (Note C)	338,338	285,521
Land, buildings and equipment, construction in progress - net of accumulated depreciation (Note G)	<u>118,331</u>	<u>118,265</u>
<b>TOTAL ASSETS</b>	<b>\$ 506,942</b>	<b>\$ 453,949</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 11,185	\$ 12,236
Advance payments under grants	1,058	1,648
Other liabilities	1,285	1,201
Deposits	7,723	7,076
Notes payable	62	100
Bonds payable (Note I)	79,264	81,300
Annuities and unitrusts payable	7,671	6,981
Federal loan program advances	5,518	5,536
<b>TOTAL LIABILITIES</b>	<u>113,766</u>	<u>116,078</u>
<b>NET ASSETS (Note N):</b>		
Unrestricted	100,928	89,102
Temporarily restricted	167,741	126,763
Permanently restricted	124,507	122,006
<b>Total net assets</b>	<u>393,176</u>	<u>337,871</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 506,942</b>	<b>\$ 453,949</b>

The accompanying notes are an integral part of these financial statements.

**CLARK UNIVERSITY**

## Statement of Activities

Year Ended May 31, 2011

(In thousands of dollars)

(With summarized information for the year ended May 31, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
<b>REVENUES AND OTHER SUPPORT:</b>					
Operating revenues:					
Tuition and fees	\$ 105,796	\$ -	\$ -	\$ 105,796	\$ 99,487
Financial aid discount	(47,716)	-	-	(47,716)	(44,194)
Net tuition and fees	58,080	-	-	58,080	55,293
Auxiliary services	13,031	-	-	13,031	12,529
Contribution revenue	3,011	534	1,775	5,320	19,590
Income appropriated under spending policy	11,085	2,511	188	13,784	13,632
Other investment return	993	6	-	999	1,425
Grants and contracts	7,150	-	-	7,150	7,392
Federal student financial aid	1,046	-	-	1,046	1,046
Other income	2,321	55	-	2,376	2,373
Net assets released from restrictions	3,026	(3,026)	-	-	-
Total operating revenues and other support	<u>99,743</u>	<u>80</u>	<u>1,963</u>	<u>101,786</u>	<u>113,280</u>
<b>EXPENSES (Note L):</b>					
Operating expenses:					
Instruction	37,898	-	-	37,898	36,495
Student services	10,233	-	-	10,233	9,488
Academic support	14,245	-	-	14,245	13,711
General institutional	7,029	-	-	7,029	6,321
Alumni and development	5,556	-	-	5,556	5,558
Research	8,546	-	-	8,546	8,726
Auxiliary services	11,959	-	-	11,959	11,542
Total operating expenses	<u>95,466</u>	<u>-</u>	<u>-</u>	<u>95,466</u>	<u>91,841</u>
Change in net assets from operations	<u>4,277</u>	<u>80</u>	<u>1,963</u>	<u>6,320</u>	<u>21,439</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>					
Investment income net of amounts appropriated under spending policy	6,320	42,213	1,783	50,316	33,769
Recovery of deficiencies in historical values	1,296	(1,296)	-	-	-
Change in value of beneficial interests in outside trusts (Note C)	-	11	87	98	145
Annuity and unitrust obligation expense	(67)	(30)	(1,332)	(1,429)	(1,314)
Total nonoperating revenue	<u>7,549</u>	<u>40,898</u>	<u>538</u>	<u>48,985</u>	<u>32,600</u>
<b>CHANGE IN NET ASSETS</b>	<b>11,826</b>	<b>40,978</b>	<b>2,501</b>	<b>55,305</b>	<b>54,039</b>
NET ASSETS - Beginning of year	<u>89,102</u>	<u>126,763</u>	<u>122,006</u>	<u>337,871</u>	<u>283,832</u>
NET ASSETS - End of year	<u>\$ 100,928</u>	<u>\$ 167,741</u>	<u>\$ 124,507</u>	<u>\$ 393,176</u>	<u>\$ 337,871</u>

The accompanying notes are an integral part of these financial statements.

**CLARK UNIVERSITY**  
Statement of Activities  
Year Ended May 31, 2010  
(In thousands of dollars)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT:</b>				
Operating revenues:				
Tuition and fees	\$ 99,487	\$ -	\$ -	\$ 99,487
Financial aid discount	(44,194)	-	-	(44,194)
Net tuition and fees	55,293	-	-	55,293
Auxiliary services	12,529	-	-	12,529
Contribution revenue	2,971	509	16,110	19,590
Income appropriated under spending policy	11,335	2,106	191	13,632
Other investment return	1,416	9	-	1,425
Grants and contracts	7,392	-	-	7,392
Federal student financial aid	1,046	-	-	1,046
Other income	2,417	(315)	271	2,373
Net assets released from restrictions	3,024	(3,024)	-	-
Total operating revenues and other support	<u>97,423</u>	<u>(715)</u>	<u>16,572</u>	<u>113,280</u>
<b>EXPENSES (Note M):</b>				
Operating expenses:				
Instruction	36,495	-	-	36,495
Student services	9,488	-	-	9,488
Academic support	13,711	-	-	13,711
General institutional	6,321	-	-	6,321
Alumni and development	5,558	-	-	5,558
Research	8,726	-	-	8,726
Auxiliary services	11,542	-	-	11,542
Total operating expenses	<u>91,841</u>	<u>-</u>	<u>-</u>	<u>91,841</u>
Change in net assets from operations	<u>5,582</u>	<u>(715)</u>	<u>16,572</u>	<u>21,439</u>
<b>NONOPERATING REVENUE (EXPENSE):</b>				
Investment income net of amounts appropriated under spending policy	4,250	27,854	1,665	33,769
Recovery of deficiencies in historical values	1,983	(1,983)	-	-
Change in value of beneficial interests in split-interest agreements (Note C)	-	8	137	145
Annuity and unitrust obligation expense	(94)	(24)	(1,196)	(1,314)
Total nonoperating revenue	<u>6,139</u>	<u>25,855</u>	<u>606</u>	<u>32,600</u>
<b>CHANGE IN NET ASSETS</b>	11,721	25,140	17,178	54,039
NET ASSETS - Beginning of year	<u>77,381</u>	<u>101,623</u>	<u>104,828</u>	<u>283,832</u>
NET ASSETS - End of year	<u>\$ 89,102</u>	<u>\$ 126,763</u>	<u>\$ 122,006</u>	<u>\$ 337,871</u>

The accompanying notes are an integral part of these financial statements.

**CLARK UNIVERSITY**  
**Statements of Cash Flows**  
**Year Ended May 31, 2011 and 2010**  
(In thousands of dollars)

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 55,305	\$ 54,039
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	6,929	6,757
Student loans cancelled/assigned to the federal government	(5)	(9)
Contributions restricted for long-term purposes	(1,680)	(16,930)
Interest and dividends from investments	(2,219)	(2,274)
Noncash contributions	(549)	(157)
Realized and unrealized investment gains	(62,967)	(46,156)
Beneficial interests in outside trusts	(98)	(145)
Loss on disposal of fixed assets	3	328
Changes in assets and liabilities:		
Accounts receivable and interest and dividends receivable - net	(623)	76
Prepaid expenses and other assets	(101)	41
Contributions receivable - net	678	1,990
Grants and contracts receivable	335	13
Accounts payable and accrued expenses	(1,051)	1,018
Other liabilities	84	(30)
Annuity and unitrust obligations	690	342
Deposits	647	145
Advance payments under grants	(590)	(555)
	<u>(5,212)</u>	<u>(1,507)</u>
Net cash used in operating activities		
	<u>(5,212)</u>	<u>(1,507)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Student loans, net	459	684
Purchase of buildings and equipment	(6,979)	(3,103)
Proceeds from sales of investments	51,871	17,648
Purchases of investments	(41,171)	(16,758)
Interest and dividends from investments	2,219	2,274
Net change in funds held by trustee	(160)	(831)
	<u>6,239</u>	<u>(86)</u>
Net cash provided by (used in) investing activities		
	<u>6,239</u>	<u>(86)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted for long-term purposes	1,680	16,930
Decrease in federal loan program advances	(18)	-
Payment of bonds and notes payable	(2,023)	(1,940)
Note payable payments	(38)	(45)
	<u>(399)</u>	<u>14,945</u>
Net cash provided by (used in) financing activities		
	<u>(399)</u>	<u>14,945</u>
Net increase in cash and cash equivalents	628	13,352
Cash and cash equivalents - Beginning of year	33,522	20,170
Cash and cash equivalents - End of year	\$ 34,150	\$ 33,522
<b>Supplemental Disclosure</b>		
Cash paid for interest	\$ 1,678	\$ 1,694
Capital lease and obligation	18	-

The accompanying notes are an integral part of these financial statements.

**NOTE A - ORGANIZATION**

Clark University (the “University”) was established in 1887 and serves as a teaching and research institution offering undergraduate and graduate degrees to approximately 3,450 full and part-time students drawn from 47 states and 93 foreign countries. The University’s main campus is located in Worcester, Massachusetts. The University is accredited by The New England Association of Schools and Colleges and offers a liberal arts based education as well as professional masters degree and doctoral programs.

The University participates in student financial assistance programs sponsored by the United States Department of Education and the Commonwealth of Massachusetts, which facilitate the payment of tuition and other expenses for certain students.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the significant accounting policies followed by Clark University.

**Basis of Presentation**

The accompanying financial statements of Clark University (the “University”) have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Net assets, revenues, expenses, gains, and losses are classified into three categories, based on the existence or absence of donor-imposed restrictions. The categories are permanently restricted, temporarily restricted, and unrestricted net assets.

Permanently restricted net assets generally represent the historical cost (fair value at date of gift) of contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the University. Permanently restricted net assets also include certain life income funds (in cases where the remainder interest for such gifts is permanently restricted) and certain perpetual revolving loan funds that have been established by donors for the benefit of students at the University. The life income and revolving loan funds are recorded at fair value. Adjustments for uncollectible loans from the revolving loan funds are accounted for as net assets released from restrictions.

Temporarily restricted net assets generally result from contributions and other inflows of assets whose use by the University is limited by law or donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the University pursuant to those stipulations.

Unrestricted net assets generally result from contributions or other inflows of assets whose use by the University is not limited by donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the University or may otherwise be limited by contractual agreement with outside parties.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expirations of temporary restrictions on net assets are reported as “net assets released from restrictions” in the Statements of Activities.

Donor-restricted gifts which are received and spent within the same year are reported as unrestricted revenues.

**Conditional Asset Retirement Obligations**

In the normal course of its operations, the University incurs legal obligations to perform certain retirement activity with regard to the ultimate disposition of some of its tangible long-lived assets due to the nature of material used in their construction or operation. The timing of the performance of these retirement activities is within the control of the University and, due to the long useful lives of these assets, will be performed at some future date. The University has recorded an estimated liability of approximately \$1,100 for these activities as of May 31, 2011 and 2010. The estimated liability relates principally to buildings and equipment that are partially depreciated.

**Cash and Cash Equivalents**

Cash and cash equivalents include all highly liquid instruments purchased with an initial maturity of three months or less, excluding balances whose use is restricted or that are included in the investment accounts.

**Concentration of Credit Risk**

The University maintains cash balances at several banks in excess of federally insured limits. The University also maintains cash balances in money market funds which are not insured. The University has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

**Investments**

Investments are stated at fair value other than real estate, life insurance policies and notes receivable. Real estate is stated at the fair value at the time of donation, life insurance policies are stated at cash surrender value and notes receivable are stated at the outstanding principal amount of the notes (the recorded amounts for these assets approximate fair value). The fair value of publicly traded securities is based upon quoted market prices or net asset values. Other securities for which no such quotations or valuations are readily available are carried at estimated fair values provided by investment managers. The University invests in various mutual funds, equity securities, bonds and private investments funds. Investment securities, in general, are exposed to various risks, such as interest rate changes, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect amounts reported in the financial statements.

Realized gains or losses from the sale of investment securities are computed on the specific-identification-cost basis or, for pooled funds, on the average-cost basis.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Contracts and Grants**

Federal government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The University recognizes revenue associated with direct and indirect costs as the related costs are incurred or expended. Recovery of related indirect costs generally is recorded at predetermined fixed rates negotiated with the federal government.

**Unconditional Promises**

Gifts which are recorded at fair value when received, including unconditional promises to give, are recorded as revenue when the donor's written commitment is received. Unconditional pledges of more than one year are recorded after discounting to the present value of expected future cash flows, net of an allowance for unfulfilled pledges.

**Bond Issuance Costs and Bond Discount**

Costs incurred in connection with bond issuance are deferred and amortized on a straight-line basis over the life of the respective debt issues; original issue discount or premium is amortized over the life of the respective debt issues using the effective interest method.

**Land, Buildings, and Equipment**

Land, buildings, equipment and Information Technology (IT) Equipment are recorded at cost on the date of acquisition or construction or, if received as a gift, at the fair value at the time of receipt, net of accumulated depreciation.

Depreciation is computed on a straight-line basis using a half-year convention for new additions over the following useful lives:

Buildings	50 years
Building improvements	20 years
Capital Lease	Life of lease
Furniture, Fixtures, and Equipment	8 years, 4 years for IT
Internal Use Software, Minor and Major	5 years and 10 years
Land improvements and Infrastructure	15 years
Leasehold Improvements	Shorter of useful life or lease period

Expenditures for maintenance, repairs, and books for the library are charged to operations as incurred; betterments that materially extend the life of the assets are capitalized. Capital assets are removed from the records at the time of disposal, and any resulting gain or loss is included in the Statements of Activities.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Collections of Art, Historical Treasures, or Other Similar Assets**

The University houses certain collections of works of art, literary works and artifacts. These collections are protected and preserved for public exhibition, education, research, and the furtherance of public service. They are neither disposed of for financial gain nor encumbered in any manner. Accordingly, these collections are not recorded or capitalized for financial statement purposes.

**Capitalized Interest**

Interest related to the construction of capital assets is capitalized as a component of the cost of acquiring capital assets. There was no interest capitalized for the years ended May 31, 2011 or 2010.

**Federal Student Program Advances**

These amounts include funds advanced to the University under the Federal Perkins Loan Program. Such funds may be re-loaned by the University after collection. In the event that the University no longer participates in the Program, the amounts are generally refundable to the Federal Government.

**Beneficial Interests in Outside Trusts**

The University's split interest agreements with donors consist primarily of charitable gift annuities, pooled income funds, charitable lead trusts, and charitable remainder trusts. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. Contribution revenue is recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments made to the respective donors and/or other beneficiaries or at the fair value of the estimated future receipts discounted for the estimated time period to complete the agreement.

The University records its beneficial interest in trusts at the fair value of the assets contributed to the trust at the time the University is notified of the trust's existence. Annual changes to the market value of the assets are recognized as temporary or permanently restricted gains or losses.

**Inventories**

Inventories consist principally of supplies and are carried at the lower of cost or market value. Inventories are included in prepaid expenses and other assets in the Statement of Financial Position.

**Federal and State Student Assistance**

Substantial financial aid for students is provided by grants (including work study) and loans through Federal programs and the Commonwealth of Massachusetts. Federal aid totaled approximately \$18,252 and \$17,245 for the years ended May 31, 2011 and 2010, respectively. State aid totaled approximately \$634 and \$611 for the years ended May 31, 2011 and 2010, respectively.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Income Taxes**

The University is a not-for-profit organization that is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except for certain unrelated business activities. Accordingly, no provision for income taxes related to tax exempt activities is recorded in the financial statements. With respect to unrelated business activities, the University recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are established for temporary differences between the accounting bases and the tax bases of the University's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled. Deferred tax expense or benefit is the result of changes in deferred tax assets and liabilities. A valuation allowance is recorded against deferred tax assets for the portion of the asset that management believes is more likely than not to be realized.

The University recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

There have been no material changes in unrecognized benefits since adoption. It is the University's policy to record estimated interest and penalties (if any) as part of general and institutional expense. Management believes that the University's income tax returns for fiscal years ending May 31, 2007 and prior are no longer subject to examination by tax authorities in its major tax jurisdictions.

As of May 31, 2011 and 2010, the University had net operating loss carry-forwards of approximately \$1,248 and \$1,087 respectively, resulting from certain investment activity that is considered unrelated business activity and \$263 for both years, arising from software service activity that was considered to be an unrelated business activity. The net operating losses begin to expire in 2012. As a result of the implementation of ASC 740, management determined that the deferred tax asset arising from the software service activity is not more likely than not to be sustained upon examination, and the valuation reserve for these net operating losses was re-characterized as an ASC 740 reserve. The University has gross deferred tax assets of \$346 and \$314 as of May 31, 2011 and 2010 respectively, arising from the net operating loss carry-forwards that meet the more-likely-than-not standard; there was a full valuation reserve against these deferred tax assets at May 31, 2011 and 2010.

**Financial Aid Discount**

The University's financial aid grants are reported in the Statement of Activities as an adjustment to revenues. The financial aid program assists all students with demonstrated need, defined in accordance with a uniform formula, by providing a mix of grants and loans designed to help cover some of the costs of attendance when combined with student and family contributions based upon ability to pay. Additionally, the University maintains a merit aid program. Student assistance is funded, in part, by income from endowed scholarship funds, gifts for specific scholarships and unrestricted gifts available for use in current operations.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Revenue Recognition**

Substantially all of the University's revenue is derived from student tuition and fees, private contributions, federal and state student assistance, and auxiliary enterprises related to the University. Auxiliary enterprises include dining halls, residence halls, telephone, and other undertakings which provide services primarily to students, faculty, and staff for fees directly related to, but not necessarily equivalent to, the costs of the services. Tuition, fees and auxiliary revenue are recognized as revenue in the period to which they relate. Student deposits and deferred revenue represents tuition and student deposits paid in advance, which are recognized as income when the related educational services are provided.

Under a "5<sup>th</sup> Year Free" Program, the University offers qualifying undergraduate students the opportunity to receive a graduate tuition scholarship. Under the scholarship students may receive up to one hundred percent remission of their graduate tuition. Under this scholarship program, at May 31, 2011 and 2010 the University has deferred revenue of \$5,211 and \$4,587, respectively.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant estimates made by the University involve allowances for uncollectible accounts, net realizable values of pledges receivable, economic useful lives of buildings and equipment, conditional asset retirement obligations, fair values of investments, impairment of fixed assets, beneficial interest in outside trusts and present values of annuity payment liabilities. Actual results could differ from those estimates.

**Functional Expense Allocation**

Expenses have been allocated to programmatic and non-programmatic functions based on estimated percentage of effort, usage, square footage and other criteria.

**CLARK UNIVERSITY**  
Notes to Financial Statements - Continued  
May 31, 2011 and 2010

**NOTE C - INVESTMENTS**

As of May 31, 2011 and 2010, investments consisted of the following:

	<u>2011</u>	<u>2010</u>
Marketable securities		
Fixed income		
Money market mutual fund	\$ 4,444	\$ 877
Government bonds	66	69
Corporate bonds	-	3,768
Equity securities	47,614	37,649
Partnerships		
Private equity/venture capital	24,346	22,808
Private equity international	6,010	5,089
Real assets	24,335	21,802
Absolute return/hedge	131,830	108,569
Debt funds	24,892	28,389
International equity mutual funds	63,195	46,052
Real estate, life insurance, notes	500	542
Other	560	542
Beneficial interest in trusts	10,546	9,365
	<u>\$ 338,338</u>	<u>\$ 285,521</u>

Beneficial interest in trusts as of May 31, 2011 were comprised of marketable investments of approximately \$266 in money market mutual funds, \$7,739 in equity mutual funds, \$2,167 in fixed income mutual funds, and \$374 in publicly traded real estate investment trusts (REIT's). Beneficial interest in trusts as of May 31, 2010 were comprised of approximately \$193 in money market mutual funds, \$6,859 in equity mutual funds, \$2,002 in fixed income mutual funds, and \$311 in publicly traded REIT's.

Overall investment results on all investments (net of investment expenses of \$2,596 and \$3,266 for the years ended May 31, 2011 and 2010, respectively) are summarized as follows:

	<u>2011</u>	<u>2010</u>
Unrealized appreciation for the year	\$ 53,483	\$ 44,301
Realized net gain for the year	9,484	1,855
Net realized and unrealized gain	62,967	46,156
Interest and dividends	2,124	2,731
Split-interest agreement annuity payments, change in annuity and unitrust payable, and related expenses, net	(1,331)	(1,230)
Interest and dividends – funds held by trustee	8	-
Total investment return	<u>\$ 63,768</u>	<u>\$ 47,657</u>

**CLARK UNIVERSITY**  
Notes to Financial Statements - Continued  
May 31, 2011 and 2010

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**NOTE C - INVESTMENTS - Continued**

For the years ended May 31, 2011 and 2010, investment return is reported in the Statements of Activities as follows:

	<u>2011</u>	<u>2010</u>
Income appropriated under spending policy	\$ 13,784	\$ 13,632
Investment income net of amounts appropriated under spending policy	50,316	33,769
Other investment return	999	1,425
Change in value of beneficial interests in outside trusts	98	145
Annuity and unitrust obligation expense	<u>(1,429)</u>	<u>(1,314)</u>
Total investment return	<u>\$ 63,768</u>	<u>\$ 47,657</u>

Endowment and annuity funds are generally pooled for investment purposes. Units of the pool are assigned on the basis of market value per unit at the beginning of the quarter in which funds are received. Income is distributed quarterly, thereafter, on a per-unit basis.

In conjunction with the annuity funds, the University has recorded a liability, included in annuities and unitrusts payable, equal to the present value of future cash flows expected to be paid to the beneficiaries based upon their actuarial expected lives.

As of May 31, 2011 and 2010, the University had outstanding commitments for investments in partnerships amounting to approximately \$24,173 and \$18,976, respectively.

The University has indirect investments in derivative financial instruments through partnership investments. Derivatives, such as forward foreign currency contracts and futures contracts, are used by the partnerships to hedge against risk.

**CLARK UNIVERSITY**  
Notes to Financial Statements - Continued  
May 31, 2011 and 2010

**NOTE D - STUDENT LOANS RECEIVABLE**

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. As of May 31, 2011 and 2010, student loans represented 1.2% and 1.4% of total assets, respectively.

At May 31, student loans consisted of the following:

	<u>2011</u>	<u>2010</u>
Federal Perkins Loan Program	\$ 6,089	\$ 6,508
University Loan Program	395	412
	<u>6,484</u>	<u>6,920</u>
Less allowance for doubtful loans of		
Beginning of year	(430)	(478)
Increases (decreases)	(27)	48
Write-offs	4	-
End of year	<u>(453)</u>	<u>(430)</u>
Student loans receivable, net	<u>\$ 6,031</u>	<u>\$ 6,490</u>

The University participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of \$5.5 million at May 31, 2011 and 2010, are ultimately refundable to the government and are classified as liabilities in the Statement of Financial Position. Outstanding loans cancelled under the program result in a reduction of the funds available for loans and a decrease in the liability to the government.

At May 31, 2011 and 2010, the following amounts were past due under the student loan programs:

<u>May 31,</u>	<u>1-60 days past due</u>	<u>60 - 90 days past due</u>	<u>90+ days past due</u>	<u>Total past due</u>
2011	\$ <u>384</u>	\$ <u>28</u>	\$ <u>755</u>	\$ <u>1,167</u>
2010	\$ <u>352</u>	\$ <u>38</u>	\$ <u>685</u>	\$ <u>1,075</u>

Allowances for doubtful accounts are established based on prior collection experience for the previous 3 years and the current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the Perkins loan program are assignable to the government and, therefore the reserve calculation is based on the probable credit loss for the institutional portion of the fund and a percentage of the portfolio that may not be assignable to the Federal government.

**CLARK UNIVERSITY**  
Notes to Financial Statements - Continued  
May 31, 2011 and 2010

**NOTE E - CONTRIBUTIONS RECEIVABLE**

Contributions receivable at May 31, 2011 and 2010 have the following restrictions:

	<u>2011</u>	<u>2010</u>
Endowment for academic purposes	\$ 677	\$ 979
Endowment for scholarships	589	17
Endowment for other programs	85	89
Nonendowment academic	403	353
Nonendowment facilities	2,503	3,969
Nonendowment other	563	366
Nonendowment scholarship	130	75
Unrestricted	<u>83</u>	<u>5</u>
Total contributions receivable	<u>\$ 5,033</u>	<u>\$ 5,853</u>

Contributions are expected to be realized in the following periods:

	<u>2011</u>	<u>2010</u>
In less than one year	\$ 4,086	4,092
Between one year and five years	<u>947</u>	<u>1,761</u>
Total contributions receivable	5,033	5,853
Less:		
Present value discount (discount rates range from .625% to 10.33%)	(233)	(308)
Allowance for unfulfilled pledges	<u>(181)</u>	<u>(248)</u>
Contributions receivable, net	<u>\$ 4,619</u>	<u>\$ 5,297</u>

The University also has received revocable bequest intentions which have not been recorded in the financial statements as of May 31, 2011 and 2010.

**NOTE F - FUNDS HELD BY BOND TRUSTEE**

The University has several funds held by bond trustees, which were restricted as to use according to debt agreements. As of May 31, 2011 and 2010, the University had debt service collateral and debt reserve funds totaling \$991 and \$831, respectively.

**CLARK UNIVERSITY**  
Notes to Financial Statements - Continued  
May 31, 2011 and 2010

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**NOTE G - LAND, BUILDINGS, AND EQUIPMENT**

Land, buildings and equipment consisted of the following at May 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Land	\$ 5,451	\$ 5,451
Land improvements	2,446	2,423
Buildings	103,496	101,771
Building improvements	76,251	71,865
Furniture, fixtures, and equipment	12,389	11,749
Assets under capital lease	19	-
Leasehold improvements	<u>95</u>	<u>86</u>
 Total	 <b>200,147</b>	 193,345
 Less accumulated depreciation	 <b>(83,465)</b>	 (77,570)
 Construction in progress	 <u>1,649</u>	 <u>2,490</u>
 Land, buildings and equipment, net	 <u><b>\$ 118,331</b></u>	 <u>\$ 118,265</u>

The University has entered into contracts for various construction projects on campus. The total obligation for these contracts is approximately \$2,179 of which \$1,127 had been expended at May 31, 2011.

**NOTE H - LINE OF CREDIT**

The University has a demand note working capital line of credit of \$5 million with TD Banknorth. The line bears interest at a rate of 30-day LIBOR plus 75 basis points. There were no borrowings outstanding on the line at May 31, 2011 or 2010. The line of credit will expire on November 30, 2011.

**CLARK UNIVERSITY**  
Notes to Financial Statements - Continued  
May 31, 2011 and 2010

**NOTE I - BONDS PAYABLE**

Bonds payable as of May 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
In November 1998, the University issued \$13,880 of Series 1998 revenue bonds through the Massachusetts Development Finance Authority, ("MDFA") for the purposes of refinancing the University's bonds issued as 1991 Series F and Series 1994A, as well as, providing capital for several facilities projects. The bonds, which carry fixed interest rates ranging from 5.00% to 5.25%, are due in varying installments, plus interest, with final maturity in 2028. Sinking fund payments must be made commencing in 2013 in annual amounts ranging from \$335 to \$1,335. The unamortized original issue discount on these bonds was \$290 and \$300 as of May 31, 2011 and May 31, 2010, respectively. The University may redeem these bonds at 100% of par.	\$ 13,590	\$ 13,580
In November 2005, the University issued \$20,000 of Series 2005 revenue bonds through MDFA for the purpose of the construction of a new residence hall, renovations to Goddard library, and to refund the outstanding amount of the Series 1996 bonds. The bonds, which carry fixed interest rates ranging from 3.75% to 5.13%, are due in varying installments, plus interest, with final maturity in 2035. The unamortized original issue premium on these bonds was \$439 and \$460 as of May 31, 2011 and May 31, 2010, respectively.	18,199	18,820
In April 2008, the University issued \$50,255 of Series 2008 revenue bonds through MDFA for the purposes of renovations and an addition to Goddard Library, and to redeem the Series 2000 and 2002 bonds. As security for the bonds, TD Banknorth issued an irrevocable, transferable, direct-pay letter of credit in an amount sufficient to pay the aggregate principal and an amount of up to 45 days' interest on the bonds. The bonds, for which interest is payable at a variable rate (.18% on May 31, 2011) are due in varying installments, plus interest, with final maturity in 2038.	<u>47,475</u>	<u>48,900</u>
	<u>\$ 79,264</u>	<u>\$ 81,300</u>

**CLARK UNIVERSITY**  
Notes to Financial Statements - Continued  
May 31, 2011 and 2010

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**NOTE I - BONDS PAYABLE - Continued**

Principal payments related to the above indebtedness due in future fiscal years are as follows at May 31, 2011:

2012	\$ 2,100
2013	2,190
2014	2,175
2015	2,275
2016	2,380
Thereafter	<u>67,995</u>
	\$ <u>79,115</u>

The agreements related to the bonds payable contain certain financial covenants which provide for, among other things, debt service requirements. As of May 31, 2011, the University was in compliance with all such financial covenants.

Based on estimates using current interest rates available for similar debt of the same remaining maturities, the fair value of the bonds payable outstanding at May 31, 2011 and May 31, 2010 is approximately \$80,108 and \$82,913, respectively.

Interest expense on bonds payable was \$1,671 and \$1,690 for 2011 and 2010, respectively.

**NOTE J - RETIREMENT PLANS**

The University participates in a defined contribution plan administered by the Teachers Insurance & Annuity Association and Fidelity Investments Institutional Operations Company, Inc. The plans require a two-year waiting period before new employees may participate. Participants contribute at least 5% of salary, and the University contributes 10% of salary. Expenses recognized by the University related to the above were approximately \$3,450 in 2011 and \$3,445 in 2010.

The University has a health care insurance cost reimbursement program for eligible retired faculty members. Benefits are a fixed monthly amount with no provision for increase over time. Actual expense reimbursements paid under this program during fiscal 2011 and 2010 totaled \$21 and \$20, respectively. As of May 31, 2011 and 2010, the University had accrued approximately \$730 and \$701, respectively, for the health care insurance cost reimbursement program which is included in accrued salary expenses in the Statement of Financial Position.

**NOTE K - COMMITMENTS AND CONTINGENCIES**

**Leases**

The University leases campus space, automobiles, and office equipment under operating lease agreements.

**CLARK UNIVERSITY**  
Notes to Financial Statements - Continued  
May 31, 2011 and 2010

**NOTE K - COMMITMENTS AND CONTINGENCIES - Continued**

The University also leases equipment under a lease which is classified as a capital lease. The obligation associated with this lease is included in other liabilities on the Statements of Financial Position. The amount of assets recorded under capital leases is included in property and equipment and had a capitalized value of \$19 and related accumulated amortization of \$2 at May 31, 2011.

Future minimum lease payments under lease agreements for the years ending May 31 are as follows:

<u>Year ending May 31,</u>	<u>Operating Leases</u>	<u>Capital Leases</u>	<u>Total</u>
2012	\$ 182	\$ 4	\$ 186
2013	183	4	187
2014	189	4	193
2015	184	4	188
2016	<u>19</u>	<u>3</u>	<u>22</u>
Total minimum lease payments	\$ <u><u>757</u></u>	19 \$	<u><u>776</u></u>
Less amount representing interest above		<u>(1)</u>	
Capitalized lease obligations		\$ <u><u>18</u></u>	

Rent expense for 2011 and 2010 was \$202 and \$192, respectively.

**Contingencies**

All funds expended by the University in connection with government grants and contracts are subject to audit by governmental agencies. In the opinion of management, any cost disallowances resulting from these audits would not have a material effect on the University's financial position.

The University is periodically involved in claims, suits, and other legal matters, all of which arise in the normal course of business. Management does not believe that the outcome of any currently pending matters, either individually or in the aggregate, will have a material impact on the University's financial position or statement of activities.

**CLARK UNIVERSITY**  
Notes to Financial Statements - Continued  
May 31, 2011 and 2010

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**NOTE L - FUNCTIONAL EXPENSES PRIOR TO ALLOCATIONS**

Functional expenses prior to the allocation of interest, depreciation, and operation and maintenance of the facilities for the years ended May 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Instruction	\$ 34,012	\$ 33,023
Student services	8,160	7,660
Academic support	11,918	11,612
General institutional	4,285	3,983
Alumni and development	5,358	5,379
Operation and maintenance	7,855	6,335
Research	5,816	6,290
Auxiliary services	9,215	8,889
Interest and fees	1,918	1,940
Depreciation	<u>6,909</u>	<u>6,730</u>
Total	<u>\$ 95,446</u>	<u>\$ 91,841</u>

Approximately \$10 of depreciation was charged directly to functional areas prior to allocations in 2010. No depreciation was charged prior to allocation in 2011. Allocations to functional areas are based on square footage utilized by function.

**NOTE M - ENDOWMENTS**

The University's endowment consists of 538 funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the University to function as quasi-endowments. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**NOTE M - ENDOWMENTS - Continued**

**Interpretation of Relevant Law**

In June 2009, the Commonwealth of Massachusetts enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of the endowed funds among factors for prudent investment and spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board of Trustees is permitted to determine a prudent payout amount, even if the market value of the fund is below the historic-dollar-value. There is an expectation that, over time, the permanently restricted amount will generally remain intact. The perspective is aligned with the accounting standards definition that permanently restricted funds are those that must be held in perpetuity even though the historic-dollar-value may be spent on a temporary basis. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets and is regarded as net appreciation is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the University's spending policy.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the "historic dollar value". Deficiencies of this nature are reported by a charge to unrestricted net assets and a corresponding increase to temporarily restricted net assets. These deficiencies totaled approximately \$3.4 million as of May 31, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. In 2010, approximately \$2.0 million of these deficiencies reversed and are reflected as a recovery of deficiencies in historical values in the Statement of Activities for the year ended May 31, 2010. In 2011, additional deficiencies totaling approximately \$1.3 million were reversed and reflected as a recovery of deficiencies in historical values in the Statement of Activities for the year ended May 31, 2011. As of May 31, 2011, there was \$1 of deficiencies in historical values. Over time, these may reverse due to appreciation of the underlying investments.

**Endowment Investment Policy**

The University has adopted an investment philosophy, which combined with the spending rate, attempts to provide a predictable stream of returns thereby making funds available to programs that are supported by its endowment, while at the same time seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified periods, as well as designated funds. Under the University's Investment Policy and spending rate, both of which are approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary.

**NOTE M - ENDOWMENTS - Continued**

***Strategies Employed for Achieving Objectives***

To satisfy 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) and current yield (interest and dividends). Decades ago the University determined it was not capable of independently managing the investment portfolio and that outsourcing of the management to a variety of managers with differing strategies was the best course. The Investment Committee of the Board is responsible for selecting the managers. The rationale for including an array of alternative strategy managers for a portion of the University's portfolio is to reduce overall volatility while providing equity-like returns. Alternative asset classes have historically demonstrated lower volatility on a stand-alone basis compared to traditional asset classes. Additionally, they have had lower correlations, thus providing diversification benefits at the total fund level.

***Spending Policy***

The University utilizes the total return method for determining the distribution to pooled funds. The total return includes investment yield (interest and dividends, less investment fees), realized gains (losses), and unrealized appreciation (depreciation). On this basis, the Board of Trustees has established a spending rate of 5.00% based on the average market value per unit of pooled endowment funds for the twenty quarters ended six months prior to the beginning of the current year. Funds that are "underwater" by 20% or less will have spending distributions calculated using the same formula as adopted by the Board of Trustees for all other endowment funds, provided that this level does not exceed 7% of the beginning market value of any fund that is "underwater".

Funds that are "underwater" by an amount in excess of 20%, but less than 30%, will be deemed at risk of permanent loss of principal, and spending will be reduced to a level of 2.5% of the beginning market value of the fund, with all further income and capital gains to be added to the principal of the fund until the amount "underwater" has been reduced to less than 20%. This calculation and adjustment will be made only at the beginning of each fiscal year, and continue for at least that year. Funds that are "underwater" by an amount equal to or in excess of 30% will be frozen, with no distribution to support programs unless and until the shortfall amount has been reduced to below 30%. This calculation and adjustment will also be made only at the beginning of each fiscal year, and continue for at least that year. Net assets are released from restriction up to the spending rate.

**CLARK UNIVERSITY**  
Notes to Financial Statements - Continued  
May 31, 2011 and 2010

**NOTE M - ENDOWMENTS - Continued**

***Endowment Net Asset Composition by Type of Fund as of May 31, 2011***

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (1)	\$ 157,680	\$ 115,793	\$ 273,472
Designated funds	<u>42,006</u>	<u>1,448</u>	-	<u>43,454</u>
Total funds	<u>\$ 42,005</u>	<u>\$ 159,128</u>	<u>\$ 115,793</u>	<u>\$ 316,926</u>

***Changes in Endowment Net Assets for the Fiscal Year Ended May 31, 2011***

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 30,621	\$ 118,272	\$ 114,709	\$ 263,602
Investment return:				
Investment income	260	1,699	-	1,959
Net depreciation (realized and unrealized)	7,274	52,246	-	59,520
Total investment return	<u>7,534</u>	<u>53,945</u>	<u>-</u>	<u>61,479</u>
Contributions	-	200	1,245	1,445
Appropriations of endowment assets for expenditures (draw)	(1,680)	(12,105)	-	(13,785)
Other Changes:				
Recovery of deficiencies in historical values	1,296	(1,296)	-	-
Transfer to designated endowment funds	4,234	-	-	4,234
Donor intent change	-	112	(161)	(49)
Total other changes	<u>5,530</u>	<u>(1,184)</u>	<u>(161)</u>	<u>4,185</u>
Endowment net assets, end of year	<u>\$ 42,005</u>	<u>\$ 159,128</u>	<u>\$ 115,793</u>	<u>\$ 316,926</u>

**CLARK UNIVERSITY**  
Notes to Financial Statements - Continued  
May 31, 2011 and 2010

**NOTE M - ENDOWMENTS - Continued**

***Endowment Net Asset Composition by Type of Fund as of May 31, 2010***

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (1,297)	\$ 117,335	\$ 114,709	\$ 230,747
Designated funds	<u>31,918</u>	<u>937</u>	<u>-</u>	<u>32,855</u>
Total funds	<u>\$ 30,621</u>	<u>\$ 118,272</u>	<u>\$ 114,709</u>	<u>\$ 263,602</u>

***Changes in Endowment Net Assets for the Fiscal Year Ended May 31, 2010***

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 24,568	\$ 92,449	\$ 97,633	\$ 214,650
Investment return:				
Investment income	288	2,081	-	2,369
Net depreciation (realized and unrealized)	<u>5,417</u>	<u>37,578</u>	<u>-</u>	<u>42,995</u>
Total investment return	<u>5,705</u>	<u>39,659</u>	<u>-</u>	<u>45,364</u>
Contributions	-	-	17,072	17,072
Appropriations of endowment assets for expenditures (draw)	(1,714)	(11,918)	-	(13,632)
Other Changes:				
Recovery of deficiencies in historical values	1,983	(1,983)	-	-
Transfer to designated endowment funds	79	-	-	79
Donor intent change	-	65	4	69
Total other changes	<u>2,062</u>	<u>(1,918)</u>	<u>4</u>	<u>148</u>
Endowment net assets, end of year	<u>\$ 30,621</u>	<u>\$ 118,272</u>	<u>\$ 114,709</u>	<u>\$ 263,602</u>

**CLARK UNIVERSITY**  
Notes to Financial Statements - Continued  
May 31, 2011 and 2010

**NOTE N - COMPONENTS OF NET ASSETS**

The components of net assets, at May 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Unrestricted net assets:		
Undesignated	\$ 58,923	\$ 58,481
Designated funds	<u>42,005</u>	<u>30,621</u>
Total unrestricted net assets	<u>100,928</u>	<u>89,102</u>
Temporarily restricted net assets:		
Endowment investment gains	159,128	118,272
Pledges and life insurance policies for nonendowment purposes	3,536	4,503
Unspent endowment income restricted as to purpose	3,230	2,315
Unspent gifts restricted as to purpose	1,450	1,498
Trust agreements not for unrestricted or endowed purposes	<u>397</u>	<u>175</u>
Total temporarily restricted net assets	<u>167,741</u>	<u>126,763</u>
Permanently restricted net assets:		
Endowed funds	115,793	114,709
Pledges and life insurance policies for endowment purposes	1,366	1,061
Trust agreements with endowed purposes	6,818	5,733
Donor restricted loan funds	<u>530</u>	<u>503</u>
Total permanently restricted net assets	<u>124,507</u>	<u>122,006</u>
Total net assets	<u>\$ 393,176</u>	<u>\$ 337,871</u>

The University has classified certain funds in the Statements of Financial Position as permanently restricted net assets, which is consistent with the donors' primary intent. These funds are, however, through an agreement with the donors, available to the University to meet financial obligations in the event no other sources are available. At May 31, 2011, endowed funds with a fair value of \$76,702, representing approximately \$33,333 of gains in temporarily restricted net assets and approximately \$43,369 of principal in permanently restricted net assets, could be utilized by the Trustees if it should become impossible and/or impractical to employ the funds as the donors intended. Designated funds are legally unrestricted funds invested with the University's pooled endowment.

## **NOTE O - FAIR VALUE MEASUREMENTS**

The University measures the fair value of assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A fair value hierarchy is used to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 inputs include quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable for the asset or liability and reflect management's own estimates.

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

### **Contributions Receivable**

Contributions receivable are non-recurring fair value measurements classified as Level 3. Any multi-year pledges received are recorded at the present value of future cash flows with a fair value discount rate.

### **Investments**

Investments whose values are based on quoted market prices in active markets are classified as Level 1. These investments primarily consist of publicly traded mutual funds, government bonds, corporate bonds and equity securities. Investments valued based on prices in markets that are not active are classified as Level 2. Interests in private partnerships that can be redeemed at the measurement date at net asset value (NAV) are classified as Level 2. Interests in private partnerships that are not redeemable at the measurement date are classified as Level 3 when there are not observable inputs and management is required to estimate fair value using a valuation technique.

### **Beneficial Interests in Trusts**

Assets held in outside trusts are classified as Level 3, as the University is not the trustee for these trusts and the unit of ownership is an individual interest in the trust; the University determines the fair value of the outside trusts based on the underlying investments. Assets held in other trusts are classified according to the nature of the underlying assets in the trust as the University is the trustee for the trusts.

### **Annuities and Unitrusts Payable**

Annuities and Unitrusts Payable are non-recurring Level 3 fair value measurements. These instruments are initially recorded at the present value of future cash flows with a fair value discount rate adjusted for any market conditions to determine fair value.

**CLARK UNIVERSITY**  
Notes to Financial Statements - Continued  
May 31, 2011 and 2010

**NOTE O - FAIR VALUE MEASUREMENTS – Continued**

**Gifts-in-Kind**

Gifts-in-kind are non-recurring Level 3 fair value measurements. These gifts are initially recorded at fair value based on independent appraisals.

The following tables set forth the University's financial assets that were accounted for at fair value on a recurring basis as of May 31, 2011 and 2010 by level within the fair value hierarchy.

Description	May 31, 2011			Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market mutual fund	\$ 4,444	\$ -	\$ -	\$ 4,444
Government bonds	66	-	-	66
Equity securities	47,614	-	-	47,614
Private equity/venture capital	-	-	24,346	24,346
Private equity international	-	-	6,010	6,010
Real assets	-	-	24,335	24,335
Absolute return/hedge	-	18,758	113,072	131,830
Debt funds	-	24,176	716	24,892
International equity mutual funds	-	50,758	12,437	63,195
Other	-	-	559	559
Beneficial interest in trusts	10,546	-	-	10,546
Beneficial interests in outside trusts	-	-	980	980
<b>Total</b>	<b>\$ 62,670</b>	<b>\$ 93,692</b>	<b>\$ 182,455</b>	<b>\$ 338,817</b>

**CLARK UNIVERSITY**  
Notes to Financial Statements - Continued  
May 31, 2011 and 2010

**NOTE O - FAIR VALUE MEASUREMENTS – Continued**

Description	May 31, 2010			Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market mutual fund	\$ 877	\$ -	\$ -	\$ 877
Government bonds	69	-	-	69
Corporate bonds	3,768	-	-	3,768
Equity securities	37,649	-	-	37,649
Private equity/venture capital	-	-	22,808	22,808
Private equity international	-	-	5,089	5,089
Real assets	-	-	21,802	21,802
Absolute return/hedge	-	14,755	93,814	108,569
Debt funds	-	27,853	536	28,389
International equity mutual funds	-	46,052	-	46,052
Other	-	-	542	542
Beneficial interest in trusts	9,365	-	-	9,365
Beneficial interests in outside trusts	-	-	882	882
<b>Total</b>	<b>\$ 51,728</b>	<b>\$ 88,660</b>	<b>\$ 145,473</b>	<b>\$ 285,861</b>

The following table presents a rollforward by investment category of the change in the value of Level 3 assets for the year ended May 31, 2011:

	<b>Beginning Balance at June 1, 2010</b>	<b>Realized/ Unrealized Gains</b>	<b>Net Purchases (Redemptions)</b>	<b>Ending Balance at May 31, 2011</b>
Private equity/venture capital	\$ 22,808	\$ 4,258	\$ (2,720)	\$ 24,346
Private equity international	5,089	1,110	(189)	6,010
Real assets	21,802	4,624	(2,091)	24,335
Absolute return/hedge	93,814	15,910	3,348	113,072
Debt funds	536	271	(91)	716
International equity mutual funds	-	437	12,000	12,437
Other	542	422	(405)	559
Beneficial interests in outside trusts	882	98	-	980
	<b>\$ 145,473</b>	<b>\$ 27,130</b>	<b>\$ 9,852</b>	<b>\$ 182,455</b>

**NOTE O - FAIR VALUE MEASUREMENTS – Continued**

The following table presents a rollforward of the change in value of Level 3 assets for the year ended May 31, 2010:

	<u>2010</u>
Beginning Balance	\$ 187,433
Total gains included in change in net assets	24,032
Purchases and settlements	(2,158)
Reclassification to Level 2 due to adoption of ASU 2009-12	<u>(63,834)</u>
Ending Balance	<u>\$ 145,473</u>

The following table sets forth the liquidity, redemption policies and unfunded commitments of the University's investments that have been accounted for using net asset value (NAV) per share or its equivalent as a practical expedient for calculating fair value as of May 31, 2011.

<u>Investments</u>	<u>Fair Value</u>	<u>Commitments</u>	<u>Frequency</u>	<u>Notice Period</u>
Distressed debt fund	\$ 716	\$ 480	temporarily illiquid	(1)
Equity long/short hedge funds	66,068	-	quarterly, annually	45-60 days notice
Event Driven Hedge	5,451	-	quarterly	65 days notice
Fixed income	414	-	quarterly	60 days notice
Fixed income mutual fund	-	-	temporarily illiquid	(1)
Global opportunities hedge funds	10,139	-	quarterly	90 days notice
High-yield debt funds	24,176	-	monthly	30 days notice
International equity mutual funds	63,195	-	daily, monthly	6 - 30 days notice
Multi-strategy hedge fund	50,130	-	annually	45-180 days notice
Oil and gas funds	6,613	2,693	temporarily illiquid	(1)
Private equity funds	22,147	2,825	temporarily illiquid	(1)
Private equity funds-international	8,414	3,618	temporarily illiquid	(1)
Real assets	<u>17,706</u>	<u>14,557</u>	temporarily illiquid	(1)
Total	<u>\$ 275,169</u>	<u>\$ 24,173</u>		

(1) Temporarily illiquid includes lock ups with definite expiration dates or funds in liquidation which have suspended normal liquidity terms or trusts that become liquid upon death of final beneficiary.

**NOTE P - SUBSEQUENT EVENTS**

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to May 31, 2011 and through September 16, 2011, the date on which the financial statements were available to be issued.