

Consolidated Financial Statements,
Supplementary Schedules and Report
of Independent Certified Public
Accountants

Clark University

May 31, 2022 and 2021

Contents

| | Page |
|--|------|
| Report of Independent Certified Public Accountants | 3 |
| Consolidated Financial Statements | |
| Consolidated statements of financial position | 6 |
| Consolidated statements of activities | 7 |
| Consolidated statements of functional expenses | 9 |
| Consolidated statements of cash flows | 11 |
| Notes to consolidated financial statements | 12 |
| Supplementary Information | |
| Consolidating statement of financial position | 35 |
| Consolidating statement of activities | 36 |

GRANT THORNTON LLP

75 State St., 13th Floor
Boston, MA 02109-1827

D +1 617 723 7900

F +1 617 723 3640

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Clark University

Opinion

We have audited the consolidated financial statements of Clark University and subsidiary (the "University"), which comprise the consolidated statement of financial position as of May 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of May 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, 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 financial statements are available to be issued.

Auditor's responsibilities for the audit of the 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 auditor's 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position as of May 31, 2022 and consolidating statement of activities for the year ended May 31, 2022 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary 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. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Boston, Massachusetts
September 30, 2022

Clark University
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
May 31, 2022 and 2021

| | 2022 | 2021 |
|---|-----------------------|-------------|
| | (In thousands) | |
| Assets: | | |
| Cash and cash equivalents | \$ 47,326 | \$ 63,089 |
| Funds held by trustees (Note 4) | - | 1,116 |
| Interest and dividends receivable | 137 | 133 |
| Grants and contracts receivable | 3,346 | 1,697 |
| Student accounts receivable, net of allowance for doubtful accounts of \$596 and \$552 in 2022 and 2021, respectively | 307 | 339 |
| Other accounts receivable | 243 | 1,434 |
| Loans receivable (Note 12) | 6,651 | 6,785 |
| Prepaid expenses and other assets | 4,311 | 2,757 |
| Contributions receivable, net (Note 5) | 3,123 | 4,499 |
| Student loans receivable, net (Note 6) | 2,105 | 2,751 |
| Beneficial interests in outside trusts | 2,104 | 1,967 |
| Investments, at fair value (Note 7) | 568,288 | 522,809 |
| Land, buildings, equipment, and construction in progress, net of accumulated depreciation (Note 9) | 140,362 | 124,875 |
| Total assets | \$ 778,303 | \$ 734,251 |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 25,196 | \$ 18,167 |
| Advance payments under grants and contracts | 2,678 | 2,028 |
| Other liabilities | 5,811 | 4,517 |
| Deposits and deferred revenue | 8,934 | 8,372 |
| Notes payable (Note 10) | 9,682 | 9,644 |
| Interest rate swap, at fair value (Note 8) | - | 590 |
| Bonds payable (Note 11) | 154,458 | 56,219 |
| Liability for split-interest agreements | 6,001 | 6,863 |
| Federal loan program advances | 2,419 | 3,288 |
| Total liabilities | 215,179 | 109,688 |
| Net Assets: (Note 14) | | |
| Without donor restriction | 139,297 | 165,207 |
| With donor restriction | | |
| Time and purpose | 259,011 | 294,086 |
| Perpetual | 168,223 | 165,270 |
| Underwater endowment | (3,407) | - |
| Total net assets | 563,124 | 624,563 |
| Total liabilities and net assets | \$ 778,303 | \$ 734,251 |

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

Clark University
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended May 31, 2022 and 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2022 Total</u> | <u>2021 Total</u> |
|---|---------------------------------------|------------------------------------|-----------------------|-----------------------|
| | (In thousands) | | | |
| Operating Revenue and Other Support: | | | | |
| Student tuition and fees, net (Note 2) | \$ 70,666 | \$ - | \$ 70,666 | \$ 72,915 |
| Auxiliary services | 16,596 | - | 16,596 | 10,899 |
| Contributions | 2,541 | 3,403 | 5,944 | 4,367 |
| Income appropriated under spending policy | 19,294 | 4,005 | 23,299 | 24,052 |
| Grants and contracts | 16,611 | 5 | 16,616 | 12,906 |
| Federal student financial aid | 969 | - | 969 | 1,046 |
| Other investment return (loss) | 246 | - | 246 | (342) |
| Other income | 1,791 | - | 1,791 | 1,309 |
| Net assets released from restrictions | <u>6,044</u> | <u>(6,044)</u> | <u>-</u> | <u>-</u> |
| | | | | |
| Total operating revenue and other support | <u>134,758</u> | <u>1,369</u> | <u>136,127</u> | <u>127,152</u> |
| Operating Expense: | | | | |
| Instruction | 52,300 | - | 52,300 | 44,041 |
| Student services | 18,009 | - | 18,009 | 15,065 |
| Academic support | 19,519 | - | 19,519 | 16,658 |
| General institutional | 18,601 | - | 18,601 | 17,869 |
| Alumni and development | 5,309 | - | 5,309 | 4,744 |
| Research and sponsored programs | 17,006 | - | 17,006 | 14,891 |
| Auxiliary services | <u>14,955</u> | <u>-</u> | <u>14,955</u> | <u>12,019</u> |
| | | | | |
| Total operating expense | <u>145,699</u> | <u>-</u> | <u>145,699</u> | <u>125,287</u> |
| | | | | |
| Change in net assets from operations | <u>(10,941)</u> | <u>1,369</u> | <u>(9,572)</u> | <u>1,865</u> |
| Non-Operating Activity: | | | | |
| Investment income (loss) net of amounts appropriated under spending policy | (14,521) | (41,100) | (55,621) | 97,536 |
| Contributions | 19 | 3,949 | 3,968 | 3,101 |
| Income appropriated under spending policy | 42 | 277 | 319 | 294 |
| Change in value of interest rate swap | 590 | - | 590 | 580 |
| Change in value of beneficial interests in outside trusts (Note 7) | - | 138 | 138 | 564 |
| Annuity and unitrust obligation recovery (expense) | (106) | (450) | (556) | (1,826) |
| Other non-operating income (expense), net | (1,048) | 343 | (705) | 264 |
| Net assets released from restrictions | <u>55</u> | <u>(55)</u> | <u>-</u> | <u>-</u> |
| | | | | |
| Total non-operating revenue (expense) | <u>(14,969)</u> | <u>(36,898)</u> | <u>(51,867)</u> | <u>100,513</u> |
| | | | | |
| Change in net assets | (25,910) | (35,529) | (61,439) | 102,378 |
| | | | | |
| Net assets - beginning of year | <u>165,207</u> | <u>459,356</u> | <u>624,563</u> | <u>522,185</u> |
| | | | | |
| Net assets - end of year | <u>\$ 139,297</u> | <u>\$ 423,827</u> | <u>\$ 563,124</u> | <u>\$ 624,563</u> |

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

Clark University
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended May 31, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2021 Total</u> |
|---|---------------------------------------|------------------------------------|-----------------------|
| | | (In thousands) | |
| Operating Revenue and Other Support: | | | |
| Student tuition and fees, net (Note 2) | \$ 72,915 | \$ - | \$ 72,915 |
| Auxiliary services | 10,899 | - | 10,899 |
| Contributions | 2,371 | 1,996 | 4,367 |
| Income appropriated under spending policy | 20,186 | 3,866 | 24,052 |
| Grants and contracts | 12,853 | 53 | 12,906 |
| Federal student financial aid | 1,046 | - | 1,046 |
| Other investment income (loss) | (179) | (163) | (342) |
| Other income | 1,309 | - | 1,309 |
| Net assets released from restrictions | 5,393 | (5,393) | - |
| | <u>126,793</u> | <u>359</u> | <u>127,152</u> |
| Operating Expense: | | | |
| Instruction | 44,041 | - | 44,041 |
| Student services | 15,065 | - | 15,065 |
| Academic support | 16,658 | - | 16,658 |
| General institutional | 17,869 | - | 17,869 |
| Alumni and development | 4,744 | - | 4,744 |
| Research and sponsored programs | 14,891 | - | 14,891 |
| Auxiliary services | 12,019 | - | 12,019 |
| | <u>125,287</u> | <u>-</u> | <u>125,287</u> |
| Total operating expense | <u>125,287</u> | <u>-</u> | <u>125,287</u> |
| Change in net assets from operations | <u>1,506</u> | <u>359</u> | <u>1,865</u> |
| Non-Operating Activity: | | | |
| Investment income (loss) net of amounts appropriated under spending policy | 14,849 | 82,687 | 97,536 |
| Contributions | 71 | 3,030 | 3,101 |
| Income appropriated under spending policy | 42 | 252 | 294 |
| Change in value of interest rate swap | 580 | - | 580 |
| Change in value of beneficial interests in outside trusts (Note 7) | - | 564 | 564 |
| Annuity and unitrust obligation recovery (expense) | (90) | (1,736) | (1,826) |
| Other non-operating income (expense), net | 359 | (95) | 264 |
| Net assets released from restrictions | 211 | (211) | - |
| | <u>16,022</u> | <u>84,491</u> | <u>100,513</u> |
| Total non-operating revenue (expense) | <u>16,022</u> | <u>84,491</u> | <u>100,513</u> |
| Change in net assets | 17,528 | 84,850 | 102,378 |
| Net assets - beginning of year | <u>147,679</u> | <u>374,506</u> | <u>522,185</u> |
| Net assets - end of year | <u>\$ 165,207</u> | <u>\$ 459,356</u> | <u>\$ 624,563</u> |

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

Clark University

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years ended May 31, 2022 and 2021

| | Instruction | Student Services | Academic Support | General Institutional | Alumni and Development | Research and Sponsored Programs | Auxiliary Services | Operating and Maintenance | 2022 Total | 2021 Total |
|--|------------------|------------------|------------------|-----------------------|------------------------|---------------------------------|--------------------|---------------------------|-------------------|-------------------|
| | (In thousands) | | | | | | | | | |
| Expenses | | | | | | | | | | |
| Salary and wages | \$ 31,885 | \$ 7,215 | \$ 9,141 | \$ 7,506 | \$ 2,723 | \$ 4,085 | \$ 392 | \$ 6,256 | \$ 69,203 | \$ 62,815 |
| Employee benefits | 8,290 | 2,003 | 2,641 | 1,365 | 784 | 934 | 109 | 1,465 | 17,591 | 16,920 |
| Purchased services | 3,697 | 2,881 | 1,689 | 4,736 | 484 | 5,395 | 6,330 | 1,291 | 26,503 | 22,146 |
| Travel, conferences and meals | 1,276 | 1,213 | 240 | 284 | 370 | 583 | 50 | 45 | 4,061 | 1,756 |
| Utilities, maintenance and occupancy | 176 | 53 | 190 | 292 | 85 | 44 | 427 | 3,678 | 4,945 | 4,390 |
| Operating expense, equipment, supplies, library, and other related costs | 1,205 | 1,513 | 2,853 | 699 | 664 | 2,931 | 198 | 298 | 10,361 | 7,061 |
| Subtotal prior to allocations | 46,529 | 14,878 | 16,754 | 14,882 | 5,110 | 13,972 | 7,506 | 13,033 | 132,664 | 115,088 |
| Allocations | | | | | | | | | | |
| Interest and fees | 1,341 | 245 | 250 | 207 | 8 | 201 | 909 | - | 3,161 | 800 |
| Depreciation | 2,110 | 1,635 | 1,258 | 1,478 | 71 | 1,332 | 1,990 | - | 9,874 | 9,399 |
| Operations and maintenance | 2,320 | 1,251 | 1,257 | 2,034 | 120 | 1,501 | 4,550 | (13,033) | - | - |
| Total | <u>\$ 52,300</u> | <u>\$ 18,009</u> | <u>\$ 19,519</u> | <u>\$ 18,601</u> | <u>\$ 5,309</u> | <u>\$ 17,006</u> | <u>\$ 14,955</u> | <u>\$ -</u> | <u>\$ 145,699</u> | <u>\$ 125,287</u> |

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

Clark University
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended May 31, 2021

| | <u>Instruction</u> | <u>Student Services</u> | <u>Academic Support</u> | <u>General Institutional</u> | <u>Alumni and Development (In thousands)</u> | <u>Research and Sponsored Programs</u> | <u>Auxiliary Services</u> | <u>Operating and Maintenance</u> | <u>2021 Total</u> |
|--|--------------------|-------------------------|-------------------------|------------------------------|--|--|---------------------------|----------------------------------|-------------------|
| Expenses | | | | | | | | | |
| Salary and wages | \$ 28,767 | \$ 6,971 | \$ 8,102 | \$ 6,140 | \$ 2,914 | \$ 3,613 | \$ 381 | \$ 5,927 | \$ 62,815 |
| Employee benefits | 7,502 | 1,985 | 2,458 | 1,311 | 1,000 | 953 | 127 | 1,584 | 16,920 |
| Purchased services | 2,255 | 2,175 | 1,446 | 6,338 | 166 | 5,388 | 4,029 | 349 | 22,146 |
| Travel, conferences and meals | 786 | 292 | 128 | 17 | 47 | 460 | 20 | 6 | 1,756 |
| Utilities, maintenance and occupancy | 80 | 20 | 127 | 305 | 34 | 300 | 322 | 3,202 | 4,390 |
| Operating expense, equipment, supplies, library, and other related costs | 901 | 885 | 2,097 | 555 | 415 | 1,685 | 146 | 377 | 7,061 |
| Subtotal prior to allocations | 40,291 | 12,328 | 14,358 | 14,666 | 4,576 | 12,399 | 5,025 | 11,445 | 115,088 |
| Allocations | | | | | | | | | |
| Interest and fees | 108 | 91 | 84 | 81 | 2 | 53 | 381 | - | 800 |
| Depreciation | 1,772 | 1,640 | 1,200 | 1,401 | 69 | 1,254 | 2,063 | - | 9,399 |
| Operations and maintenance | 1,870 | 1,006 | 1,016 | 1,721 | 97 | 1,185 | 4,550 | (11,445) | - |
| Total | <u>\$ 44,041</u> | <u>\$ 15,065</u> | <u>\$ 16,658</u> | <u>\$ 17,869</u> | <u>\$ 4,744</u> | <u>\$ 14,891</u> | <u>\$ 12,019</u> | <u>\$ -</u> | <u>\$ 125,287</u> |

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

Clark University
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended May 31, 2022 and 2021

| | 2022 | 2021 |
|--|----------------|-------------|
| | (In thousands) | |
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$ (61,439) | \$ 102,378 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation-fixed assets | 9,449 | 9,399 |
| Amortization of debt issuance costs and premium/discount | 66 | 70 |
| Amortization of right-of-use assets | 425 | - |
| Bad debt expense | 288 | 248 |
| Change in value of interest rate agreement | (590) | (580) |
| Loss on extinguishment of debt | 358 | - |
| Contributions restricted for long-term purposes | (3,968) | (3,101) |
| Interest and dividends restricted for long-term purposes, net | (214) | (34) |
| Donated assets, (non-cash) contributions, and payments | (1,661) | (101) |
| Realized and unrealized investment (gains) losses | 30,863 | (122,345) |
| Loss on disposal of land, buildings and equipment | 265 | 88 |
| Changes in assets and liabilities: | | |
| Accounts receivable and interest and dividends receivable | 1,058 | (386) |
| Prepaid expenses and other assets | (1,979) | (925) |
| Contributions receivable | 1,244 | 168 |
| Grants and contracts receivable | (1,649) | (566) |
| Beneficial interests in outside trusts | (137) | (564) |
| Accounts payable and accrued expenses | 7,029 | 4,341 |
| Other liabilities | 1,294 | 509 |
| Annuities and unitrust obligations | (862) | 864 |
| Deposits and deferred revenue | 562 | (1,208) |
| Advance payments under grants | 650 | (222) |
| Net cash used in operating activities | (18,948) | (11,967) |
| Cash Flows from Investing Activities: | | |
| Student loans receivable, net | 650 | 925 |
| Purchase of land, buildings, equipment, and construction in progress | (25,201) | (5,804) |
| Proceeds from sales of investments | 197,706 | 257,302 |
| Purchases of investments | (271,721) | (232,174) |
| Interest and dividends restricted for long-term purposes, net | 214 | 34 |
| Net change in funds held by trustees | 1,116 | (44) |
| Net cash provided by (used in) investing activities | (97,236) | 20,239 |
| Cash Flows from Financing Activities: | | |
| Contributions restricted for long-term purposes | 3,968 | 3,101 |
| Decrease in federal loan program advances | (869) | (842) |
| Payments of financing and issuance costs | (363) | - |
| Original issue discount | (394) | - |
| Extinguishment of debt | (53,060) | - |
| Proceeds from bonds payable | 155,200 | - |
| Principal payments on bonds payable | (3,530) | (2,300) |
| Donated assets, (non-cash) contributions, and payments | (665) | (114) |
| Issuance of loan receivable | 134 | 87 |
| Net cash provided by (used in) financing activities | 100,421 | (68) |
| Net change in cash and cash equivalents | (15,763) | 8,204 |
| Cash and cash equivalents - beginning of year | 63,089 | 54,885 |
| Cash and cash equivalents - end of year | \$ 47,326 | \$ 63,089 |
| Supplemental Disclosures: | | |
| Cash paid for interest | \$ 692 | \$ 872 |
| Additions to land, buildings, equipment and construction in progress remaining in accounts payable and accrued expense at year end | \$ 5,794 | \$ 709 |

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

Clark University
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2022 and 2021

NOTE 1 - ORGANIZATION

Clark University (the "University") was established in 1887 and serves as a teaching and research institution offering undergraduate and graduate degrees to approximately 3,400 full and part-time students. 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 liberal arts-based education as well as professional master's 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.

In November of 2015, the University established Jonas Realty Corporation ("JRC"), a Massachusetts not-for-profit organization, to support and operate for the benefit of the University. JRC is classified as a 501 (c)(3) functionally integrated supporting organization of the University to hold and manage the land and building of the Shaich Family Alumni and Student Engagement Center. The University is the controlling member of JRC and, as such, the financial statements of JRC have been consolidated with the financial statements of the University. All intercompany transactions have been eliminated in the consolidation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The accompanying consolidated financial statements of 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 ("US GAAP").

Net assets, revenues, expenses, gains, and losses are classified into two categories based on the existence or absence of donor-imposed restrictions. The categories are without donor restrictions and with donor restrictions.

Net assets with donor restrictions are further classified into two categories: those that are restricted in perpetuity 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 with the passage of time nor can be fulfilled or otherwise removed by the University. These include certain life income funds (in cases where the remainder interest for such gifts is perpetually 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.

Net assets with donor restrictions that are restricted with regard to time or purpose 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 with the passage of time or can be fulfilled and removed by actions of the University pursuant to those stipulations.

Net assets without donor restriction generally result from contributions or other inflows of assets whose use by the University is not limited by donor-imposed stipulations. These net assets may be designated for specific purposes by actions of the University, invested as quasi endowment, or may otherwise be limited by contractual agreement with outside parties.

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

Revenues are reported as increases in net assets without restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law.

Expirations of restrictions on net assets are reported as net assets released from restrictions in the Consolidated Statements of Activities. In certain situations, donor-restricted gifts which are received and spent within the same year are reported as revenues without donor restrictions.

Operating activities presented in the consolidated statements of activities consist of revenues earned, net investment return of the endowment appropriated by Clark's Board of Trustees for spending, and expenses incurred in conducting Clark's programs and services. Functional classifications of expenses include instruction, student services, academic support, auxiliary services (primarily operation of residence halls and dining services), alumni and development, research and sponsored programs, and general institutional (communications, community and government relations, centralized services, and administrative services).

Non-operating activities presented in the consolidated statements of activities include endowment investment activity, including unrealized gains and losses, net of amounts appropriated for spending, contributions and gifts that are restricted by donors to invest in perpetuity or to support the construction and purchase of capital assets, net change in life income and similar split-interest agreements, and the net change in the estimated value of the interest rate swap agreement. Non-operating activities also include changes in net asset classification when donor restrictions for non-operating activities have been met.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated 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, functional expense allocation, net realizable values of contributions receivable, economic useful lives of buildings and equipment, conditional asset retirement obligations, fair values of investments and interest rate swap, impairment of land, buildings and equipment, beneficial interests in outside trusts, and present values of annuity payment liabilities. Actual results could differ from those estimates.

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. However, the University believes that no significant credit risk exists due to the strong credit status of the counterparties.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets include prepaid expenses such as insurance as well as inventories. Inventories consist principally of supplies and are carried at cost.

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

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 fair value of expected future cash flows, net of an allowance for unfulfilled pledges.

Beneficial Interests in Outside Trusts

The University records its beneficial interests 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 in the market value of the assets are recognized as restricted gains or losses within non-operating activity in the consolidated statements of activities.

Split-Interest Agreements with Donors

The University's split-interest agreements with donors consist primarily of charitable gift annuities, pooled income funds, 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 due 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.

Investments

Investments other than real estate, life insurance policies and notes receivable are stated at fair value. Real estate is stated at the fair value at the time of donation 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. The estimated fair value of these investments is based on valuations provided by external investment managers and reviewed by management. The University believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because these investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material. Securities contributed to the University are recorded at fair value on the date of the gift.

Changes in fair value are recorded as unrealized gains or losses on investments. 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.

Collections of Art, Historical Treasures, and 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.

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.

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

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

| | |
|--|---|
| Buildings | 40 years |
| Building improvements | 20 years |
| Assets under finance lease | Life of lease |
| Furniture, fixtures, and equipment | 8 years, 5 years- Media, 4 years-IT & Gym |
| Internal use software, minor and major | 5 years and 10 years |
| Software as service-implementation costs | Term of contract |
| 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 Consolidated Statements of Activities.

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 a liability of \$2.2 million and \$1.9 million for these activities as of May 31, 2022 and 2021, respectively. Updates are made when data based on experience or environment are known. The estimated liability relates principally to buildings and equipment that are partially depreciated.

Bond Issuance Costs and Bond Discount/Premium

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. Unamortized cost of issuance and unamortized original issue premium are reported net in bonds payable.

Income Taxes

The University and JRC are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the "Code"), and are generally exempt from income taxes pursuant to Section 501(a) of the Code. The University is required to assess uncertain tax positions and has determined that there were no such positions that are material to the consolidated financial statements.

Federal Student Loan Advances

These amounts include funds advanced to the University under the Federal Perkins Loan Program. The federal government has terminated the program and the amount is refundable to the federal government.

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, 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.

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

Prices for undergraduate and graduate tuition are set based upon the strategic initiatives of the University, the costs of providing the instructional and support services needed for a quality program, and an assessment of the pricing of similar institutions in our market segment. As we set an appropriate tuition price for each program, we also consider to what extent we wish to offer financial assistance in the form of need-based and merit-based discounts designed to expand the population of students that are able to enroll in these various programs. The cost of room and board are determined separately from tuition based on competitive costs with alternative housing and dining options in the University's immediate neighborhood and to cover the costs of providing these services.

Tuition, fees and auxiliary revenue and associated discounts are recognized as revenue in the period to which they relate. Student deposits and deferred revenue represent tuition and student deposits paid in advance, which are recognized as income when the related educational services are provided. The components of net tuition for the years ended May 31 are as follows:

| (In thousands) | 2022 | 2021 |
|-------------------------------|------------|------------|
| Tuition and fees | \$ 151,142 | \$ 146,382 |
| Financial aid discount | (80,476) | (73,467) |
| Student tuition and fees, net | \$ 70,666 | \$ 72,915 |

Under its Accelerated Degree Program, the University offers qualifying undergraduate students the opportunity to receive a graduate tuition scholarship. Under the scholarship, students may receive up to 100% remission of their graduate tuition. In connection with this scholarship program, at May 31, 2022 and 2021, the University had deferred revenue of \$6.7 million and \$6.4 million, respectively.

The activity and balance for deposits, advance payments under grants and contracts, and deferred revenue from contracts are shown in the following table:

| (In thousands) | Advance Payments Under Grants and Contracts | Enrollment and Housing Deposits | Accelerated Degree Program and Other Deferred Tuition | Other Deferred Revenue | Total |
|--|--|---------------------------------------|---|---------------------------|-----------|
| Balance at May 31, 2020 | \$ 2,250 | \$ 1,038 | \$ 8,407 | \$ 135 | \$ 11,830 |
| Revenue recognized, deposits applied/forfeited | (3,348) | (860) | (2,048) | (80) | (6,336) |
| Payments received for future performance obligations | 3,126 | 964 | 695 | 121 | 4,906 |
| Balance at May 31, 2021 | 2,028 | 1,142 | 7,054 | 176 | 10,400 |
| Revenue recognized, deposits applied/forfeited | (6,357) | (972) | (323) | (209) | (7,861) |
| Payments received for future performance obligations | 7,007 | 1,051 | 891 | 124 | 9,073 |
| Balance at May 31, 2022 | \$ 2,678 | \$ 1,221 | \$ 7,622 | \$ 91 | \$ 11,612 |

Grants and Contracts

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.

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

Financial Aid Discount

The University's financial aid is reported in the Consolidated Statements of Activities as an adjustment to revenues. The financial aid program is funded through endowment income, gifts and grants, and institutional resources.

Federal and State Student Assistance

Substantial financial aid for students is provided by grants (including work study) and loans through federal and state programs. Federal aid totaled \$18.7 million and \$16.2 million for the years ended May 31, 2022 and 2021, respectively. Federal Pell Grants and Direct Student Loans in the amount of \$15.2 million and \$14.0 million for the years ended May 31, 2022 and 2021, respectively, are pass-through funding to students and are not included in the Consolidated Statements of Activities. State aid totaled \$1.2 million and \$1.0 million for the years ended May 31, 2022 and 2021, respectively, and are also pass-through funding to students and are not included in the Consolidated Statements of Activities.

Functional Expense Allocation

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

Expenses are presented by functional classification in accordance with the overall service mission of the University. Each functional classification displays all expenses related to underlying operations by natural classification. Depreciation expense is allocated based on estimated square footage occupancy. Interest expense on external debt is allocated to the functional categories which have benefited from the proceeds of the external debt. Operating and maintenance expense represents space related costs which are allocated to the functional categories directly and/or based on the estimated square footage occupancy.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The University's financial assets available within one year of the Consolidated Statement of Position date for general expenditures as of May 31 are as follows:

| (In thousands) | 2022 | 2021 |
|--|------------|------------|
| Total assets at year end | \$ 778,303 | \$ 734,251 |
| Less: | | |
| Loans receivable due in more than one year | (6,651) | (6,785) |
| Restricted contributions receivable due in less than one year | (2,342) | (3,795) |
| Contributions receivable due in more than one year | (997) | (946) |
| Donor-restricted endowment funds | (392,587) | (426,781) |
| Board-designated endowment funds | (92,632) | (77,454) |
| Prepaid expenses and other assets | (4,311) | (2,757) |
| Land, buildings, equipment, and construction-in-progress net of accumulated depreciation | (140,362) | (124,875) |
| Add: | | |
| Endowment spending rule | 27,600 | 23,020 |
| Financial assets available at year end for current use | \$ 166,021 | \$ 113,878 |

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

As part of the University's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the University invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the University has a committed line of credit in the amount \$10 million which it could draw upon. Additionally, the University has a board-designated endowment of \$92.6 million as of May 31, 2022.

Although the University does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary. However, both the board-designated endowment funds and donor-restricted endowments contain investments with lock-up provisions that reduce the total investments that could be made available. See Note 8 for disclosures about investments.

The University's endowment funds consist of donor-restricted and board-designated endowment funds. Income from donor-restricted endowments is primarily restricted for specific purposes; therefore, is not available for general expenditure. As described in Note 15, the Board of Trustees approved a distribution rate of between 5.00% and 5.50% of the average market value for the past 20 quarters for fiscal year 2022, and approved a distribution rate between 5.00% and 6.00% for fiscal year 2021. The Board of Trustees has approved a distribution rate of between 5.00% and 6.00% for fiscal year 2023. Under the provision of the spending rule, the amount appropriated was \$23.6 million and \$24.3 million for fiscal years 2022 and 2021, respectively.

As described in Note 8, the University has unfunded commitments on alternative investments totaling \$87.5 million as of May 31, 2022. These commitments are generally funded by liquidating other assets.

NOTE 4 - FUNDS HELD BY TRUSTEES

Funds held by trustees are restricted as to use according to debt agreements. As of May 31, 2022, the University no longer had debt agreements which require funds to be held by trustees. As of May 31, 2021, the University had debt service fund collateral and debt reserve funds totaling \$1.1 million.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at May 31 are time restricted and also have the following purpose restrictions:

| (In thousands) | 2022 | 2021 |
|---|----------|----------|
| Endowment for academic purposes | \$ 80 | \$ 125 |
| Endowment for scholarships | 114 | 1,251 |
| Endowment for other programs | 660 | 990 |
| Non-endowment for academic purposes | 317 | 461 |
| Non-endowment for facilities | 523 | 530 |
| Non-endowment for other programs | 1,799 | 1,169 |
| Non-endowment for scholarships | 48 | 81 |
| Unrestricted | 43 | 363 |
| Total contributions receivable | 3,584 | 4,970 |
| Less: Fair value discount (discount rates range from 1.99% to 10.75%) and allowance for unfulfilled pledges | (461) | (471) |
| Contributions receivable, net | \$ 3,123 | \$ 4,499 |

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

Contributions are expected to be realized in the following years ended May 31:

| (In thousands) | 2022 | 2021 |
|---------------------------------|----------|----------|
| In less than one year | \$ 2,342 | \$ 3,816 |
| Between one year and five years | 1,242 | 1,154 |
| Total contributions receivable | \$ 3,584 | \$ 4,970 |

The University also has been notified of revocable bequest intentions which have not been recorded in the consolidated financial statements as of May 31, 2022 and 2021.

NOTE 6 - 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, student loans consisted of the following:

| (In thousands) | 2022 | 2021 |
|------------------------------------|----------|----------|
| Federal Perkins Loan Program | \$ 2,122 | \$ 2,769 |
| University Loan Program | 61 | 63 |
| Total student loans receivable | 2,183 | 2,832 |
| Less: Allowance for doubtful loans | (78) | (81) |
| Student loans receivable, net | \$ 2,105 | \$ 2,751 |

The University participates in the Federal Perkins Loan Program. Funds advanced by the federal government of \$2.4 million and \$3.3 million at May 31, 2022 and 2021, respectively, are ultimately refundable to the federal government and are classified as liabilities in the Consolidated Statements of Financial Position. Outstanding loans cancelled under the program result in a decrease in the liability to the federal government.

At May 31, 2022 and 2021, the following amounts were past due under both student loan programs:

| (In thousands) | 1-59 Days Past Due | 60 - 90 Days Past Due | 90+ Days Past Due | Total Past Due |
|----------------|-----------------------|--------------------------|----------------------|-------------------|
| 2022 | \$ 75 | \$ 22 | \$ 468 | \$ 565 |
| 2021 | \$ 71 | \$ 15 | \$ 492 | \$ 578 |

Allowances for doubtful loans are established based on prior collection experience for the previous three 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. University loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the Federal Perkins Loan Program are assignable to the government; therefore, the allowance 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 CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

NOTE 7 - INVESTMENTS

As of May 31, investments consisted of the following:

| (In thousands) | 2022 | 2021 |
|-----------------------------------|------------|------------|
| Marketable securities | | |
| Cash and cash equivalents | \$ 11,160 | \$ 12,921 |
| Corporate bonds | 64,071 | 18,579 |
| Government bonds | 31,366 | 4,860 |
| Real estate investment trusts | 5,564 | 4,938 |
| Equity securities | 53,940 | 63,012 |
| Partnerships | | |
| Private equity/venture capital | 92,326 | 55,172 |
| Private equity international | 5,210 | 14,005 |
| Real assets | 19,740 | 19,431 |
| Absolute return/hedge funds | 115,551 | 119,085 |
| International equity mutual funds | 51,796 | 80,149 |
| Domestic equities | 102,857 | 113,899 |
| Other partnerships | 844 | 122 |
| Life insurance | 1,026 | 203 |
| Other investments | 2,745 | 4,921 |
| Beneficial interest in trusts | 10,092 | 11,512 |
| | \$ 568,288 | \$ 522,809 |

Beneficial interest in trusts as of May 31, 2022 is comprised of marketable investments of \$0.3 million in money market mutual funds, \$7.9 million in equity mutual funds, \$1.6 million in bonds, and \$0.3 million in publicly traded real estate investment trusts (“REITs”). Beneficial interest in trusts as of May 31, 2021 was comprised of marketable investments of \$0.2 million in money market mutual funds, \$9.1 million in equity mutual funds, \$1.8 million in bonds, and \$0.4 million in publicly traded real estate investment trusts (“REITs”).

Overall investment results on all investments, net of investment expenses and management fees, are summarized in the table below.

| (In thousands) | 2022 | 2021 |
|---|-------------|------------|
| Net realized and unrealized gain (loss) | \$ (30,863) | \$ 122,345 |
| Interest and dividends, net | 325 | 220 |
| Investment expense | (1,432) | (1,179) |
| Split-interest agreement annuity payments, change in annuities and unitrusts payable, and related expenses, net | (205) | (1,108) |
| | \$ (32,175) | \$ 120,278 |

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

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

| (In thousands) | 2022 | 2021 |
|---|-------------|------------|
| Income appropriated under spending policy | \$ 23,618 | \$ 24,347 |
| Investment income net of amounts appropriated under spending policy | (55,621) | 97,536 |
| Other investment return | 246 | (342) |
| Change in value of beneficial interests in outside trusts | 138 | 564 |
| Annuity and unitrust obligation expense | (556) | (1,827) |
| Total investment return | \$ (32,175) | \$ 120,278 |

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 for split interest agreements, equal to the present value of future cash flows expected to be paid to the beneficiaries based upon their actuarial expected lives.

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.

NOTE 8 - 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; and

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

An asset's 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.

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

Contributions Receivable

Contributions receivable are reported based on non-recurring fair value measurements and classified as Level 3. Any multi-year pledges received are initially recorded at the fair value (pledge net of discount) and subsequently amortized over the expected payment period, net of an allowance for uncollectible pledges. The discounts on these pledges are computed using rates commensurate with the risks involved and applicable to the years in which the promised funds are expected to be received.

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 whose values are 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 and interests in private partnerships that are not redeemable at the measurement date are measured at net asset value ("NAV").

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 as reported by the relevant Trustees. 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 these trusts.

Annuities and Unitrusts Payable

Annuities and Unitrusts Payable are based on 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 market conditions to determine fair value.

Interest Rate Swap

The fair value of interest rate swap agreements is estimated through the use of pricing models which reflect the contractual terms of the swaps and where the inputs to those models are readily observable from actively quoted markets.

The fair value of the University's interest rate swap is determined based on a discounted cash flow method using the following significant inputs: the contractual terms of the swap such as the notional amount, fixed coupon rate, floating coupon rate (based on interbank rates consistent with the frequency and currency of the interest cash flows) and tenor.

The University's interest rate swap agreement was terminated in conjunction with the refunding of the Series 2008 bonds in November 2021.

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

The following tables set forth the University's financial assets and liabilities that were accounted for at fair value on a recurring basis as of May 31, 2022 and 2021 by level within the fair value hierarchy.

| | | May 31, 2022 | | | | |
|--|--|---|--|--------------------|-------------------|--|
| (In thousands) | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Measured at NAV | Total | |
| Assets | | | | | | |
| Marketable securities | | | | | | |
| Cash and cash equivalents | \$ 11,160 | \$ - | \$ - | \$ - | \$ 11,160 | |
| Corporate bonds | 64,071 | - | - | - | 64,071 | |
| Government bonds | 31,366 | - | - | - | 31,366 | |
| Real estate investment trusts | 5,564 | - | - | - | 5,564 | |
| Equity securities | 53,941 | - | - | - | 53,941 | |
| Partnerships | - | - | - | 388,324 | 388,324 | |
| Other | - | - | - | 2,745 | 2,745 | |
| Beneficial interests in trusts | 10,092 | - | - | - | 10,092 | |
| Beneficial interests in outside trusts | - | - | 2,104 | - | 2,104 | |
| Total | \$ 176,194 | \$ - | \$ 2,104 | \$ 391,069 | \$ 569,367 | |
| May 31, 2021 | | | | | | |
| (In thousands) | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Measured at NAV | Total | |
| Assets | | | | | | |
| Marketable securities | | | | | | |
| Cash and cash equivalents | \$ 12,921 | \$ - | \$ - | \$ - | \$ 12,921 | |
| Corporate bonds | 18,579 | - | - | - | 18,579 | |
| Government bonds | 4,860 | - | - | - | 4,860 | |
| Real estate investment trusts | 4,938 | - | - | - | 4,938 | |
| Equity securities | 63,012 | - | - | - | 63,012 | |
| Partnerships | - | - | - | 401,863 | 401,863 | |
| Other | - | - | - | 4,921 | 4,921 | |
| Beneficial interests in trusts | 11,512 | - | - | - | 11,512 | |
| Beneficial interests in outside trusts | - | - | 1,967 | - | 1,967 | |
| Total | \$ 115,822 | \$ - | \$ 1,967 | \$ 406,784 | \$ 524,573 | |
| Liabilities | | | | | | |
| Interest rate swap | \$ - | \$ - | \$ 590 | \$ - | \$ 590 | |
| Total | \$ - | \$ - | \$ 590 | \$ - | \$ 590 | |

There were no transfers between levels during the years ended May 31, 2022 and 2021.

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

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

| (In thousands) | 2022 Fair Value | Unfunded Commitments | Frequency | Notice Period | 2021 Fair Value |
|-----------------------------------|--------------------|-------------------------|----------------------|---------------|--------------------|
| Other partnerships | \$ 844 | \$ - | quarterly | n/a | \$ 122 |
| Private equity/venture capital | 91,914 | 48,151 | Illiquid | n/a | 14,113 |
| Private equity/venture capital | 412 | - | quarterly | 45-91 days | 37,829 |
| Private equity/international | 5,210 | 1,680 | illiquid | n/a | 2,665 |
| Real assets | 19,740 | 22,417 | Illiquid | n/a | 565 |
| Hybrid investments | 21,124 | 15,272 | Illiquid | n/a | 1,685 |
| Absolute Return/Hedge | 10,097 | - | Temporarily illiquid | (1) | 12,320 |
| Absolute Return/Hedge | 6,458 | - | illiquid | n/a | 9,100 |
| Absolute Return/Hedge | 77,872 | - | quarterly/annually | 30-90 days | 10,331 |
| International equity mutual funds | 9,977 | - | quarterly/annually | 30-90 days | 119,085 |
| Domestic Equities | 12,876 | - | Temporarily illiquid | (1) | 80,149 |
| Domestic Equities | 89,981 | - | quarterly/annually | 60-105 days | 113,899 |
| Global Equities | 41,819 | - | Temporarily illiquid | (1) | - |
| Other investments | 2,745 | - | illiquid | n/a | 4,921 |
| Total | <u>\$ 391,069</u> | <u>\$ 87,520</u> | | | <u>\$ 406,784</u> |

(1) Temporarily illiquid includes lockups 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 9 - LAND, BUILDINGS, EQUIPMENT, AND CONSTRUCTION IN PROGRESS

Land, buildings, equipment, and construction in progress consisted of the following as of May 31:

| (In thousands) | 2022 | 2021 |
|--------------------------------------|-------------------|-------------------|
| Land | \$ 17,101 | \$ 9,949 |
| Land improvements and infrastructure | 22,410 | 20,998 |
| Buildings | 125,459 | 124,741 |
| Building improvements | 104,697 | 102,081 |
| Furniture, fixtures, and equipment | 13,621 | 13,428 |
| Assets under finance lease | 257 | 1,356 |
| Internal use software | 915 | 920 |
| Leasehold improvements | 69 | 69 |
| Total | 284,529 | 273,542 |
| Less: Accumulated depreciation | (159,436) | (152,646) |
| Plus: Construction in progress | 15,269 | 3,979 |
| Land, buildings, and equipment, net | <u>\$ 140,362</u> | <u>\$ 124,875</u> |

The figures above include activity residing in JRC. Specifically, \$3.1 million of land, \$1.5 million of land improvements and \$15.8 million of buildings are attributable to JRC as of May 31, 2022.

The University has entered into contracts for various construction projects on campus. The total obligation for these contracts is \$61.6 million of which \$9.3 million had been expended at May 31, 2022.

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

The University has entered into contracts for various construction projects on campus. The total obligation for these contracts is \$61.6 million of which \$9.3 million had been expended at May 31, 2022.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Notes Payable

JRC has loans outstanding which are payable to two Community Development Entities, the Community Builders and Massachusetts Housing and Investment Corporation, issued in November 2015 in connection with the acquisition of land and construction of the Shaich Family Alumni and Student Engagement Center in the amount of \$9.7 million. See Note 12 for details.

Leases

The University assesses contracts at inception to determine whether an arrangement is or includes a lease, which conveys the University's right to control the use of an identified asset for a period of time in exchange for consideration. The University has several non-cancelable operating leases for space, for which a right-of-use asset and a lease liability are recorded on the accompanying Consolidated Statements of Financial Position. The leases contain no renewal or termination options, nor any restrictions or covenants. The leases contain variable lease payments based on market indices, and do not include residual value guarantees.

The University has elected the practical expedient to forgo applying the recognition requirements in ASC 842 to short-term leases, and has elected to forgo application of ASC 842 to leases below a dollar threshold that are immaterial to the financial statements.

The University also leases equipment under leases which are classified as finance leases. The obligation associated with these leases is included in other liabilities in the Consolidated Statements of Financial Position. The amount of assets recorded under finance leases is included in land, buildings, equipment and construction in progress and had a capitalized value of \$0.3 million and \$1.4 million with related accumulated amortization of \$26,000 and \$1.3 million for May 31, 2022 and 2021, respectively.

As of May 31, the University's right-of-use asset and lease liability were as follows (in thousands):

| | 2022 | 2021 |
|---------------------------------|----------|--------|
| Operating lease ROU asset | \$ 1,476 | \$ 975 |
| Operating lease liability: | | |
| Other current liabilities | 470 | 10 |
| Other long-term liabilities | 1,011 | 965 |
| Total operating lease liability | \$ 1,481 | \$ 975 |

The amount of the ROU assets and lease liabilities were determined using risk-free discount rates based on the U.S. Treasury Rate which most closely approximated the remaining term of the leases at the date that the ROU assets and lease liabilities were recorded.

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

The maturity of the University's lease liability for operating leases due in future fiscal years as of May 31, 2022 is as follows (in thousands):

| | | |
|---------------------------------|----|---------|
| 2023 | \$ | 470 |
| 2024 | | 73 |
| 2025 | | 11 |
| 2026 | | 11 |
| 2027 | | 12 |
| Thereafter | | 2,684 |
| Total lease payments | | 3,261 |
| Less: imputed interest | | (1,780) |
| Total operating lease liability | \$ | 1,481 |

Lease expense for the years ended May 31, 2022 and 2021 was \$515,000 and \$83,000, respectively.

As of May 31, 2022, future minimum rental payments due under non-cancelable lease agreements were as follows:

| (in thousands) | Operating Leases | Finance Leases | Total |
|------------------------------|---------------------|-------------------|----------|
| 2023 | \$ 487 | \$ 56 | \$ 543 |
| 2024 | 75 | 56 | 131 |
| 2025 | 11 | 56 | 67 |
| 2026 | 11 | 56 | 67 |
| 2027 | 12 | 44 | 56 |
| Thereafter | 2,683 | - | 2,683 |
| Total minimum lease payments | \$ 3,279 | 268 | \$ 3,547 |
| Less: imputed interest | | (22) | |
| Finance lease obligation | | \$ 246 | |

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 Consolidated Statement of Financial Position or Consolidated Statement of Activities.

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

NOTE 11 - BONDS PAYABLE

Bonds payable as of May 31 consisted of the following:

| (In thousands) | 2022 | 2021 |
|---|------------|-----------|
| In April 2008, the University issued \$50,255 of Series 2008 revenue bonds through MDFA for the purpose of renovations and an addition to Goddard Library, and to redeem the Series 2000 and 2002 bonds. As security for the bonds, TD Bank 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 have been fully refunded. | \$ - | \$ 32,090 |
| In August 2015, the University issued \$17,895 of Series 2015 revenue bonds through Capital One Municipal Funding for the purpose of refunding the University's Series 2005 bonds, to finance the renovation and/or equipping of certain facilities of the institution, and to pay the costs of issuing the bonds. The bonds have been fully refunded. | - | 13,750 |
| In April 2020, the University issued \$10,750 of Series 2020 revenue bonds to JP Morgan Chase Bank, N.A. for the purpose of refunding the University's Series 2011 bonds. The bonds have been fully refunded. | - | 10,750 |
| In November 2021, the University issued \$155,200 of Series 2021 taxable bonds with Goldman Sachs & Co, LLC for the purpose of refunding the University's MDFA 2008, the interest rate swap agreement with Barclays Bank, the Series 2015 with Capital One Municipal Funding, the Series 2020 with JP Morgan Chase Bank, and to finance the renovation and/or equipping of certain facilities of the University and to pay the costs of issuing the bonds. The bonds carry fixed interest rates ranging from 2.613% to 3.316% and fully mature in 2053. | 155,200 | - |
| Total outstanding bonds | 155,200 | 56,590 |
| Unamortized original issue discount/premium | (385) | - |
| Unamortized financing issue costs | (357) | (371) |
| Total bonds payable | \$ 154,458 | \$ 56,219 |

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

Principal payments related to the above indebtedness due in future fiscal years are as follows as of May 31, 2022 (in thousands):

| | | |
|--------------------------|----|---------|
| 2023 | \$ | - |
| 2024 | | - |
| 2025 | | - |
| 2026 | | - |
| 2027 | | - |
| Thereafter | | 155,200 |
| Total principal payments | \$ | 155,200 |

Interest Rate Swap Agreement

The University entered into an interest rate swap agreement with a major financial institution with the intended purpose to effectively fix the interest cost on \$15 million of the Series 2008 bonds at 1.711%. The fair value of the swap agreement is based on pricing models that consider risks and market factors. The change in the fair value of the swap agreement is reported in non-operating revenue (expense) in the Statements of Activities and amounted to \$0.6 million for the years ended May 31, 2022 and 2021. This agreement was terminated in conjunction with the refunding of the Series 2008 bonds in November 2021.

Interest expense on bonds payable was \$3.1 million and \$0.7 million for the years ended May 31, 2022 and 2021, respectively.

NOTE 12 - NEW MARKET TAX CREDIT

During fiscal year 2016, the University financed the land acquisition and building construction of the Shaich Family Alumni and Student Engagement Center (the "Project"), a building located at 939 Main Street in Worcester, primarily for classroom, meeting and office space used in support of its alumni and students. This was accomplished through JRC (see Note 1) which entered into several debt transactions in order to fund the Project, including accessing the New Market Tax Credit ("NMTC") program. The NMTC program offers credits against federal income taxes over a seven-year period for Qualified Equity Investments in designated Community Development Entities ("CDEs") pursuant to Section 45D of the Code in order to assist eligible businesses in making investments in certain low-income communities. JRC is a Qualified Active Low-Income Community Business for the purpose of the NMTC program.

An investment fund (the "Fund") was established and funded by a leveraged loan of \$6.7 million from the University and an investment of NMTC equity from an investor (Fund Investor). The Fund invested in CDEs controlled by Massachusetts Housing Investment Corporation ("MHIC") and The Community Builders ("TCB") which made loans to JRC on November 20, 2015 as follows (in thousands):

| | | |
|--------------------|----|-------|
| TCB CDE IX B-2 | \$ | 853 |
| TCB CDE IX A-2 | | 1,863 |
| MHIC MPM-1 | | 4,788 |
| MHIC MPM-2 | | 2,196 |
| Total loans to JRC | \$ | 9,700 |

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

JRC used the borrowed funds and a capital contribution of \$13.9 million from the University to fund property purchases, construction costs and transaction financing costs for the Shaich Family Alumni and Student Engagement Center. JRC and the University entered into a lease for the University to use the building with a monthly rent payment beginning December 1, 2016.

Interest on the four loans is paid by JRC to MHIC and TCB, commencing on December 1, 2015, at 0.75% per annum. The notes all mature on December 31, 2049 with interest only payments through December 1, 2022 and principal and interest payments from January 1, 2023 to the maturity date of December 31, 2049. The University provided a limited payment guaranty and a completion guaranty to the CDEs to secure the loans.

The loan receivable and related interest receivable from the Fund to the University are recorded in Loan Receivable. JRC has recorded the loan obligations owed to MHIC and TCB in Notes Payable. Because there is no right of offset between the loan receivable due to the University and the notes payable by JRC, the loan receivable and notes payable are presented separately on the Consolidated Statements of Financial Position.

The leveraged loan matures on December 31, 2043, and the Fund will pay the University interest only at a rate of 1.00% per annum for the outstanding balance commencing December 10, 2015. Amortization begins January 1, 2023, with the first amortizing payment due December 10, 2023.

At the end of the seven-year tax credit investment period, and for the following six months (Put Option Period), between January 1, 2023 and July 1, 2023, the Fund Investor has an option, but not an obligation, to sell to the University the Fund Investor's interest in the Fund for a put exercise price of \$1. If the put is not exercised, then the University has the right and option, at any time during the six-month period following the Put Option Period, to elect to purchase the Fund Investor's interest in the Fund, at an amount equal to the fair market value at the time of exercise.

Interest expense related to the outstanding notes payable for the years ended May 31, 2022 and 2021 was \$73,000 in both years. Interest income related to the loan receivable for the years ended May 31, 2022 and 2021 was \$66,000 in both years.

NOTE 13 - LINES OF CREDIT

The University has a demand note working capital line of credit of \$10 million with TD Bank. The line bears interest at a rate of 30-day LIBOR plus 150 basis points with a floor of 4%, and expires January 2023. There were no borrowings outstanding on the line at May 31, 2022 or 2021.

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

NOTE 14 - COMPONENTS OF NET ASSETS

The components of net assets at May 31 are as follows:

| (In thousands) | 2022 | 2021 |
|--|------------|------------|
| Net assets without donor restriction | | |
| Undesignated funds | \$ 46,665 | \$ 87,753 |
| Board designated endowment | 92,632 | 77,454 |
| Total net assets without donor restriction | 139,297 | 165,207 |
| Net assets with donor restriction | | |
| Restricted to time and purpose | | |
| Endowment investment gains | 237,583 | 277,081 |
| Pledges and life insurance policies for non-endowment purposes | 3,325 | 2,484 |
| Unspent endowment income restricted as to purpose | 8,114 | 7,310 |
| Unspent gifts restricted as to purpose | 6,296 | 6,793 |
| Trust agreements neither for unrestricted nor endowed purposes | 286 | 418 |
| Perpetual donor restriction | | |
| Endowed funds | 159,019 | 153,585 |
| Pledges and life insurance policies for endowment purposes | 855 | 2,299 |
| Trust agreements with endowed purposes | 7,521 | 8,583 |
| Donor-restricted loan funds | 828 | 803 |
| Total net assets with donor restriction | 423,827 | 459,356 |
| Total net assets | \$ 563,124 | \$ 624,563 |

The University has classified certain funds in the Consolidated Statements of Financial Position as net assets restricted as to time or purpose, which is consistent with the donors' primary intent. However, through agreements with the donors, these funds are available to the University to meet financial obligations in the event no other sources are available. At May 31, 2022, endowed funds with a fair value of \$134.9 million representing \$60.7 million of gains in net assets with restrictions as to time or purpose and \$74.1 million of principal in net assets with restrictions in perpetuity, could be utilized by the Trustees if it should become impossible and/or impractical to employ the funds as the donors intended.

Designated funds without restriction are legally considered to be funds without restriction invested with the University's pooled endowment.

NOTE 15 - ENDOWMENTS

The University's endowment consists of approximately 600 different funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the University to function as quasi-endowments. As required by US GAAP, 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.

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

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 amount of net assets with restrictions in perpetuity will generally remain intact. The perspective is aligned with the accounting standards definition that funds restricted in perpetuity 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 net assets with restrictions in perpetuity and is regarded as net appreciation is classified as net assets with restrictions as to time or purpose until those amounts are appropriated for expenditure by the organization in a manner consistent with the University’s spending policy.

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.

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). The University outsources management to a variety of managers with differing strategies. The Investment Committee of the Board is responsible for setting asset allocation policy and selecting and overseeing the managers.

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 approved a distribution rate of between 5.00% and 5.50% of the average market value for the past 20 quarters for fiscal year 2022, and approved a distribution rate between 5.00% and 6.00% for fiscal year 2021. The Board of Trustees has approved a distribution rate of between 5.00% and 6.00% for fiscal year 2023.

Funds that are “underwater” by 20% or less have spending distributions calculated using the same formula as 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 20% or less.

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

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 30% or less. These calculations and adjustments are made only at the beginning of each fiscal year. As of May 31, 2022, endowment funds with an original gift amount of \$35.6 million and a fair value of \$32.2 million were underwater by \$3.4 million; there were no funds underwater as of May 31, 2021.

Endowment net asset composition by type of fund as of May 31, 2022:

| (In thousands) | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|-------------------------------|----------------------------|-------------------|
| Donor-restricted endowment funds | \$ - | \$ 392,587 | \$ 392,587 |
| Board-designated funds | 92,632 | 1,950 | 94,582 |
| Total funds | <u>\$ 92,632</u> | <u>\$ 394,537</u> | <u>\$ 487,169</u> |

Changes in endowment net assets for the fiscal year ended May 31, 2022:

| (In thousands) | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-------------------|
| Endowment net assets, beginning of year | \$ 77,454 | \$ 428,731 | \$ 506,185 |
| Investment returns, net | (5,413) | (18,845) | (24,258) |
| Contributions and other additions | 10 | 4,795 | 4,805 |
| Transfers | 25,001 | 539 | 25,540 |
| Appropriations of endowment assets for expenditure (draw) | (4,153) | (19,465) | (23,618) |
| Expenses | (267) | (1,218) | (1,485) |
| Endowment net assets, end of year | <u>\$ 92,632</u> | <u>\$ 394,537</u> | <u>\$ 487,169</u> |

Endowment net asset composition by type of fund as of May 31, 2021:

| (In thousands) | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|-------------------------------|----------------------------|-------------------|
| Donor-restricted endowment funds | \$ - | \$ 426,781 | \$ 426,781 |
| Board-designated funds | 77,454 | 1,950 | 79,404 |
| Total funds | <u>\$ 77,454</u> | <u>\$ 428,731</u> | <u>\$ 506,185</u> |

Clark University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

May 31, 2022 and 2021

Changes in endowment net assets for the fiscal year ended May 31, 2021:

| (In thousands) | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-------------------|
| Endowment net assets, beginning of year | \$ 62,965 | \$ 347,671 | \$ 410,636 |
| Investment returns, net | 18,795 | 99,965 | 118,760 |
| Contributions and other additions | 20 | 2,092 | 2,112 |
| Transfers | - | 61 | 61 |
| Appropriations of endowment assets for expenditure (draw) | (4,154) | (20,193) | (24,347) |
| Expenses | (172) | (865) | (1,037) |
| Endowment net assets, end of year | <u>\$ 77,454</u> | <u>\$ 428,731</u> | <u>\$ 506,185</u> |

NOTE 16 - RETIREMENT PLANS

The University participates in a defined contribution plan administered by the Teachers Insurance & Annuity Association and Fidelity Investments. The plan requires a two-year waiting period before new employees may participate, however this requirement is waived for those with two years of continuous service in a non-student position at another institution of higher education. Participants contribute at least 5% of salary and the University contributes 10% of salary. Expenses recognized by the University related to the above were \$4.8 million in 2022 and \$4.4 million in 2021.

The University has a health care insurance cost reimbursement program for eligible retired faculty members. Benefits are fixed with no provision for increase over time. Actual expense reimbursements paid under this program during fiscal 2022 and 2021 totaled \$34,000 and \$20,000 respectively. As of both May 31, 2022 and 2021, the University had accrued \$0.4 million for the health care insurance cost reimbursement program which is included in accrued salary expenses in the Consolidated Statements of Financial Position.

NOTE 17 - SUBSEQUENT EVENTS

For purposes of determining the effects of subsequent events on these consolidated financial statements, management has evaluated events subsequent to May 31, 2022 and through September 30, 2022, the date on which the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Clark University
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
May 31, 2022

| | Clark University | Jonas Realty Corporation | Eliminations | Total |
|--|---------------------|-----------------------------|-------------------|-------------------|
| | (In thousands) | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 47,098 | \$ 228 | \$ - | \$ 47,326 |
| Interest and dividends receivable | 137 | - | - | 137 |
| Grants and contracts receivable | 3,346 | - | - | 3,346 |
| Student accounts receivable, net of allowance for doubtful accounts of \$596 and \$552 in 2022 and 2021, respectively | 307 | - | - | 307 |
| Other accounts receivable | 243 | 1,131 | (1,131) | 243 |
| Loan receivable (Note 12) | 6,651 | - | - | 6,651 |
| Prepaid expenses and other assets | 4,311 | - | - | 4,311 |
| Contributions receivable, net (Note 5) | 3,123 | - | - | 3,123 |
| Student loans receivable, net (Note 6) | 2,105 | - | - | 2,105 |
| Beneficial interests in outside trusts | 2,104 | - | - | 2,104 |
| Investments, at fair value (Note 7) | 568,288 | - | - | 568,288 |
| Land, buildings, equipment, and construction in progress, net of accumulated depreciation | 119,991 | 20,371 | - | 140,362 |
| Total assets | <u>\$ 757,704</u> | <u>\$ 21,730</u> | <u>\$ (1,131)</u> | <u>\$ 778,303</u> |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 26,276 | \$ 51 | \$ (1,131) | \$ 25,196 |
| Advance payments under grants and contracts | 2,678 | - | - | 2,678 |
| Other liabilities | 5,811 | - | - | 5,811 |
| Deposits and deferred revenue | 8,934 | - | - | 8,934 |
| Notes payable (Note 10) | - | 9,682 | - | 9,682 |
| Bonds payable (Note 11) | 154,458 | - | - | 154,458 |
| Liability for split-interest agreements | 6,001 | - | - | 6,001 |
| Federal loan program advances | 2,419 | - | - | 2,419 |
| Total liabilities | <u>206,577</u> | <u>9,733</u> | <u>(1,131)</u> | <u>215,179</u> |
| Net Assets: (Note 14) | | | | |
| Without restriction | 127,300 | 11,997 | - | 139,297 |
| With restriction | - | - | - | - |
| Time or purpose | 259,011 | - | - | 259,011 |
| Perpetual | 168,223 | - | - | 168,223 |
| Underwater endowment | (3,407) | - | - | (3,407) |
| Total net assets | <u>551,127</u> | <u>11,997</u> | <u>-</u> | <u>563,124</u> |
| Total liabilities and net assets | <u>\$ 757,704</u> | <u>\$ 21,730</u> | <u>\$ (1,131)</u> | <u>\$ 778,303</u> |

Clark University
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended May 31, 2022

| | Clark University Without Donor Restrictions | Jonas Realty Without Donor Restrictions | Eliminations | Total Without Donor Restrictions |
|---|---|---|--------------|--|
| | (In thousands) | | | |
| Operating Revenue and Other Support: | | | | |
| Student tuition and fees, net (Note 2) | \$ 70,666 | \$ - | \$ - | \$ 70,666 |
| Auxiliary services | 16,596 | - | - | 16,596 |
| Contributions | 2,541 | - | - | 2,541 |
| Income appropriated under spending policy | 19,294 | - | - | 19,294 |
| Grants and contracts | 16,611 | - | - | 16,611 |
| Federal student financial aid | 969 | - | - | 969 |
| Other investment return | 246 | - | - | 246 |
| Other income | 1,791 | 373 | (373) | 1,791 |
| Net assets released from restrictions | 6,044 | - | - | 6,044 |
| | <u>134,758</u> | <u>373</u> | <u>(373)</u> | <u>134,758</u> |
| Total operating revenue and other support | | | | |
| Operating Expense: | | | | |
| Instruction | 52,279 | - | 21 | 52,300 |
| Student services | 17,961 | - | 48 | 18,009 |
| Academic support | 19,477 | - | 42 | 19,519 |
| General institutional | 18,410 | - | 191 | 18,601 |
| Alumni and development | 5,309 | - | - | 5,309 |
| Research and sponsored programs | 17,006 | - | - | 17,006 |
| Auxiliary services | 14,939 | - | 16 | 14,955 |
| Allocated depreciation/interest/fees | - | 691 | (691) | - |
| | <u>145,381</u> | <u>691</u> | <u>(373)</u> | <u>145,699</u> |
| Total operating expense | | | | |
| Change in net assets from operations | <u>(10,623)</u> | <u>(318)</u> | <u>-</u> | <u>(10,941)</u> |
| Non-Operating Activity: | | | | |
| Investment income (loss) net of amounts appropriated under spending policy | (14,521) | - | - | (14,521) |
| Contributions | 19 | - | - | 19 |
| Income appropriated under spending policy | 42 | - | - | 42 |
| Change in value of interest rate swap | 590 | - | - | 590 |
| Annuity and unitrust obligation recovery (expense) | (106) | - | - | (106) |
| Other non-operating charges, net | (1,048) | - | - | (1,048) |
| Net assets released from restrictions | 55 | - | - | 55 |
| | <u>(14,969)</u> | <u>-</u> | <u>-</u> | <u>(14,969)</u> |
| Total non-operating revenue (expense) | | | | |
| Change in net assets | (25,592) | (318) | - | (25,910) |
| Net assets - beginning of year | <u>152,892</u> | <u>12,315</u> | <u>-</u> | <u>165,207</u> |
| Net assets - end of year | <u>\$ 127,300</u> | <u>\$ 11,997</u> | <u>\$ -</u> | <u>\$ 139,297</u> |