

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

Clark University

May 31, 2014 and 2013

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Clark University

We have audited the accompanying financial statements of Clark University (“the University”), which comprise the statements of financial position as of May 31, 2014 and 2013, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

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

Auditor’s responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clark University as of May 31, 2014 and 2013, 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.

Grant Thornton LLP

Boston, Massachusetts

September 12, 2014

CLARK UNIVERSITY
Statements of Financial Position
May 31, 2014 and 2013
(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
ASSETS:		
Cash and cash equivalents	\$ 52,183	\$ 41,882
Funds held by bond trustee (Note F)	816	783
Interest and dividends receivable	16	20
Grants and contracts receivable	577	444
Student accounts receivable, net of allowance for doubtful accounts of \$416 and \$380 in 2014 and 2013, respectively	178	154
Other accounts receivable	412	521
Prepaid expenses and other assets	695	653
Contributions receivable - net (Note E)	4,396	5,061
Bond issue costs, unamortized	754	795
Student loans receivable - net (Note D)	5,281	5,382
Beneficial interests in outside trusts	1,271	1,143
Investments, at market (Note C)	409,112	374,709
Land, buildings, equipment, and construction in progress- net of accumulated depreciation (Note G)	120,115	119,576
Interest rate swap (Note I)	436	365
TOTAL ASSETS	\$ 596,242	\$ 551,488
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 12,206	\$ 10,197
Advance payments under grants	1,749	1,449
Other liabilities	2,685	2,743
Deposits and deferred revenue	8,930	8,319
Notes payable	650	751
Bonds payable (Note I)	76,111	78,940
Annuities and unitrusts payable	7,789	7,495
Federal loan program advances	5,480	5,503
TOTAL LIABILITIES	115,600	115,397
NET ASSETS (Note N):		
Unrestricted	128,056	115,787
Temporarily restricted	222,039	192,057
Permanently restricted	130,547	128,247
TOTAL NET ASSETS	480,642	436,091
TOTAL LIABILITIES AND NET ASSETS	\$ 596,242	\$ 551,488

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

CLARK UNIVERSITY
Statements of Activities
For the years ended May 31, 2014 and 2013
(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
REVENUES AND OTHER SUPPORT:					
Operating revenues:					
Tuition and fees	\$ 117,347	\$ -	\$ -	\$ 117,347	\$ 113,052
Financial aid discount	(55,086)	-	-	(55,086)	(51,404)
Net tuition and fees	62,261	-	-	62,261	61,648
Auxiliary services	14,407	-	-	14,407	14,251
Contributions	2,232	1,981	-	4,213	5,678
Income appropriated under spending policy	12,177	2,586	197	14,960	14,669
Grants and contracts	5,404	-	-	5,404	6,156
Federal student financial aid	1,046	-	-	1,046	1,046
Other investment return	7	2	-	9	383
Other income	2,144	8	-	2,152	3,593
Net assets released from restrictions	4,867	(4,867)	-	-	-
Total operating revenues and other support	<u>104,545</u>	<u>(290)</u>	<u>197</u>	<u>104,452</u>	<u>107,424</u>
EXPENSES (Note L):					
Operating expenses:					
Instruction	39,919	-	-	39,919	39,709
Student services	11,939	-	-	11,939	10,512
Academic support	15,309	-	-	15,309	14,327
General institutional	8,217	-	-	8,217	7,566
Alumni and development	4,750	-	-	4,750	4,494
Research	7,374	-	-	7,374	8,097
Auxiliary services	12,915	-	-	12,915	12,707
Total operating expenses	<u>100,423</u>	<u>-</u>	<u>-</u>	<u>100,423</u>	<u>97,412</u>
Change in net assets from operations	<u>4,122</u>	<u>(290)</u>	<u>197</u>	<u>4,029</u>	<u>10,012</u>
NON-OPERATING ACTIVITY:					
Investment income net of amounts appropriated under spending policy	5,698	30,376	1,592	37,666	45,808
Contributions	735	1,611	1,458	3,804	2,163
Changes in value of interest rate swap	71	-	-	71	769
Change in value of beneficial interests in outside trusts (Note C)	-	4	124	128	277
Annuity and unitrust obligation expense	(81)	(21)	(1,047)	(1,149)	(1,294)
Other non-operating charges, net	26	-	(24)	2	(387)
Net assets released from restrictions	1,698	(1,698)	-	-	-
Total non-operating revenue (expense)	<u>8,147</u>	<u>30,272</u>	<u>2,103</u>	<u>40,522</u>	<u>47,336</u>
CHANGE IN NET ASSETS	12,269	29,982	2,300	44,551	57,348
NET ASSETS - Beginning of year	<u>115,787</u>	<u>192,057</u>	<u>128,247</u>	<u>436,091</u>	<u>378,743</u>
NET ASSETS - End of year	<u>\$ 128,056</u>	<u>\$ 222,039</u>	<u>\$ 130,547</u>	<u>\$ 480,642</u>	<u>\$ 436,091</u>

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

CLARK UNIVERSITY
 Statements of Activities
 For the year ended May 31, 2013
 (in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
REVENUES AND OTHER SUPPORT:				
Operating revenues:				
Tuition and fees	\$ 113,052	\$ -	\$ -	\$ 113,052
Financial aid discount	(51,404)	-	-	(51,404)
Net tuition and fees	61,648	-	-	61,648
Auxiliary services	14,251	-	-	14,251
Contribution revenue	2,380	3,298	-	5,678
Income appropriated under spending policy	11,871	2,602	196	14,669
Grants and contracts	6,156	-	-	6,156
Federal student financial aid	1,046	-	-	1,046
Other income	3,591	2	-	3,593
Other investment return	398	(15)	-	383
Net assets released from restrictions	4,426	(4,417)	(9)	-
Total operating revenues and other support	105,767	1,470	187	107,424
EXPENSES:				
Operating expenses:				
Instruction	39,709	-	-	39,709
Student services	10,512	-	-	10,512
Academic support	14,327	-	-	14,327
General institutional	7,566	-	-	7,566
Alumni and development	4,494	-	-	4,494
Research	8,097	-	-	8,097
Auxiliary services	12,707	-	-	12,707
Total operating expenses	97,412	-	-	97,412
Change in net assets from operations	8,355	1,470	187	10,012
NON-OPERATING ACTIVITY:				
Investment income net of amounts appropriated under spending policy	5,911	37,799	2,098	45,808
Contributions	225	115	1,823	2,163
Changes in value of interest rate swap	769	-	-	769
Change in value of beneficial interests in outside trusts (Note C)	-	8	269	277
Annuity and unitrust obligation expense	(99)	(17)	(1,178)	(1,294)
Recovery of deficiencies in historical values	106	(106)	-	-
Other non-operating changes, net	(387)	-	-	(387)
Net assets released from restrictions	1,024	(1,024)	-	-
Total non-operating revenue (expense)	7,549	36,775	3,012	47,336
CHANGE IN NET ASSETS	15,904	38,245	3,199	57,348
NET ASSETS - Beginning of year	99,883	153,812	125,048	378,743
NET ASSETS - End of year	\$ 115,787	\$ 192,057	\$ 128,247	\$ 436,091

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

CLARK UNIVERSITY
Statements of Cash Flows
For the years ended May 31, 2014 and 2013
(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 44,551	\$ 57,348
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	7,449	7,221
Student loans cancelled/assigned to the federal government	(3)	-
Contributions restricted for long-term purposes	(3,885)	(2,399)
Interest and dividends restricted for long-term purposes - net	(2,162)	(2,418)
Donated assets (non-cash) contributions and payments	(151)	(528)
Realized and unrealized investment gains	(50,566)	(58,544)
Beneficial interests in outside trusts	(128)	(277)
Loss on disposal of land, buildings and equipment	57	87
Change in value of interest rate swap	(71)	(769)
Changes in assets and liabilities:		
Accounts receivable and interest and dividends receivable - net	89	70
Prepaid expenses and other assets	(42)	843
Contributions receivable - net	665	(663)
Grants and contracts receivable	(133)	145
Accounts payable and accrued expenses	2,009	(2,699)
Other liabilities	(58)	(79)
Annuities and unitrust obligations	294	417
Deposits and deferred revenue	611	541
Advance payments under grants	300	257
Net cash used in operating activities	<u>(1,174)</u>	<u>(1,447)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Student loans receivable, net	101	357
Purchase of land, buildings, equipment and construction in progress	(8,150)	(11,167)
Proceeds from sales of investments	43,653	15,043
Purchases of investments	(26,610)	(8,653)
Interest and dividends restricted for long-term purposes - net	2,162	2,418
Net change in funds held by trustee	(33)	5,255
Net cash provided by investing activities	<u>11,123</u>	<u>3,253</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term purposes	3,885	2,399
Decrease in federal loan program advances	(23)	-
Principal payments of bonds payable	(2,680)	(14,465)
Proceeds (payments) of notes payable	(101)	744
Donated assets (non-cash) contributions and payments	(729)	-
Net cash provided by (used in) financing activities	<u>352</u>	<u>(11,322)</u>
Net increase in cash and cash equivalents	<u>12,981</u>	<u>4,949</u>
Cash and cash equivalents - Beginning of year	<u>41,882</u>	<u>41,398</u>
Cash and cash equivalents - End of year	<u>\$ 54,863</u>	<u>\$ 46,347</u>
Supplemental Disclosures		
Cash paid for interest	\$ 1,784	\$ 1,859
Capital lease obligations incurred to acquire assets	\$ -	\$ 33

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 45 states and 85 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 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The accompanying 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.

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 with 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 with 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.

CLARK UNIVERSITY

Notes to Financial Statements - Continued

May 31, 2014 and 2013

(in thousands of dollars)

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.

In certain situations, donor-restricted gifts which are received and spent within the same year are reported as unrestricted revenues.

Operating activities presented in the 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 general institutional (communications, community and government relations, centralized services, and administrative services). Depreciation and facilities operation and maintenance expenses are allocated to the functional classifications based on the use and square footage of each building. Interest expense is allocated to the functional classifications based on the use of each building that has been debt financed.

Non-operating activities presented in the Statements of Activities include endowment investment activity 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 present changes in net asset classification when donor restrictions for non-operating activities have been met.

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 as of 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, 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.

Reclassifications

Certain fiscal year 2013 items have been reclassified to conform to the fiscal year 2014 presentation.

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 have Securities Investor Protection Corporation insurance to cover Clark's position if the fund or fund manager defaults. The University has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

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.

Other Assets

Other assets include prepaid expenses such as insurance as well as inventories. Inventories consist principally of supplies and are carried at the lower of cost or market value.

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/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.

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 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 to the market value of the assets are recognized as temporarily or permanently restricted gains or losses within non-operating revenue (expenses) in the Statements of Activities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 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. 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.

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

Buildings	50 years
Building improvements	20 years
Capital leases	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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 year ended May 31, 2014 and it amounted to approximately \$154 for the year ended May 31, 2013.

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 \$1,091 for these activities as of May 31, 2014 and 2013. The estimated liability relates principally to buildings and equipment that are partially depreciated.

Income Taxes

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the Code), and is 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 financial statements. If such positions existed, it is the University's policy to record estimated interest and penalties as part of general and institutional expense. No interest or penalties have been recorded for the years ended May 31, 2013 and 2014. Management believes that the University's income tax returns for fiscal years ending May 31, 2009 and prior are no longer subject to examination by tax authorities in its major tax jurisdictions.

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.

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. Tuition, fees and auxiliary revenue 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 one hundred percent remission of their graduate tuition. Under this scholarship program, at May 31, 2014 and 2013 the University has deferred revenue liabilities of \$6,678 and \$5,692, respectively.

Financial Aid Discount

The University's financial aid grants are reported in the Statements 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.

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 approximately \$17,633 and \$18,085 for the years ended May 31, 2014 and 2013, respectively. Federal Pell Grants and Direct Student Loans in the amount of \$16,588 and \$17,069 for the years ended May 31, 2014 and 2013, respectively, are pass-through funding and are not presented in the Statements of Activities. State aid totaled approximately \$669 and \$642 for the years ended May 31, 2014 and 2013, respectively.

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.

CLARK UNIVERSITY
Notes to Financial Statements - Continued
May 31, 2014 and 2013
(in thousands of dollars)

NOTE C - INVESTMENTS

As of May 31, 2014 and 2013, investments consisted of the following:

	<u>2014</u>	<u>2013</u>
Marketable securities		
Fixed income		
Money market mutual fund	\$ 697	\$ 7,661
Government bonds	61	61
Equity securities	59,695	52,625
Partnerships		
Private equity/venture capital	16,561	16,744
Private equity international	8,381	8,731
Real assets	39,600	34,626
Absolute return/hedge funds	168,073	147,874
Debt funds	20,220	26,061
International equity	83,396	68,737
Other	142	-
Real estate, life insurance, notes	533	535
Other	393	444
Beneficial interest in trusts	11,360	10,610
	<u>\$ 409,112</u>	<u>\$ 374,709</u>
Total investments		

Beneficial interests in trusts as of May 31, 2014 is comprised of marketable investments of approximately \$597 in money market mutual funds, \$8,086 in equity mutual funds, \$2,294 in fixed income mutual funds, and \$383 in publicly traded real estate investment trusts (REIT's). Beneficial interests in trusts as of May 31, 2013 was comprised of marketable investments of approximately \$253 in money market mutual funds, \$7,789 in equity mutual funds, \$2,184 in fixed income mutual funds, and \$384 in publicly traded REIT's.

Overall investment results on all investments, net of investment expenses and management fees, are summarized in the table below. Certain investment expenses were paid directly by Clark for investment advisors and custodial services totaling \$209 and \$214 for the years ended May 31, 2014 and 2013, respectively.

	<u>2014</u>	<u>2013</u>
Net realized and unrealized gain	\$ 50,566	\$ 58,544
Interest and dividends, net	2,062	2,311
Split-interest agreement annuity payments, change in annuities and unitrusts payable, and related expenses, net	(1,020)	(1,017)
Interest and dividends – funds held by trustee	6	6
	<u>\$ 51,614</u>	<u>\$ 59,844</u>
Total investment return		

CLARK UNIVERSITY
Notes to Financial Statements - Continued
May 31, 2014 and 2013
(in thousands of dollars)

NOTE C - INVESTMENTS - Continued

For the years ended May 31, 2014 and 2013, investment return is reported in the Statements of Activities as follows:

	<u>2014</u>	<u>2013</u>
Income appropriated under spending policy	\$ 14,960	\$ 14,669
Investment income net of amounts appropriated under spending policy	37,666	45,808
Other investment return	9	383
Change in value of beneficial interests in outside trusts	128	277
Annuity and unitrust obligation expense	<u>(1,149)</u>	<u>(1,293)</u>
Total investment return	<u>\$ 51,614</u>	<u>\$ 59,844</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, 2014 and 2013, the University had outstanding commitments for investments in partnerships amounting to approximately \$17,004 and \$25,231, 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, 2014 and 2013
(in thousands of dollars)

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, 2014 and 2013, student loans represented 0.9% and 1.01% of total assets, respectively.

At May 31, 2014 and 2013, student loans consisted of the following:

	<u>2014</u>	<u>2013</u>
Federal Perkins Loan Program	\$ 5,376	\$ 5,434
University Loan Program	357	375
Total student loans receivable	<u>5,733</u>	<u>5,809</u>
Less allowance for doubtful loans		
Beginning of year	(427)	(425)
Increases	(25)	(2)
Write-offs	-	-
End of year	<u>(452)</u>	<u>(427)</u>
Student loans receivable, net	<u>\$ 5,281</u>	<u>\$ 5,382</u>

The University participates in the Federal Perkins 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 \$5,480 and \$5,503 at May 31, 2014 and 2013, are ultimately refundable to the government and are classified as liabilities in the Statements 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, 2014 and 2013, the following amounts were past due under the student loan programs:

<u>May 31,</u>	<u>1-59 days past due</u>	<u>60 - 90 days past due</u>	<u>90+ days past due</u>	<u>Total past due</u>
2014	\$ <u>209</u>	\$ <u>35</u>	\$ <u>760</u>	\$ <u>1,004</u>
2013	\$ <u>156</u>	\$ <u>114</u>	\$ <u>774</u>	\$ <u>1,044</u>

Allowances for doubtful loans 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 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 Financial Statements - Continued
May 31, 2014 and 2013
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NOTE E - CONTRIBUTIONS RECEIVABLE

Contributions receivable at May 31, 2014 and 2013 are time restricted and have the following purpose restrictions:

	<u>2014</u>	<u>2013</u>
Endowment for academic purposes	\$ 85	\$ 86
Endowment for scholarships	120	95
Nonendowment academic	253	341
Nonendowment facilities	3,641	3,301
Nonendowment other	323	1,118
Nonendowment scholarship	151	231
Unrestricted	<u>288</u>	<u>527</u>
Total contributions receivable	<u>\$ 4,861</u>	<u>\$ 5,699</u>

Contributions are expected to be realized in the following periods:

	<u>2014</u>	<u>2013</u>
In less than one year	\$ 2,684	\$ 1,524
Between one year and five years	<u>2,177</u>	<u>4,175</u>
Total contributions receivable	4,861	5,699
Less:		
Present value discount (discount rates range from 3.08% to 9.75%)	(431)	(524)
Allowance for unfulfilled pledges	<u>(34)</u>	<u>(114)</u>
Contributions receivable, net	<u>\$ 4,396</u>	<u>\$ 5,061</u>

The University also has received revocable bequest intentions which have not been recorded in the financial statements as of May 31, 2014 and 2013.

NOTE F - FUNDS HELD BY BOND TRUSTEE

The University has several funds held by trustees, which are restricted as to use according to debt agreements. As of May 31, 2014 and 2013, the University had debt service fund collateral and debt reserve funds totaling \$816 and \$783, respectively.

CLARK UNIVERSITY
Notes to Financial Statements - Continued
May 31, 2014 and 2013
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NOTE G - LAND, BUILDINGS, EQUIPMENT AND CONSTRUCTION IN PROGRESS

Land, buildings, equipment and construction in progress consisted of the following at May 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 8,351	\$ 6,964
Land improvements	8,693	8,466
Buildings	102,891	103,452
Building improvements	86,219	82,011
Furniture, fixtures, and equipment	10,662	13,053
Assets under capital lease	51	51
Internal use software	319	233
Leasehold improvements	<u>53</u>	<u>95</u>
Total	217,239	214,325
Less accumulated depreciation	(100,481)	(96,353)
Construction in progress	<u>3,357</u>	<u>1,604</u>
Land, buildings and equipment, net	<u>\$ 120,115</u>	<u>\$ 119,576</u>

The University has entered into contracts for various construction projects on campus. The total obligation for these contracts is approximately \$1,917 of which \$489 had been expended at May 31, 2014.

NOTE H - LINE OF CREDIT

The University has a demand note working capital line of credit of \$2 million with TD Bank. 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, 2014 or 2013. The line of credit will expire on February 28, 2015.

CLARK UNIVERSITY
Notes to Financial Statements - Continued
May 31, 2014 and 2013
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NOTE I - BONDS PAYABLE

Bonds payable as of May 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
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 4.00% to 5.13%, are due in varying installments, plus interest, with final maturity in 2035. The unamortized original issue premium on these bonds was \$374 and \$395 as of May 31, 2014 and May 31, 2013, respectively.	\$ 16,179	\$ 16,875
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, for which interest is payable at a variable rate (0.05% on May 31, 2014) are due in varying installments, plus interest, with final maturity in 2036.	41,780	42,945
In December 2011, the University issued \$19,085 of Series 2011 revenue bonds through MDFA for the purpose of refinancing the University's Series 1998 bonds, to finance the construction, renovation, and/or equipping of certain facilities of the institution, and to pay the costs of issuing the bonds. The bonds, which carry fixed interest rates ranging from 2.00% to 5.00%, are due in varying installments, plus interest, with final maturity in 2028. Sinking fund payments must be made in annual amounts ranging from \$865 to \$1,550. The unamortized original issue discount/premium was \$662 and \$790 as of May 31, 2014 and 2013, respectively.	<u>18,152</u>	<u>19,120</u>
	<u>\$ 76,111</u>	<u>\$ 78,940</u>

CLARK UNIVERSITY
Notes to Financial Statements - Continued
May 31, 2014 and 2013
(in thousands of dollars)

NOTE I - BONDS PAYABLE - Continued

Principal payments related to the above indebtedness due in future fiscal years are as follows as of May 31, 2014:

2015	\$ 2,790
2016	2,905
2017	3,010
2018	2,780
2019	2,895
Thereafter	<u>60,695</u>
	\$ <u>75,075</u>

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 variable rate received under the term of the swap agreement is calculated at 75% of 1 month LIBOR, which on May 31, 2014 was 0.151%. The swap agreement expires in October 2032, and the notional principal amount will decrease as the bonds mature. The swap agreement is reported at fair value in the Statements of Financial Position. 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 \$71 in 2014 and \$769 in 2013, respectively.

The agreements related to the bonds payable contain certain financial covenants which provide for, among other things, debt service requirements. As of May 31, 2014, the University was in compliance with the 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, 2014 and 2013 is approximately \$76,974 and \$81,692, respectively.

Interest expense on bonds payable was \$1,766 and \$1,859 for 2014 and 2013, 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 plan requires 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 \$3,656 in 2014 and \$3,552 in 2013.

CLARK UNIVERSITY
Notes to Financial Statements - Continued
May 31, 2014 and 2013
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NOTE J - RETIREMENT PLANS - Continued

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 2014 and 2013 totaled \$17 and \$20, respectively. As of May 31, 2014 and 2013, the University had accrued approximately \$842 and \$799, respectively, for the health care insurance cost reimbursement program which is included in accrued salary expenses in the Statements of Financial Position.

NOTE K - COMMITMENTS AND CONTINGENCIES

Leases

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

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 in the Statements of Financial Position. The amount of assets recorded under capital leases is included in land, buildings, equipment and construction in progress and had a capitalized value of \$51 and related accumulated amortization of \$23 and \$13 as of May 31, 2014 and 2013, respectively.

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>
2015	\$ 189	\$ 11	\$ 200
2016	19	10	29
2017	-	7	7
2018	-	7	7
	<u>208</u>	35	<u>243</u>
Total minimum lease payments	\$ <u>208</u>	\$ 35	\$ <u>243</u>
Less amount representing interest above		<u>(2)</u>	
Capital lease obligations		<u>\$ 33</u>	

Lease expense for 2014 and 2013 was \$223 and \$205, 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.

CLARK UNIVERSITY
Notes to Financial Statements - Continued
May 31, 2014 and 2013
(in thousands of dollars)

NOTE K - COMMITMENTS AND CONTINGENCIES - Continued

Contingencies - Continued

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.

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, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Instruction	\$ 36,449	\$ 36,360
Student services	9,901	8,689
Academic support	12,935	12,055
General institutional	5,718	5,203
Alumni and development	4,625	4,316
Operation and maintenance	6,533	6,120
Research	4,954	5,735
Auxiliary services	9,821	9,780
Interest and fees	1,933	1,813
Depreciation	<u>7,554</u>	<u>7,341</u>
Total	<u>\$ 100,423</u>	<u>\$ 97,412</u>

Allocations to functional areas are based on square footage utilized by function.

CLARK UNIVERSITY

Notes to Financial Statements - Continued

May 31, 2014 and 2013

(in thousands of dollars)

NOTE M - ENDOWMENTS

The University's endowments consist of 552 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 accounting principles generally accepted in the United States of America, 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.

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 decrease to unrestricted net assets and a corresponding increase to temporarily restricted net assets. There were no deficiencies as of May 31, 2014 and 2013.

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 its 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 that 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.

Endowment Net Asset Composition by Type of Fund as of May 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 208,498	\$ 120,996	\$ 329,494
Board-designated funds	<u>60,571</u>	<u>2,027</u>	-	<u>62,598</u>
Total funds	<u>\$ 60,571</u>	<u>\$ 210,525</u>	<u>\$ 120,996</u>	<u>\$ 392,092</u>

CLARK UNIVERSITY
Notes to Financial Statements - Continued
May 31, 2014 and 2013
(in thousands of dollars)

NOTE M - ENDOWMENTS - Continued

Changes in Endowment Net Assets for the Fiscal Year Ended May 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 55,045	\$ 180,186	\$ 119,642	\$ 354,873
Investment return:				
Investment income	305	1,669	-	1,974
Net appreciation (realized and unrealized)	7,447	41,268	-	48,715
Total investment return	7,752	42,937	-	50,689
Contributions	-	130	1,354	1,484
Appropriations of endowment assets for expenditure (draw)	(2,232)	(12,728)	-	(14,960)
Other changes:				
Transfer to Board-designated endowment funds	6	-	-	6
Total other changes	6	-	-	6
Endowment net assets, end of year	\$ 60,571	\$ 210,525	\$ 120,996	\$ 392,092

Endowment Net Asset Composition by Type of Fund as of May 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 178,462	\$ 119,642	\$ 298,104
Board-designated funds	55,045	1,724	-	56,769
Total funds	\$ 55,045	\$ 180,186	\$ 119,642	\$ 354,873

CLARK UNIVERSITY
Notes to Financial Statements - Continued
May 31, 2014 and 2013
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NOTE M - ENDOWMENTS - Continued

Changes in Endowment Net Assets for the Fiscal Year Ended May 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 39,216	\$ 142,541	\$ 117,530	\$ 299,287
Investment return:				
Investment income	438	2,196	-	2,634
Net appreciation (realized and unrealized)	7,237	48,260	-	55,497
Total investment return	<u>7,675</u>	<u>50,456</u>	<u>-</u>	<u>58,131</u>
Contributions	-	1	2,112	2,113
Appropriations of endowment assets for expenditures (draw)	(1,964)	(12,706)	-	(14,670)
Other changes:				
Recovery of deficiencies in historical values	106	(106)	-	-
Transfer to board-designated endowment funds	10,012	-	-	10,012
Total other changes	<u>10,118</u>	<u>(106)</u>	<u>-</u>	<u>10,012</u>
Endowment net assets, end of year	<u>\$ 55,045</u>	<u>\$ 180,186</u>	<u>\$ 119,642</u>	<u>\$ 354,873</u>

CLARK UNIVERSITY
Notes to Financial Statements - Continued
May 31, 2014 and 2013
(in thousands of dollars)

NOTE N - COMPONENTS OF NET ASSETS

The components of net assets, at May 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Unrestricted net assets:		
Undesignated funds	\$ 67,457	\$ 60,742
Designated funds	<u>60,599</u>	<u>55,045</u>
Total unrestricted net assets	<u>128,056</u>	<u>115,787</u>
Temporarily restricted net assets:		
Endowment investment gains	210,525	180,186
Pledges and life insurance policies for nonendowment purposes	4,485	5,142
Unspent endowment income restricted as to purpose	3,080	3,312
Unspent gifts restricted as to purpose	3,554	3,042
Trust agreements not for unrestricted or endowed purposes	<u>395</u>	<u>375</u>
Total temporarily restricted net assets	<u>222,039</u>	<u>192,057</u>
Permanently restricted net assets:		
Endowed funds	120,996	119,643
Pledges and life insurance policies for endowment purposes	1,507	332
Trust agreements with endowed purposes	7,443	7,692
Donor-restricted loan funds	<u>601</u>	<u>580</u>
Total permanently restricted net assets	<u>130,547</u>	<u>128,247</u>
Total net assets	<u>\$ 480,642</u>	<u>\$ 436,091</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, 2014, endowed funds with a fair value of \$92,324 representing approximately \$47,658 of gains in temporarily restricted net assets and approximately \$44,666 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. Unrestricted designated funds are legally unrestricted funds invested with the University's pooled endowment.

CLARK UNIVERSITY

Notes to Financial Statements - Continued

May 31, 2014 and 2013

(in thousands of dollars)

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 initially recorded at the present value of estimated future cash flows. The discounts on these pledges are computed using rates commensurate with the risks involved and applicable to the year in which the promise is expected to be received. As of May 31, 2014 the range of present value discount rates used was 3.08% to 9.75%.

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 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.

NOTE O - FAIR VALUE MEASUREMENTS - Continued

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.

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.

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 swap 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.

CLARK UNIVERSITY
Notes to Financial Statements - Continued
May 31, 2014 and 2013
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NOTE O - FAIR VALUE MEASUREMENTS - Continued

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, 2014 and 2013 by level within the fair value hierarchy.

	May 31, 2014			Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:				
Money market mutual funds	\$ 697	\$ -	\$ -	\$ 697
Government bonds	61	-	-	61
Equity securities	59,695	-	-	59,695
Partnership - Other	-	142	-	142
Private equity/venture capital	-	-	16,561	16,561
Private equity international	-	-	8,381	8,381
Real assets	-	-	39,600	39,600
Absolute return/hedge funds	-	37,902	130,171	168,073
Debt funds	-	20,220	-	20,220
International equity mutual funds	-	83,396	-	83,396
Other	-	-	393	393
Beneficial interest in trusts	11,360	-	-	11,360
Beneficial interests in outside trusts	-	-	1,271	1,271
Interest rate swap agreement	-	436	-	436
Total	\$ <u>71,813</u>	\$ <u>142,096</u>	\$ <u>196,377</u>	\$ <u>410,286</u>

CLARK UNIVERSITY
Notes to Financial Statements - Continued
May 31, 2014 and 2013
(in thousands of dollars)

NOTE O - FAIR VALUE MEASUREMENTS - Continued

	May 31, 2013			Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:				
Money market mutual funds	\$ 7,661	\$ -	\$ -	\$ 7,661
Government bonds	61	-	-	61
Equity securities	52,625	-	-	52,625
Private equity/venture capital	-	-	16,744	16,744
Private equity international	-	-	8,731	8,731
Real assets	-	-	34,626	34,626
Absolute return/hedge funds	-	25,751	122,123	147,874
Debt funds	-	26,061	-	26,061
International equity mutual funds	-	68,737	-	68,737
Other	-	-	444	444
Beneficial interest in trusts	10,610	-	-	10,610
Beneficial interests in outside trusts	-	-	1,143	1,143
Interest rate swap agreement	-	365	-	365
Total	<u>\$ 70,957</u>	<u>\$ 120,914</u>	<u>\$ 183,811</u>	<u>\$ 375,682</u>

CLARK UNIVERSITY
Notes to Financial Statements - Continued
May 31, 2014 and 2013
(in thousands of dollars)

NOTE O - FAIR VALUE MEASUREMENTS - Continued

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, 2014:

	Beginning Balance at June 1, 2013	Realized/ Unrealized Gains	Net Purchases (Redemptions)	Transfer Out of Level 3	Ending Balance at May 31, 2014
Private equity/venture capital	\$ 16,744	\$ 4,665	\$ (4,848)	\$ -	\$ 16,561
Private equity international	8,731	1,467	(1,817)	-	8,381
Real assets	34,626	2,293	2,681	-	39,600
Absolute return/hedge funds	122,123	14,452	(6,404)	-	130,171
Other	444	24	(75)	-	393
Beneficial interests in outside trusts	1,143	128	-	-	1,271
Total	\$ 183,811	\$ 23,029	\$ (10,463)	\$ -	\$ 196,377

There were no transfers between Levels during the year ended May 31, 2014. In fiscal 2013, the University had \$11,088 in transfers from Level 3 to Level 2 due to the expiration of a lock up period on certain investments which allowed for more liquidity.

The following table presents a rollforward by investment category of the change in value of Level 3 assets for the year ended May 31, 2013:

	Beginning Balance at June 1, 2012	Realized/ Unrealized Gains	Net Purchases (Redemptions)	Transfer Out of Level 3	Ending Balance at May 31, 2013
Private equity/venture capital	\$ 20,017	\$ 1,693	\$ (4,966)	\$ -	16,744
Private equity international	8,597	508	(374)	-	8,731
Real assets	26,212	424	7,990	-	34,626
Absolute return/hedge funds	112,501	16,121	(6,499)	-	122,123
Debt funds	677	79	(756)	-	-
International equity mutual funds	9,675	1,413	-	(11,088)	-
Other	492	31	(79)	-	444
Beneficial interests in outside trusts	866	277	-	-	1,143
	\$ 179,037	\$ 20,546	\$ (4,684)	\$ (11,088)	\$ 183,811

CLARK UNIVERSITY
Notes to Financial Statements - Continued
May 31, 2014 and 2013
(in thousands of dollars)

NOTE O - FAIR VALUE MEASUREMENTS - Continued

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, 2014.

<u>Investments</u>	<u>Fair Value</u>	<u>Commitments</u>	<u>Frequency</u>	<u>Notice Period</u>
Equity long/short hedge funds	\$ 60,253	\$	quarterly, annually	45-60 days notice
Event Driven Hedge funds	6,533		quarterly	65 days notice
Fixed income	31,957		quarterly	45 days notice
Global opportunities hedge funds	5,305		quarterly	90 days notice
Debt funds	20,220		monthly	30 days notice
International equity mutual funds	83,396		daily, monthly	6 - 40 days notice
Multi-strategy hedge fund	64,261		annually	45-180 days notice
Oil and gas funds	3,478	870	temporarily illiquid	(1)
Private equity funds	16,561	5,326	temporarily illiquid	(1)
Private equity funds-international	8,381	1,310	temporarily illiquid	(1)
Partnership - Other	142			90 days notice
Real assets	36,122	9,498	temporarily illiquid	(1)
Other	157			
Total	\$ 336,766	\$ 17,004		

(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 P - RELATED PARTY TRANSACTIONS

A trustee, who began his term on July 1, 2012, is a partner in an investment firm that provides investment services to the University. The investment balance in that fund was \$6,533 and \$6,063 as of May 31, 2014 and 2013, respectively.

NOTE Q - SUBSEQUENT EVENTS

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to May 31, 2014 and through September 12, 2014, the date on which the financial statements were available to be issued. Management has verified that nothing has transpired that would require modification to the financial statements through the date of issuance.