

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

Clark University

May 31, 2020 and 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
Clark University

We have audited the accompanying consolidated financial statements of Clark University and subsidiary (the "University"), which comprise the consolidated statement of financial position as of May 31, 2020 and 2019, 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.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the consolidated 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 University'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Clark University and subsidiary as of May 31, 2020 and 2019, and the consolidated results of their changes in net assets, functional expense, and their 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 29, 2020

CLARK UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	May 31,	
	2020	2019
	(In thousands)	
Assets:		
Cash and cash equivalents	\$ 54,885	\$ 30,644
Funds held by trustees (Note 4)	1,072	1,062
Interest and dividends receivable	28	107
Grants and contracts receivable	1,131	1,233
Student accounts receivable, net of allowance for doubtful accounts of \$473 and \$392 in 2020 and 2019, respectively	382	214
Other accounts receivable	1,316	1,019
Loans receivable (Note 12)	6,872	6,741
Prepaid expenses and other assets	1,832	1,493
Contributions receivable, net (Note 5)	4,718	3,862
Student loans receivable, net (Note 6)	3,668	4,621
Beneficial interests in outside trusts	1,403	1,492
Investments, at fair value (Note 7)	425,377	454,009
Land, buildings, equipment, and construction in progress - net of accumulated depreciation (Note 9)	128,558	131,414
Total assets	\$ 631,242	\$ 637,911
Liabilities:		
Accounts payable and accrued expenses	\$ 13,826	\$ 13,533
Advance payments under grants and contracts	2,250	3,329
Other liabilities	4,008	3,350
Deposits and deferred revenue	9,580	8,350
Notes payable (Note 10)	9,606	9,568
Interest rate swap, at fair value (Note 8)	1,170	194
Bonds payable (Note 11)	58,488	62,933
Liability for split-interest agreements	5,999	6,292
Federal loan program advances	4,130	5,422
Total liabilities	109,057	112,971
Net Assets: (Note 14)		
Without donor restriction	147,679	145,480
With donor restriction		
Time and purpose	215,792	228,048
Perpetual	159,751	151,979
Underwater endowment	(1,037)	(567)
Total net assets	522,185	524,940
Total liabilities and net assets	\$ 631,242	\$ 637,911

See accompanying notes to consolidated financial statements.

CLARK UNIVERSITY
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended May 31,			
	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
(In thousands)				
Operating Revenue and Other Support:				
Student tuition and fees, net (Note 2)	\$ 76,718	\$ -	\$ 76,718	\$ 65,852
Auxiliary services	14,337	-	14,337	15,593
Contributions	2,399	3,685	6,084	7,017
Income appropriated under spending policy	16,969	3,832	20,801	20,045
Grants and contracts	8,959	119	9,078	6,808
Federal student financial aid	1,046	-	1,046	1,046
Other investment return	5	26	31	108
Other income	2,544	-	2,544	3,701
Net assets released from restrictions	6,150	(6,150)	-	-
Total operating revenue and other support	<u>129,127</u>	<u>1,512</u>	<u>130,639</u>	<u>120,170</u>
Operating Expense:				
Instruction	47,391	-	47,391	43,796
Student services	15,537	-	15,537	14,953
Academic support	17,383	-	17,383	17,043
General institutional	13,328	-	13,328	12,176
Alumni and development	5,000	-	5,000	4,904
Research and sponsored programs	11,676	-	11,676	8,205
Auxiliary services	13,294	-	13,294	13,649
Total operating expense	<u>123,609</u>	<u>-</u>	<u>123,609</u>	<u>114,726</u>
Change in net assets from operations	<u>5,518</u>	<u>1,512</u>	<u>7,030</u>	<u>5,444</u>
Non-Operating Activity:				
Investment income (loss) net of amounts appropriated under spending policy	(3,022)	(15,624)	(18,646)	(20,863)
Contributions	98	9,701	9,799	1,322
Income appropriated under spending policy	40	242	282	232
Change in value of interest rate swap	(976)	-	(976)	(558)
Change in value of beneficial interests in outside Change in value of beneficial interests in outside trusts (Note 7)	-	(89)	(89)	29
Annuity and unitrust obligation recovery (expense)	(345)	(663)	(1,008)	(445)
Other non-operating charges, net	617	236	853	679
Net assets released from restrictions	269	(269)	-	-
Total non-operating revenue (expense)	<u>(3,319)</u>	<u>(6,466)</u>	<u>(9,785)</u>	<u>(19,604)</u>
Change in net assets	2,199	(4,954)	(2,755)	(14,160)
Net assets - beginning of year	145,480	379,460	524,940	539,100
Net assets - end of year	<u>\$ 147,679</u>	<u>\$ 374,506</u>	<u>\$ 522,185</u>	<u>\$ 524,940</u>

See accompanying notes to consolidated financial statements.

CLARK UNIVERSITY
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Year Ended May 31,		
	Without Donor Restrictions	With Donor Restrictions	2019 Total
	(In thousands)		
Operating Revenue and Other Support:			
Student tuition and fees, net (Note 2)	\$ 65,852	\$ -	\$ 65,852
Auxiliary services	15,593	-	15,593
Contributions	4,637	2,380	7,017
Income appropriated under spending policy	16,349	3,696	20,045
Grants and contracts	6,808	-	6,808
Federal student financial aid	1,046	-	1,046
Other investment return	93	15	108
Other income	3,699	2	3,701
Net assets released from restrictions	4,801	(4,801)	-
Total operating revenue and other support	<u>118,878</u>	<u>1,292</u>	<u>120,170</u>
Operating Expense:			
Instruction	43,796	-	43,796
Student services	14,953	-	14,953
Academic support	17,043	-	17,043
General institutional	12,176	-	12,176
Alumni and development	4,904	-	4,904
Research and sponsored programs	8,205	-	8,205
Auxiliary services	13,649	-	13,649
Total operating expense	<u>114,726</u>	<u>-</u>	<u>114,726</u>
Change in net assets from operations	<u>4,152</u>	<u>1,292</u>	<u>5,444</u>
Non-Operating Activity:			
Investment income (loss) net of amounts appropriated under spending policy	(3,093)	(17,770)	(20,863)
Contributions	96	1,226	1,322
Income appropriated under spending policy	-	232	232
Change in value of interest rate swap	(558)	-	(558)
Change in value of beneficial interests in outside trusts (Note 7)	-	29	29
Annuity and unitrust obligation recovery (expense)	(78)	(367)	(445)
Other non-operating charges, net	635	44	679
Net assets released from restrictions	1,657	(1,657)	-
Total non-operating revenue (expense)	<u>(1,341)</u>	<u>(18,263)</u>	<u>(19,604)</u>
Change in net assets	2,811	(16,971)	(14,160)
Net assets - beginning of year	142,669	396,431	539,100
Net assets - end of year	<u>\$ 145,480</u>	<u>\$ 379,460</u>	<u>\$ 524,940</u>

See accompanying notes to consolidated financial statements.

CLARK UNIVERSITY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended May 31,									
	Instruction	Student Services	Academic Support	General Institutional	Alumni and Development	Research and Sponsored Programs	Auxiliary Services	Operating and Maintenance	2020 Total	2019 Total
	(In thousands)									
Expenses:										
Salary and wages	\$ 29,037	\$ 6,585	\$ 8,452	\$ 4,669	\$ 2,858	\$ 3,170	\$ 343	\$ 6,004	\$ 61,118	\$ 58,241
Employee benefits	7,203	1,884	2,458	633	955	762	100	1,752	15,747	14,870
Purchased services	4,558	2,014	1,264	3,402	231	3,027	4,882	456	19,834	15,204
Travel, conferences and meals	1,375	1,174	260	463	285	765	32	18	4,372	5,029
Utilities, maintenance & occupancy	140	63	144	302	3	31	397	3,304	4,384	3,854
Operating expense, equipment, supplies, library, and other related costs	1,109	904	2,371	521	484	1,288	207	207	7,091	6,930
Subtotal prior to allocation	43,422	12,624	14,949	9,990	4,816	9,043	5,961	11,741	112,546	104,128
Allocations:										
Interest and fees	193	211	150	142	2	119	599	-	1,416	1,491
Depreciation	1,826	1,653	1,225	1,401	81	1,277	2,184	-	9,647	9,107
Operation and maintenance	1,950	1,049	1,059	1,795	101	1,237	4,550	(11,741)	-	-
Total	<u>\$ 47,391</u>	<u>\$ 15,537</u>	<u>\$ 17,383</u>	<u>\$ 13,328</u>	<u>\$ 5,000</u>	<u>\$ 11,676</u>	<u>\$ 13,294</u>	<u>\$ -</u>	<u>\$ 123,609</u>	<u>\$ 114,726</u>

See accompanying notes to consolidated financial statements.

CLARK UNIVERSITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31,

	Instruction	Student Services	Academic Support	General Institutional	Alumni and Development	Research and Sponsored Programs	Auxiliary Services	Operating and Maintenance	2019 Total
	(In thousands)								
Expenses:									
Salary and wages	\$ 27,659	\$ 6,108	\$ 8,151	\$ 4,863	\$ 2,578	\$ 2,738	\$ 336	\$ 5,808	\$ 58,241
Employee benefits	6,660	1,712	2,400	1,008	762	615	95	1,618	14,870
Purchased services	2,991	1,768	1,197	2,304	168	1,040	5,396	340	15,204
Travel, conferences and meals	1,518	1,460	500	169	513	825	33	11	5,029
Utilities, maintenance & occupancy	102	131	88	263	67	12	567	2,624	3,854
Operating expense, equipment, supplies, library, and other related costs	1,265	1,017	2,390	582	685	647	173	171	6,930
Subtotal prior to allocation	40,195	12,196	14,726	9,189	4,773	5,877	6,600	10,572	104,128
Allocations:									
Interest and fees	210	227	171	135	2	130	616	-	1,491
Depreciation	1,739	1,646	1,236	1,370	55	1,178	1,883	-	9,107
Operation and maintenance	1,652	884	910	1,482	74	1,020	4,550	(10,572)	-
Total	<u>\$ 43,796</u>	<u>\$ 14,953</u>	<u>\$ 17,043</u>	<u>\$ 12,176</u>	<u>\$ 4,904</u>	<u>\$ 8,205</u>	<u>\$ 13,649</u>	<u>\$ -</u>	<u>\$ 114,726</u>

See accompanying notes to consolidated financial statements.

CLARK UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended May 31,	
	2020	2019
	(In thousands)	
Cash Flows from Operating Activities:		
Change in net assets	\$ (2,755)	\$ (14,160)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	9,647	9,107
Amortization of bond issuance costs and bond premium/discount	4	(6)
Student loans cancelled/assigned to the federal government	(2)	-
Bad debt expense	179	134
Change in value of interest rate agreement	976	558
Loss on extinguishment of debt	30	-
Contributions restricted for long-term purposes	(9,799)	(1,321)
Interest and dividends restricted for long-term purposes - net	(929)	(874)
Donated assets (non-cash) contributions and payments	(1,218)	(2,053)
Realized and unrealized investment (gains) losses	(1,305)	1,140
Loss on disposal of land, buildings and equipment	7	127
Changes in assets and liabilities		
Accounts receivable and interest and dividends receivable	(559)	(789)
Prepaid expenses and other assets	(339)	(672)
Contributions receivable	(856)	842
Grants and contracts receivable	102	(215)
Beneficial interests in outside trusts	89	(18)
Accounts payable and accrued expenses	293	(228)
Other liabilities	658	351
Annuities and unitrust obligations	(293)	(442)
Deposits and deferred revenue	1,230	(156)
Advance payments under grants	(1,079)	1,349
	<u>(5,919)</u>	<u>(7,326)</u>
Net cash used in operating activities		
Cash Flows from Investing Activities:		
Student loans receivable, net	949	959
Purchase of land, buildings, equipment and construction in progress	(6,798)	(8,131)
Proceeds from sales of investments	65,933	45,581
Purchases of investments	(28,926)	(47,292)
Interest and dividends restricted for long-term purposes - net	929	874
Net change in funds held by trustees	(10)	(48)
	<u>32,077</u>	<u>(8,057)</u>
Net cash provided by (used in) investing activities		
Cash Flows from Financing Activities:		
Contributions restricted for long-term purposes	9,799	1,321
Decrease in federal loan program advances	(1,292)	96
Payments of financing and issuance costs	(101)	-
Extinguishment of debt	(11,830)	-
Proceeds from bonds payable	10,750	-
Principal payments on bonds payable	(3,260)	(3,145)
Donated assets (non-cash) contributions and payments	(5,852)	(286)
Issuance of loan receivable	(131)	(40)
	<u>(1,917)</u>	<u>(2,054)</u>
Net cash provided by (used in) financing activities		
Net change in cash and cash equivalents	24,241	(17,437)
Cash and cash equivalents - beginning of year	30,644	48,081
Cash and cash equivalents - end of year	<u>\$ 54,885</u>	<u>\$ 30,644</u>
Supplemental disclosures:		
Cash paid for interest	\$ 1,748	\$ 1,525
Additions to land, buildings, equipment and construction in progress remaining in accounts payable and accrued expense at year-end	\$ 394	\$ 711

See accompanying notes to consolidated financial statements

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 3,500 full and part-time students drawn from 47 states and 80 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.

In November of 2015, Clark University established Jonas Realty Corporation ("JRC"), a Massachusetts not-for-profit organization, to support and operate for the benefit of Clark University. JRC is classified as a 501 (c)(3) functionally integrated supporting organization of Clark University to hold and manage the land and building of the Shaich Family Alumni and Student Engagement Center. Clark 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, net assets invested as quasi endowment, or may otherwise be limited by contractual agreement with outside parties.

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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 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 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 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.

Other Assets

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

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.

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

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.

**CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

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 & Gym
Media and network equipment	5 years
Internal use software, minor and major	5 years and 10 years
Land improvements and infrastructure	15 years
Leasehold improvements	Shorter of useful life or lease period

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

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 \$1.8 million and \$1.1 million for these activities as of May 31, 2020 and 2019, 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.

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.

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Revenue Recognition

During 2019, the University adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that provides entities with a single model for recognizing revenue from contracts with customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Accordingly, revenues are recognized when control of the promised goods or services is transferred to students and others in an amount that reflects the consideration the University expects to be entitled to receive in exchange for those goods and services. The University applied the five-step revenue model stipulated by ASC 606 to all of its significant revenue streams in order to determine when revenue is earned and recognized. The five-step model requires the University to i.) identify contracts with customers, ii.) identify performance obligations related to those contracts, iii.) determine the transaction price, iv.) allocate that transaction price to performance obligations, and v.) recognize revenue when or as the University satisfies a performance obligation. The adoption of the standard did not have a material impact on its consolidated financial statements.

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. 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)	2020	2019
Tuition and fees	\$ 149,430	\$ 132,292
Financial aid discount	(72,712)	(66,440)
Student tuition and fees, net	\$ 76,718	\$ 65,852

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. In connection with this scholarship program, at May 31, 2020 and 2019, the University had deferred revenue of \$6.4 million and \$6.3 million, respectively.

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The activity and balance for deposits, advanced payments, and deferred revenue from contracts with customers 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, 2018	\$ 1,980	\$ 1,023	\$ 7,454	\$ 29	\$ 10,467
Revenue recognized, deposits applied/forfeited	(1,750)	(1,346)	(3,603)	(80)	(6,779)
Payments received for future performance obligations	<u>3,099</u>	<u>1,274</u>	<u>3,446</u>	<u>153</u>	<u>7,972</u>
Balance at May 31, 2019	3,329	951	7,297	102	11,679
Revenue recognized, deposits applied/forfeited	(1,834)	(1,019)	(996)	(30)	(3,879)
Payments received for future performance obligations	<u>755</u>	<u>1,106</u>	<u>2,106</u>	<u>63</u>	<u>4,030</u>
Balance at May 31, 2020	<u>\$ 2,250</u>	<u>\$ 1,038</u>	<u>\$ 8,407</u>	<u>\$ 135</u>	<u>\$ 11,830</u>

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.

Financial Aid Discount

The University's financial aid is reported in the 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 \$16.6 million and \$15.1 million for the years ended May 31, 2020 and 2019, respectively. Federal Pell Grants and Direct Student Loans in the amount of \$14.6 million and \$14.1 million for the years ended May 31, 2020 and 2019, respectively, are pass-through funding to students and are not presented in the Statements of Activities. State aid totaled \$1.0 million and \$988 thousand for the years ended May 31, 2020 and 2019, respectively, and are also pass-through funded and not included in the Statement 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.

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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 square footage occupancy. Interest expense on external debt is allocated to the functional categories which have benefited from the proceeds of the external debt. Plant operations and maintenance represents space related costs which are allocated to the functional categories directly and/or based on the square footage occupancy.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Clark University financial assets available within one year of the statement of position date for general expenditures as of May 31 are as follows:

(In thousands)	2020	2019
Total assets at year end	\$ 631,242	\$ 637,911
Less:		
Loans receivable due in more than one year	(6,872)	(6,741)
Restricted contributions receivable due in less than one year	(2,077)	(1,542)
Contributions receivable due in more than one year	(2,005)	(1,990)
Donor-restricted endowment funds	(345,326)	(353,469)
Board-designated endowment funds	(62,965)	(61,941)
Prepaid expenses and other assets	(1,832)	(1,493)
Land, buildings, equipment, and construction-in-progress net of accumulated depreciation	(128,558)	(131,414)
Add:		
Endowment spending rule	25,596	20,837
Financial assets available at year end for current use	\$ 107,199	\$ 100,158

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 \$2 million as of May 31, 2020, which increased to \$10 million in September 2020, which it could draw upon. Additionally, the University has a board-designated endowment of \$63 million as of May 31, 2020. 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 7 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, for fiscal years 2020 and 2019 the Board of Trustees approved a distribution rate of 5.00% of the average market value of the endowment funds for the past 20 quarters, and has approved a 6.00% distribution rate for fiscal year 2021. Under the provision of the spending rule, the amount appropriated was \$21.1 million and \$20.3 million for fiscal years 2020 and 2019, respectively.

As described in Note 8, the University has unfunded commitments on alternative investments totaling \$46.0 million and \$50.6 million for fiscal years 2020 and 2019, respectively.

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 4 - FUNDS HELD BY TRUSTEES

The University has several funds held by trustees, which are restricted as to use according to debt agreements. As of May 31, 2020 and 2019, 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)	2020	2019
Endowment for academic purposes	\$ 50	\$ 50
Endowment for scholarships	349	509
Endowment for other programs	1,177	102
Non-endowment for academic purposes	527	331
Non-endowment for facilities	987	448
Non-endowment for other programs	1,926	2,627
Non-endowment for scholarships	54	15
Unrestricted	203	266
Total contributions receivable	5,273	4,348
Less: Fair value discount (discount rates range from 6.99% to 10.06%) and allowance for unfulfilled pledges	(555)	(486)
Contributions receivable, net	\$ 4,718	\$ 3,862

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

(In thousands)	2020	2019
In less than one year	\$ 2,962	\$ 2,078
Between one year and five years	2,311	2,270
Total contributions receivable	\$ 5,273	\$ 4,348

The University also has been notified of revocable bequest intentions which have not been recorded in the consolidated financial statements as of May 31, 2020 and 2019.

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, 2020 and 2019, student loans represented 0.6% and 0.7% of total assets, respectively.

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

As of May 31, student loans consisted of the following:

(In thousands)	2020	2019
Federal Perkins Loan Program	\$ 3,685	\$ 4,627
University Loan Program	73	79
Total student loans receivable	3,758	4,706
Less: Allowance for doubtful loans		
Beginning of year	(86)	(405)
Decrease/(increase)	4	320
End of year allowance for doubtful loans	(90)	(85)
Student loans receivable, net	\$ 3,668	\$ 4,621

The University participates in the Federal Perkins Loan Program. Funds advanced by the federal government of \$4.1 million and \$5.4 million at May 31, 2020 and 2019, respectively, are ultimately refundable to the federal government and are classified as liabilities in the Statements of Financial Position. Outstanding loans cancelled under the program result in a decrease in the liability to the federal government.

At May 31, 2020 and 2019, 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
2020	\$ 194	\$ 6	\$ 533	\$ 733
2019	\$ 114	\$ 57	\$ 497	\$ 668

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. 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

NOTE 7 - INVESTMENTS

As of May 31 investments consisted of the following:

(In thousands)	2020	2019
Marketable securities		
Money market mutual funds	\$ 4,016	\$ 3,000
Corporate bonds	21,692	27,034
Government bonds	61	12,138
Equity securities	48,706	52,110
Partnerships		
Private equity/venture capital	34,465	25,390
Private equity international	2,911	2,523
Real assets	15,282	19,476
Absolute return/hedge funds	192,251	185,217
International equity mutual funds	87,555	114,464
Other	93	118
Real estate, life insurance, notes receivable	362	327
Other	8,840	2,361
Beneficial interest in trusts	9,143	9,851
Total investments	\$ 425,377	\$ 454,009

Beneficial interest in trusts as of May 31, 2020 is comprised of marketable investments of \$0.4 million in money market mutual funds, \$6.9 million in equity mutual funds, \$1.5 million in bonds, and \$0.3 million in publicly traded real estate investment trusts (REIT's). Beneficial interest in trusts as of May 31, 2019 is comprised of marketable investments of \$0.3 million in money market mutual funds, \$7.8 million in equity mutual funds, \$1.4 million in bonds, and \$0.4 million in publicly traded real estate investment trusts (REIT's).

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

(In thousands)	2020	2019
Net realized and unrealized gain (loss)	\$ 1,305	\$ (1,140)
Interest and dividends, net	977	527
Split-interest agreement annuity payments, change in annuities and unitrusts payable, and related expenses, net	(911)	(281)
Total investment return	\$ 1,371	\$ (894)

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

(In thousands)	2020	2019
Income appropriated under spending policy	\$ 21,083	\$ 20,277
Investment income net of amounts appropriated under spending policy	(18,646)	(20,863)
Other investment return	31	108
Change in value of beneficial interests in outside trusts	(89)	29
Annuity and unitrust obligation recovery (expense)	(1,008)	(445)
Total investment return	\$ 1,371	\$ (894)

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.

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.
- 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 reported based on non-recurring fair value measurements and 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(s) in which the promised fund(s) are expected to be received.

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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 Trustee(s). 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 agreement(s) is estimated through the use of pricing models which reflect the contractual terms of the swap(s) 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 CONSOLIDATED FINANCIAL STATEMENTS - 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, 2020 and 2019 by level within the fair value hierarchy.

(In thousands)	May 31, 2020				Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at NAV	
Assets					
Marketable securities					
Money market mutual funds	\$ 4,016	\$ -	\$ -	\$ -	\$ 4,016
Corporate bonds	21,692	-	-	-	21,692
Government bonds	61	-	-	-	61
Equity securities	48,706	-	-	-	48,706
Partnerships measured at net asset value	-	-	-	332,464	332,464
Other measured at net asset value	-	-	-	8,933	8,933
Beneficial interests in trusts	9,143	-	-	-	9,143
Beneficial interests in outside trusts	-	-	1,403	-	1,403
Total	<u>\$ 83,618</u>	<u>\$ -</u>	<u>\$ 1,403</u>	<u>\$ 341,397</u>	<u>\$ 426,418</u>
Liabilities					
Interest rate swap agreement	\$ -	\$ -	\$ 1,170	\$ -	\$ 1,170
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,170</u>	<u>\$ -</u>	<u>\$ 1,170</u>
May 31, 2019					
(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					
Money market mutual funds	\$ 3,000	\$ -	\$ -	\$ -	\$ 3,000
Corporate bonds	27,034	-	-	-	27,034
Government bonds	12,138	-	-	-	12,138
Equity securities	52,110	-	-	-	52,110
Partnerships measured at net asset value	-	-	-	347,188	347,188
Other measured at net asset value	-	-	-	2,361	2,361
Beneficial interests in trusts	9,852	-	-	-	9,852
Beneficial interests in outside trusts	-	-	1,492	-	1,492
Total	<u>\$ 104,134</u>	<u>\$ -</u>	<u>\$ 1,492</u>	<u>\$ 349,549</u>	<u>\$ 455,175</u>
Liabilities					
Interest rate swap agreement	\$ -	\$ -	\$ 194	\$ -	\$ 194
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194</u>	<u>\$ -</u>	<u>\$ 194</u>

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The following table presents a roll forward by investment category of the change in the value of Level 3 assets for the year ended May 31, 2020:

(In thousands)	Beginning Balance at June 1, 2019	Realized/ Unrealized Gains	Ending Balance at May 31, 2020
Beneficial interests in outside trusts	\$ 1,492	\$ (89)	\$ 1,403
Total	<u>\$ 1,492</u>	<u>\$ (89)</u>	<u>\$ 1,403</u>

The following table presents a roll forward by investment category of the change in the value of Level 3 assets for the year ended May 31, 2019:

(In thousands)	Beginning Balance at June 1, 2018	Realized/ Unrealized Gains	Ending Balance at May 31, 2019
Beneficial interests in outside trusts	\$ 1,474	\$ 18	\$ 1,492
Total	<u>\$ 1,474</u>	<u>\$ 18</u>	<u>\$ 1,492</u>

There were no transfers between levels during the years ended May 31, 2020 and 2019.

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, 2020.

(In thousands)	Fair Value	Commitments	Frequency	Notice Period
Partnership-Other	\$ 93	\$ -	quarterly	90 days notice
Private equity/Venture Capital	10,659	10,906	temporarily illiquid	(1)
Private equity/Venture Capital	22,412	17,779	illiquid	n/a
Private equity/Venture Capital	861	3,040	other	lockup
Private equity/Venture Capital	533	-	quarterly	45-91 days notice
Private equity/International	1,608	-	temporarily illiquid	(1)
Private equity/International	1,303	2,700	illiquid	n/a
Real assets	10,892	4,458	temporarily illiquid	(1)
Real assets	4,390	7,087	illiquid	n/a
Absolute Return/Hedge	16	-	temporarily illiquid	(1)
Absolute Return/Hedge	192,235	-	quarterly, annually	45-180 days notice
International equity mutual funds	87,555	-	daily, monthly	6-30 days notice
Other	8,840	-	illiquid	n/a
Total	<u>\$ 341,397</u>	<u>\$ 45,970</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.

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 9 - LAND, BUILDINGS, EQUIPMENT AND CONSTRUCTION IN PROGRESS

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

(In thousands)	2020	2019
Land	\$ 9,949	\$ 9,949
Land improvements and infrastructure	20,630	19,550
Buildings	123,817	123,030
Building improvements	101,205	99,456
Furniture, fixtures, and equipment	12,881	12,915
Assets under capital lease	1,356	1,356
Internal use software	886	649
Leasehold improvements	69	69
Total	270,793	266,974
Less: accumulated depreciation	(144,924)	(136,890)
Construction in progress	2,689	1,330
Land, buildings and equipment, net	\$ 128,558	\$ 131,414

The FY20 figures above include activity residing in JRC. Specifically, \$3.1 million of land, \$1.8 million of land improvements and \$16.4 million of buildings are attributable to JRC.

The University has entered into contracts for various construction projects on campus. The total obligation for these contracts is \$0.6 million of which \$0.4 million had been expended at May 31, 2020.

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

The University also leases equipment under leases which are classified as capital leases. The obligation associated with these leases 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 \$1.4 million for both May 31, 2020 and 2019 with related accumulated amortization of \$1.2 million and \$1.2 million, as of May 31, 2020 and 2019, respectively.

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

(In thousands)	Operating Leases	Capital Leases	Total
2021	\$ 68	\$ 73	\$ 141
2022	28	61	89
2023	28	61	89
2024	13	-	13
2025	11	-	11
2026 and beyond	2,706	-	2,706
Total minimum lease payments	\$ 2,854	195	\$ 3,049
Less: amount representing interest above		(4)	
Capital lease obligation		\$ 191	

Lease expense for 2020 and 2019 was \$189,000 and \$186,000, respectively.

Contingencies

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

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

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 11 - BONDS PAYABLE

Bonds payable as of May 31 consisted of the following:

(In thousands)	2020	2019
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 (0.12% on May 31, 2020) are due in varying installments, plus interest, with final maturity in 2036.	\$ 33,645	\$ 35,140
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. In April 2020, the bonds were transferred to a Refunding Trust Account at US Bank and will be fully redeemed on July 1, 2020.	-	12,865
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 carry a fixed interest rate of 2.40% and are due in varying installments plus interest, with final maturity in 2035. Sinking fund payments must be made in annual amounts ranging from \$745 to \$1,085.	14,495	15,225
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 carry a fixed interest rate of 1.74%, are due in varying installments, plus interest, with final maturity in 2028. Sinking fund payments must be made in annual amounts ranging from \$1,135 to \$1,150.	10,750	-
Total outstanding bonds	58,890	63,230
Unamortized original issue premium	-	158
Unamortized financing issue costs	(402)	(455)
Total bonds payable	\$ 58,488	\$ 62,933

Principal payments related to the above indebtedness due in future fiscal years are as follows as of May 31, 2020:

(In thousands)	
2021	\$ 3,435
2022	3,590
2023	3,730
2024	3,895
2025	4,035
Thereafter	40,205
Total	\$ 58,890

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The University placed the \$10,750,000 of funds generated by the issuance of the Series 2020 revenue bonds, plus an additional \$1,343,012 of funds of the University, in an irrevocable trust in order to effect a legal defeasance of the Series 2011 revenue bonds in the amount of \$12,093,012 on April 3, 2020. The irrevocable trust redeemed the Series 2011 Revenue Bonds on July 1, 2020, including accrued interest.

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, 2020 was 0.37013% resulting in an effective rate of 0.27759%. 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 (\$1.0 million) in 2020 and (\$0.6 million) in 2019, 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, 2020, the University was in compliance with the financial covenants.

Interest expense on bonds payable was \$1.4 million and \$1.5 million for 2020 and 2019, 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 Liberal Education and Effective Practice ("LEEP") initiative. 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 Internal Revenue 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)	<u>Loan Amount</u>
TCB CDE IX B-2	\$ 853
TCB CDE IX A-2	1,863
MHIC MPM-1	4,788
MHIC MPM-2	<u>2,196</u>
Total	<u>\$ 9,700</u>

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.

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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 Statement 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, 2020 and 2019 was \$73 thousand in both years. Interest income related to the loan receivable for the years ended May 31, 2020 and 2019 was \$67 thousand in both years.

NOTE 13 - LINES 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, 2020 or May 31, 2019. The line of credit will expire on March 31, 2021.

On December 3, 2018, Clark University committed to a local community development corporation, which participates in the University Park Partnership, a line of credit of up to \$500,000 for five years with a maximum draw of \$100,000 per year. The line of credit is to cover carrying costs during restoration of a property in the Main South neighborhood. Outstanding balances on the line of credit are guaranteed by 92 Grand Street Commons LLC, which is secured by a mortgage on the property. The outstanding balance as of May 31, 2020 and May 31, 2019 was \$79,000 and \$46,000, respectively.

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

NOTE 14 - COMPONENTS OF NET ASSETS

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

(In thousands)	2020	2019
Net assets without donor restriction		
Undesignated funds	\$ 84,714	\$ 83,539
Board designated endowment	62,965	61,941
Total net assets without donor restriction	147,679	145,480
Net assets with donor restriction		
Restricted to Time and Purpose		
Endowment investment gains	198,173	213,648
Pledges and life insurance policies for non-endowment purposes	3,725	3,582
Unspent endowment income restricted as to purpose	6,238	5,871
Unspent gifts restricted as to purpose	6,418	4,166
Trust agreements neither for unrestricted nor endowed purposes	201	214
Perpetual Donor Restriction		
Endowed funds	149,497	141,983
Pledges and life insurance policies for endowment purposes	1,437	686
Trust agreements with endowed purposes	8,037	8,547
Donor-restricted loan funds	780	763
Total net assets with donor restriction	374,506	379,460
Total net assets	\$ 522,185	\$ 524,940

The University has classified certain funds in the Statements of Financial Position as net assets restricted as to time or purpose, which is consistent with the donors' primary intent. These funds are, however, through agreements with the donors, available to the University to meet financial obligations in the event no other sources are available. At May 31, 2020, endowed funds with a fair value of \$113.3 million representing \$48.0 million of gains in net assets with restrictions as to time or purpose and \$65.3 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 funds without restriction invested with the University's pooled endowment.

NOTE 15 - ENDOWMENTS

The University's endowment consists of 591 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

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 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 fiscal year 2020, and has approved a 6.00% distribution rate for fiscal year 2021. 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 20% or less. 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 30% or less. This calculation and adjustment will also be made only at the beginning of each fiscal year and continue for at least that year. Net assets are released from restriction up to the spending rate.

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Endowment net asset composition by type of fund as of May 31, 2020:

(In thousands)	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 346,025	\$ 346,025
Board-designated funds	62,965	1,646	64,611
Total funds	\$ 62,965	\$ 347,671	\$ 410,636

Changes in endowment net assets for the fiscal year ended May 31, 2020:

(In thousands)	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 61,941	\$ 355,631	\$ 417,572
Investment returns, net	429	1,946	2,375
Contributions and other additions	11	7,430	7,441
Transfers	4,000	375	4,375
Appropriations of endowment assets for expenditure (draw)	(3,409)	(17,674)	(21,083)
Expenses	(7)	(37)	(44)
Endowment net assets, end of year	\$ 62,965	\$ 347,671	\$ 410,636

Endowment net asset composition by type of fund as of May 31, 2019:

(In thousands)	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 353,985	\$ 353,985
Board-designated funds	61,941	1,646	63,587
Total funds	\$ 61,941	\$ 355,631	\$ 417,572

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Changes in endowment net assets for the fiscal year ended May 31, 2019:

(In thousands)	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 65,007	\$ 371,862	\$ 436,869
Investment returns, net	(168)	(169)	(337)
Contributions and other additions	5	1,185	1,190
Transfers	-	181	181
Appropriations of endowment assets for expenditure (draw)	(2,903)	(17,428)	(20,331)
Endowment net assets, end of year	<u>\$ 61,941</u>	<u>\$ 355,631</u>	<u>\$ 417,572</u>

NOTE 16 - RETIREMENT PLANS

The University participates in a defined contribution plan administered by the Teachers Insurance & Annuity Association and Fidelity. 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 \$4.2 million in 2020 and \$4.1 million in 2019.

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 2020 and 2019 totaled \$20,000 and \$16,000, respectively. As of May 31, 2020 and 2019, the University had accrued \$429,000 and \$435,000, respectively, for the health care insurance cost reimbursement program which is included in accrued salary expenses in the Consolidated Statements of Financial Position.

NOTE 17 - RELATED PARTY TRANSACTIONS

A trustee, who began his term on July 1, 2012, is a partner in an investment firm that provided investment services to the University. The University has divested the investment in full during fiscal 2020. The investment balance in that fund as of May 31, 2019 was \$8.0 million. The University first invested with this firm prior to his joining the board.

Clark's Assistant Secretary and Vice President of Community Relations is also the Treasurer and a board member of the Community Development Corporation, to whom Clark has guaranteed a line of credit related to restoration of the Main South neighborhood. See Note 13 for more information on the line of credit.

NOTE 18 - SUBSEQUENT EVENTS

For purposes of determining the effects of subsequent events on these consolidated financial statements, management has evaluated events subsequent to May 31, 2020 and through September 29, 2020, the date on which the consolidated financial statements were available to be issued.

CLARK UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

In September 2020, the University entered into an agreement to extend, increase, and modify its working line of credit with TD Bank. Under this agreement, the line has been increased from \$2 million to \$10 million, bears interest at a rate of 30-day LIBOR plus 150 basis points with a floor of 4%, and expires in September 2021.

NOTE 19 - IMPACT OF COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. The spread of COVID-19 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the University is unable to determine if it will have a material impact to its operations.

SUPPLEMENTAL INFORMATION

CLARK UNIVERSITY
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

	May 31, 2020			
	Clark University	Jonas Realty Corporation	Eliminations	Total
	(In thousands)			
Assets:				
Cash and cash equivalents	\$ 54,732	\$ 153	\$ -	\$ 54,885
Due to/from related party	-	-	-	-
Funds held by trustees	1,072	-	-	1,072
Interest and dividends receivable	28	-	-	28
Grants and contracts receivable	1,131	-	-	1,131
Student accounts receivable, net of allowance for doubtful accounts of \$473 and \$392 in 2020 and 2019, respectively	382	-	-	382
Other accounts receivable	1,125	750	(559)	1,316
Loan receivable	6,872	-	-	6,872
Prepaid expenses and other assets	1,832	-	-	1,832
Contributions receivable, net	4,718	-	-	4,718
Student loans receivable, net	3,668	-	-	3,668
Beneficial interests in outside trusts	1,403	-	-	1,403
Investments, at fair value	425,377	-	-	425,377
Land, buildings, equipment, and construction in progress- net of accumulated depreciation	107,125	21,433	-	128,558
Total assets	<u>\$ 609,465</u>	<u>\$ 22,336</u>	<u>\$ (559)</u>	<u>\$ 631,242</u>
Liabilities:				
Accounts payable and accrued expenses	\$ 14,328	\$ 57	\$ (559)	\$ 13,826
Advance payments under grants and contracts	2,250	-	-	2,250
Other liabilities	4,008	-	-	4,008
Deposits and deferred revenue	9,580	-	-	9,580
Notes payable (Note 10)	-	9,606	-	9,606
Interest rate swap at fair market value (Note 11)	1,170	-	-	1,170
Bonds payable (Note 11)	58,488	-	-	58,488
Liability for split-interest agreements	5,999	-	-	5,999
Federal loan program advances	4,130	-	-	4,130
Total liabilities	<u>99,953</u>	<u>9,663</u>	<u>(559)</u>	<u>109,057</u>
Net Assets:				
Without restriction	135,006	12,673	-	147,679
With restriction	-	-	-	-
Time or purpose	215,792	-	-	215,792
Perpetual	159,751	-	-	159,751
Underwater endowment	(1,037)	-	-	(1,037)
Total net assets	<u>509,512</u>	<u>12,673</u>	<u>-</u>	<u>522,185</u>
Total liabilities and net assets	<u>\$ 609,465</u>	<u>\$ 22,336</u>	<u>\$ (559)</u>	<u>\$ 631,242</u>

See accompanying notes to consolidated financial statements.

CLARK UNIVERSITY
CONSOLIDATING STATEMENTS OF ACTIVITIES

	Year Ended May 31, 2020			Total Without Restriction
	Clark University Without Restriction	Jonas Realty Without Restriction	Eliminations	
	(In thousands)			
Operating Revenue and Other Support:				
Student tuition and fees, net (Note 2)	\$ 76,718	\$ -	\$ -	\$ 76,718
Auxiliary services	14,337	-	-	14,337
Contributions	2,399	-	-	2,399
Income appropriated under spending policy	16,969	-	-	16,969
Grants and contracts	8,959	-	-	8,959
Federal student financial aid	1,046	-	-	1,046
Other investment return	5	-	-	5
Other income	2,544	373	(373)	2,544
Net assets released from restrictions	6,150	-	-	6,150
Total operating revenue and other support	<u>129,127</u>	<u>373</u>	<u>(373)</u>	<u>129,127</u>
Operating Expense:				
Instruction	47,370	-	21	47,391
Student services	15,489	-	48	15,537
Academic support	17,341	-	42	17,383
General institutional	13,119	18	191	13,328
Alumni and development	5,000	-	-	5,000
Research and sponsored programs	11,676	-	-	11,676
Auxiliary services	13,278	-	16	13,294
Allocated depreciation/interest/fees	-	691	(691)	-
Total operating expense	<u>123,273</u>	<u>709</u>	<u>(373)</u>	<u>123,609</u>
Change in net assets from operations	<u>5,854</u>	<u>(336)</u>	<u>-</u>	<u>5,518</u>
Non-Operating Activity:				
Investment income (loss) net of amounts appropriated under spending policy	(3,022)	-	-	(3,022)
Contributions	98	-	-	98
Income appropriated under spending policy	40	-	-	40
Change in value of interest rate swap	(976)	-	-	(976)
Change in value of beneficial interests in outside trusts (Note 7)	-	-	-	-
Annuity and unitrust obligation recovery (expense)	(345)	-	-	(345)
Other non-operating charges, net	617	-	-	617
Net assets released from restrictions	269	-	-	269
Total non-operating revenue (expense)	<u>(3,319)</u>	<u>-</u>	<u>-</u>	<u>(3,319)</u>
Change in net assets	2,535	(336)	-	2,199
Net assets - beginning of year	132,471	13,009	-	145,480
Net assets - end of year	<u>\$ 135,006</u>	<u>\$ 12,673</u>	<u>\$ -</u>	<u>\$ 147,679</u>

See accompanying notes to consolidated financial statements.