



## **BRANDEIS UNIVERSITY**

Independent Auditors' Reports as Required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and Government Auditing Standards* and Related Information

Year ended June 30, 2016

**BRANDEIS UNIVERSITY**

Independent Auditors' Reports as Required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and Government Auditing Standards* and Related Information

Year ended June 30, 2016

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KPMG LLP  
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## Independent Auditors' Report

The Board of Trustees  
Brandeis University:

### Report on the Financial Statements

We have audited the accompanying financial statements of Brandeis University (the University), which comprise the balance sheet as of June 30, 2016, the related statements of activities and cash flows for the year 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 U.S. generally accepted accounting principles; 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 organization'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 organization'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 Brandeis University as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



### **Report on Summarized Comparative Information**

We have previously audited the University's 2015 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 27, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matter – Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

**KPMG LLP**

October 26, 2016 except as to the  
supplementary schedule of  
expenditures of federal awards,  
which is as of March 3, 2017

**BRANDEIS UNIVERSITY**

## Balance Sheet

June 30, 2016

(with comparative information as of June 30, 2015)

(In thousands of dollars)

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 30,075	54,299
Short-term investments	—	2,068
Accounts receivable, net	10,498	13,052
Notes receivable, net	13,070	14,571
Contributions receivable, net	22,423	31,401
Long-term investments	890,240	940,138
Funds held in trust by others and other assets	16,263	16,702
Property, plant and equipment, net	346,858	344,357
Total assets	<u>\$ 1,329,427</u>	<u>1,416,588</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 24,376	31,562
Sponsored program advances and deferred revenue	23,635	25,872
Other long-term liabilities	25,336	29,174
Long-term debt, net	243,586	252,746
Total liabilities	<u>316,933</u>	<u>339,354</u>
Net assets:		
Unrestricted	177,796	195,491
Temporarily restricted	235,674	298,587
Permanently restricted	599,024	583,156
Total net assets	<u>1,012,494</u>	<u>1,077,234</u>
Total liabilities and net assets	<u>\$ 1,329,427</u>	<u>1,416,588</u>

See accompanying notes to financial statements.

**BRANDEIS UNIVERSITY**

Statement of Activities

Year ended June 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

(In thousands of dollars)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2016</u>	<u>2015</u>
Operating revenues and other support:					
Tuition and fees	\$ 242,840	—	—	242,840	242,046
Residence hall and dining	37,247	—	—	37,247	35,883
Less scholarships and financial aid	<u>(94,805)</u>	<u>—</u>	<u>—</u>	<u>(94,805)</u>	<u>(96,420)</u>
Net tuition, fees, residence hall and dining revenues	185,282	—	—	185,282	181,509
Contributions	6,314	—	—	6,314	10,625
Net assets released from restrictions	19,635	—	—	19,635	17,274
Sponsored programs – direct	49,170	—	—	49,170	49,070
Sponsored programs – indirect	14,484	—	—	14,484	14,714
Other investment income	448	—	—	448	1,080
Investment income from funds held in trust by others	315	—	—	315	314
Endowment return utilized	46,144	—	—	46,144	42,482
Other auxiliary enterprises	3,552	—	—	3,552	3,898
Other sources	<u>8,386</u>	<u>—</u>	<u>—</u>	<u>8,386</u>	<u>9,266</u>
Total operating revenues and other support	<u>333,730</u>	<u>—</u>	<u>—</u>	<u>333,730</u>	<u>330,232</u>
Operating expenses:					
Instruction	118,462	—	—	118,462	113,863
Sponsored programs	56,187	—	—	56,187	56,357
Academic support	45,753	—	—	45,753	44,009
Student services	34,883	—	—	34,883	34,143
Institutional support	42,042	—	—	42,042	45,245
Auxiliary enterprises	<u>35,370</u>	<u>—</u>	<u>—</u>	<u>35,370</u>	<u>33,991</u>
Total operating expenses	<u>332,697</u>	<u>—</u>	<u>—</u>	<u>332,697</u>	<u>327,608</u>
Change in net assets from operating activities	<u>1,033</u>	<u>—</u>	<u>—</u>	<u>1,033</u>	<u>2,624</u>
Nonoperating activities:					
Net investment return	(5,142)	(24,080)	(280)	(29,502)	50,105
Endowment return utilized in operations	(16,234)	(29,910)	—	(46,144)	(42,482)
Net assets released from restrictions	3,552	(23,187)	—	(19,635)	(17,274)
Contributions	—	14,606	15,409	30,015	37,738
Net gain on disposals and retirement of property, plant and equipment	—	—	—	—	30,927
Other changes, net	<u>(904)</u>	<u>(342)</u>	<u>739</u>	<u>(507)</u>	<u>(902)</u>
Change in net assets from nonoperating activities	<u>(18,728)</u>	<u>(62,913)</u>	<u>15,868</u>	<u>(65,773)</u>	<u>58,112</u>
Change in net assets	<u>(17,695)</u>	<u>(62,913)</u>	<u>15,868</u>	<u>(64,740)</u>	<u>60,736</u>
Net assets at beginning of year	<u>195,491</u>	<u>298,587</u>	<u>583,156</u>	<u>1,077,234</u>	<u>1,016,498</u>
Net assets at end of year	<u>\$ 177,796</u>	<u>235,674</u>	<u>599,024</u>	<u>1,012,494</u>	<u>1,077,234</u>

See accompanying notes to financial statements.

**BRANDEIS UNIVERSITY**

Statement of Cash Flows

Year ended June 30, 2016

(with comparative information for the year ended June 30, 2015)

(In thousands of dollars)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (64,740)	60,736
Adjustments to reconcile change in net cash used in operating activities:		
Depreciation and amortization, net	26,690	25,267
Net realized and unrealized investment (gains) losses	30,734	(48,672)
Net change from funds held in trust by others	383	115
Net gain on disposals and retirement of property, plant and equipment	—	(30,927)
Contributions restricted for long-term investment	(21,565)	(22,695)
Change in operating assets, net	11,588	3,445
Change in operating liabilities, net	<u>(13,250)</u>	<u>3,253</u>
Net cash used in operating activities	<u>(30,160)</u>	<u>(9,478)</u>
Cash flows from investing activities:		
Acquisition and construction of property, plant and equipment	(29,954)	(30,399)
Purchases of investments	(192,816)	(357,303)
Proceeds from sale of property	—	31,241
Proceeds from sales and maturities of investments	214,048	337,071
Notes receivable issued	(1,187)	(2,039)
Notes receivable repaid	<u>2,688</u>	<u>2,229</u>
Net cash used in investing activities	<u>(7,221)</u>	<u>(19,200)</u>
Cash flows from financing activities:		
Repayments of bonds, notes and leases	(8,408)	(8,055)
Change in funds held by bond trustee	—	9,412
Proceeds from sale of donated securities	—	16,533
Contributions restricted for long-term investment	<u>21,565</u>	<u>22,695</u>
Net cash provided by financing activities	<u>13,157</u>	<u>40,585</u>
Change in cash and cash equivalents	(24,224)	11,907
Cash and cash equivalents, beginning of year	<u>54,299</u>	<u>42,392</u>
Cash and cash equivalents, end of year	\$ <u><u>30,075</u></u>	\$ <u><u>54,299</u></u>
Supplemental data:		
Interest paid	\$ 11,400	11,685
Decrease in accrued liabilities attributable to property, plant, and equipment	(11)	(1,441)

See accompanying notes to financial statements.

# BRANDEIS UNIVERSITY

## Notes to Financial Statements

June 30, 2016

(with summarized comparative information for June 30, 2015)

(In thousands of dollars)

### (1) Organization

Brandeis University (the University) is a private, not-for-profit, nonsectarian, co-educational institution of higher education with approximately 5,200 full-time undergraduate and graduate students. Established in 1948, the University offers educational programs for undergraduates in liberal arts and sciences, and graduate education and training in the arts and sciences, business, social policy and management.

### (2) Summary of Significant Accounting Policies

#### (a) *Basis of Presentation*

The University's financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The financial statements have been prepared to focus on the University as a whole and to present balances and transactions based on the existence or absence of donor-imposed restrictions, as follows:

*Unrestricted* – Net assets not subject to donor-imposed restrictions and available for the general operations of the University. Such net assets may be designated by the Board of Trustees for specific purposes, including to function as endowment.

*Temporarily restricted* – Net assets subject to donor-imposed or legal stipulations as to the timing of their availability or use for a particular purpose. These net assets are released from restrictions when the specified time elapses or actions have been taken to meet the restrictions. As further described in note 11, the University is subject to the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA), under which donor-restricted endowment funds may be appropriated for expenditure by the Board of Trustees of the University in accordance with the standard of prudence prescribed by UPMIFA. Net assets of such funds in excess of their historic dollar value are classified as temporarily restricted until appropriated by the Board and spent on their intended purpose. Life income trusts and pledges receivable for which the ultimate use is not permanently restricted are also reported as temporarily restricted net assets.

*Permanently restricted* – Net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the University. These primarily consist of the historic dollar value of contributions to donor-restricted endowment funds.

For comparison purposes, the 2016 statement of activities has been presented with 2015 summarized comparative information in total but not by net asset class. This summarized 2015 information is not intended to and does not include sufficient detail to constitute a complete presentation of changes in net assets in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

#### (b) *Nonoperating Activities*

Nonoperating activities reflect transactions of a long-term investment or capital nature, including contributions to be invested by the University to generate a return that will support future operations; contributions scheduled to be received in the future; contributions to be used for and net assets released from restrictions for capitalized property and equipment; investment return net of appropriations for



## BRANDEIS UNIVERSITY

### Notes to Financial Statements

June 30, 2016

(with summarized comparative information for June 30, 2015)

(In thousands of dollars)

current operational support in accordance with the University's endowment spending policy; and other net asset changes resulting from transactions that do not arise from or currently affect operations.

#### **(c) Revenue Recognition**

Revenues are reported as an increase in unrestricted net assets, unless their use is limited by donor-imposed restrictions in which case they are reported as increases in temporarily or permanently restricted net assets. Expirations of temporary restrictions are reflected in the statement of activities as net assets released from restrictions. Net realized gains (losses) from the sale or other disposition of investments and the change in unrealized appreciation (depreciation) of investments are reported as revenue in unrestricted net assets, unless use of these gains is restricted by donor-imposed stipulations or by law.

Revenues associated with sponsored research and other grants and contracts are recognized when the related allowable expenditures are incurred or other contractual provisions have been met. Indirect cost recovery by the University on federal grants and contracts is based upon a predetermined negotiated rate and is recorded as unrestricted revenue as direct costs are incurred. All funds expended in connection with government grants and contracts are subject to audit by granting agencies. In the opinion of management, any potential liability resulting from these audits would not have a material effect on the University's financial position.

Tuition and fees are reported at established rates. Student deposits and advance payments for tuition, room, and board for fall and certain summer sessions are deferred and recorded as revenues in the year in which the sessions are provided. Auxiliary enterprise revenues are recognized at the time the goods or services are provided.

#### **(d) Contributions**

Contributions are unconditional transfers of assets or cancellations of liabilities. Contributions without donor-imposed restrictions are recorded as unrestricted revenue. Contributions received with donor-imposed restrictions are reported as increases in temporarily restricted or permanently restricted net assets based on donors' restrictions. Contributions of noncash assets are recorded at fair value on the date of the contribution.

Unconditional promises (contributions receivable) are recognized at fair value, considering the time value of money and collectability, as temporarily or permanently restricted revenues in the year promised. Thereafter, contributions receivable are reported at the present value of expected cash flows using the same discount rates as initially applied net of an allowance for uncollectable contributions based upon historical collection experience and other relevant factors. Conditional contributions are not recognized until the stated conditions are met.

#### **(e) Fundraising Expense**

Fundraising expense was \$10,440 and \$10,816 for the years ended June 30, 2016 and 2015, respectively, and is classified as institutional support in the statement of activities.

## BRANDEIS UNIVERSITY

### Notes to Financial Statements

June 30, 2016

(with summarized comparative information for June 30, 2015)

(In thousands of dollars)

#### **(f) Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents, except those held as short-term investments or in the long-term investment portfolio, consist of money market funds and investments with original maturities of three months or less and are carried at cost, which approximates fair value.

#### **(g) Short-Term Investments**

Short-term investments consist of operating funds deposited in cash management accounts with maturities at the time of purchase of less than one year, and are carried at fair value.

#### **(h) Fair Value**

Investments and funds held in trust by others are reported at fair value in the University's financial statements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and
- Level 3 – unobservable inputs are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

#### **(i) Funds Held in Trust by Others and Other Assets**

Funds held in trust by others (FHITBO) are perpetual trusts held in perpetuity by external trustees, as specified by the donors, and are reported by the University at fair value. Trust income is distributed at least annually to the University in accordance with the terms of the trusts and is recorded as investment income. Changes in the fair value of the trusts are recorded as increases or decreases to permanently restricted net assets. The University had \$9,679 and \$10,062 of FHITBO as of June 30, 2016 and 2015, respectively. These are all classified in Level 3 in the fair value hierarchy because they are held by the trustees in perpetuity. Other assets include funds held by bond trustee, prepayments, and inventories.

#### **(j) Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of land improvements (18 years), buildings (60 years), building systems and improvements (18–25 years), equipment and furnishings (5–15 years), and software (5 years).

Expenses for the repair and maintenance of facilities are recognized during the period incurred. Betterments, which add to the value of the related assets or materially extend the lives of the assets, are

## BRANDEIS UNIVERSITY

### Notes to Financial Statements

June 30, 2016

(with summarized comparative information for June 30, 2015)

(In thousands of dollars)

capitalized. The University recognizes the estimated fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred. When the liability is initially recorded, the University capitalizes the cost of the obligation by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the asset's useful life. Payments to settle the obligation are charged against the liability, and any difference between the actual settlement cost and the related estimated liability recorded is recognized as a gain or loss in the statement of activities.

#### **(k) Other Long-Term Liabilities**

The University is bound by trust agreements that include gift annuities and charitable remainder trusts. These funds are held for one or more beneficiaries and generally pay lifetime income to those beneficiaries, after which the principal is made available to the University in accordance with donor intentions. The assets are presented within long-term investments, and liabilities are recorded to recognize the present value of estimated future payments due to beneficiaries. The liabilities are \$11,629 and \$13,322 as of June 30, 2016 and 2015, respectively. The University also has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities, primarily asbestos removal, at or prior to disposal of certain property. As of June 30, 2016 and 2015, the estimated liabilities were \$5,760 and \$6,134, respectively. In addition, the University carries a liability related to refundable advances received under the Federal Perkins Loan Program as discussed in note 4. As of June 30, 2016 and 2015, those liabilities were \$5,983 and \$6,047, respectively.

#### **(l) Collections**

Collections at Brandeis University are protected and preserved for public exhibition, education, research and the furtherance of public service. Collections are not capitalized; sales and purchases of collection items are reported as nonoperating revenue and expenses in the University's financial statements in the period in which the items are sold or acquired, respectively.

#### **(m) 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.

#### **(n) Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates, and the differences may be material. Significant estimates recorded in these financial statements at June 30, 2016 and 2015 include the valuation of certain investments, accrued expenses, receivables, asset retirement obligations, and split-interest agreements; and determination of the useful lives of property and equipment.

**BRANDEIS UNIVERSITY**

## Notes to Financial Statements

June 30, 2016

(with summarized comparative information for June 30, 2015)

(In thousands of dollars)

**(o) Allocation of Expenses**

The statement of activities presents expenses by functional classification. Depreciation, amortization, interest, and operation of plant expenses are allocated to functional expense categories on the basis of square feet utilized.

**(p) Reclassifications**

Certain 2015 information has been reclassified to conform to the 2016 presentation.

**(3) Accounts Receivable**

The composition of accounts receivable as of June 30 is as follows:

	<u>2016</u>	<u>2015</u>
Student receivables	\$ 1,644	1,046
Sponsored program receivables	6,785	8,770
Other	<u>2,875</u>	<u>4,123</u>
	11,304	13,939
Less allowance for doubtful accounts	<u>(806)</u>	<u>(887)</u>
Accounts receivable, net	<u>\$ 10,498</u>	<u>13,052</u>

**(4) Notes Receivable**

The composition of notes receivable as of June 30 is as follows:

	<u>2016</u>	<u>2015</u>
Federal Perkins loan program	\$ 6,641	7,384
University student loan programs	<u>10,023</u>	<u>10,583</u>
	16,664	17,967
Less allowance for doubtful loans	<u>(3,594)</u>	<u>(3,396)</u>
Notes receivable, net	<u>\$ 13,070</u>	<u>14,571</u>

Notes receivable under the Federal Perkins Loan Program (the Program) are subject to significant restrictions. Such funds may be reloaned by the University after collection, but in the event that the University no longer participates in the Program, the amounts are generally refundable to the U.S. government.

**BRANDEIS UNIVERSITY**

## Notes to Financial Statements

June 30, 2016

(with summarized comparative information for June 30, 2015)

(In thousands of dollars)

**(5) Contributions Receivable**

The composition of contributions receivable as of June 30 is as follows:

	<u>2016</u>	<u>2015</u>
Amounts due in:		
Less than one year	\$ 13,753	15,086
Between one and five years	12,618	22,903
More than five years	<u>120</u>	<u>184</u>
Gross contributions receivable	26,491	38,173
Less:		
Allowance for unfulfilled contributions	(3,769)	(6,054)
Discount, at rates from 0.72% to 6.0%	<u>(299)</u>	<u>(718)</u>
Contributions receivable, net	<u>\$ 22,423</u>	<u>31,401</u>

**(6) Long-term Investments**

The investment objective of the University is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The University diversifies its investments among asset classes by incorporating several strategies and managers. Major investment decisions are authorized by the University's Trustee Investment Committee that oversees the University's investments.

In addition to equity and fixed income investments, the University may also hold shares or units in institutional funds and alternative investment funds involving hedged and private equity strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds and securities sold short and often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Long-term investments also include assets associated with gift annuities and charitable remainder trusts.

Investments are reported at estimated fair value. If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as the reported fair value. Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds are generally reported at net asset values (NAV) reported by fund managers, which are used as a practical expedient to estimate the fair value of the University's interests therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2016 and 2015, the

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

June 30, 2016

(with summarized comparative information for June 30, 2015)

(In thousands of dollars)

University had no plans or intentions to sell investments at amounts different from NAV. Registered mutual funds are classified in Level 1 of the fair value hierarchy.

The University's long-term investments at June 30, 2016 are summarized in the following table by strategy and, as applicable their fair value hierarchy classification:

	Investments measured at NAV	Investments classified in fair value hierarchy			Total
		Level 1	Level 2	Level 3	
Endowment investments:					
Global equity	\$ 103,627	26	—	—	103,653
Non-U.S. equity	80,746	103	—	—	80,849
Private equity	98,894	—	—	—	98,894
Hedge fund/credit:					
Credit – private	10,077	—	—	—	10,077
Hedge funds – long/short	151,880	—	—	—	151,880
Hedge funds – multi strategy	238,735	—	—	—	238,735
Real assets	62,537	—	8,753	134	71,424
Cash and cash equivalents	—	10,289	—	—	10,289
Treasuries and fixed income	13,365	33,922	—	869	48,156
Receivable for investments sold	—	52,820	—	—	52,820
<b>Total endowment investments</b>	<b>759,861</b>	<b>97,160</b>	<b>8,753</b>	<b>1,003</b>	<b>866,777</b>
Other investments:					
Equities	—	7	135	—	142
Cash and cash equivalents	—	31	—	—	31
Fixed income	—	—	150	—	150
Mutual funds	—	23,140	—	—	23,140
<b>Total other investments</b>	<b>—</b>	<b>23,178</b>	<b>285</b>	<b>—</b>	<b>23,463</b>
<b>Total long-term investments</b>	<b>\$ 759,861</b>	<b>120,338</b>	<b>9,038</b>	<b>1,003</b>	<b>890,240</b>

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

June 30, 2016

(with summarized comparative information for June 30, 2015)

(In thousands of dollars)

The University's long-term investments at June 30, 2015 are summarized in the following table by strategy and their fair value hierarchy classification:

	Investments measured at NAV	Investments classified in fair value hierarchy			Total
		Level 1	Level 2	Level 3	
Endowment investments:					
Global equity	\$ 170,796	21	—	—	170,817
Non-U.S. equity	73,845	106	—	—	73,951
Private equity	75,692	—	—	—	75,692
Hedge fund/credit:					
Credit – private	12,514	—	—	—	12,514
Hedge funds – long/short	159,293	—	—	—	159,293
Hedge funds – multi strategy	214,244	—	—	—	214,244
Real assets	53,683	—	—	134	53,817
Cash and cash equivalents	—	2,311	—	—	2,311
Treasuries and fixed income	28,209	97,717	—	797	126,723
Receivable for investments sold	—	25,725	—	—	25,725
<b>Total endowment investments</b>	<b>788,276</b>	<b>125,880</b>	<b>—</b>	<b>931</b>	<b>915,087</b>
Other investments:					
Equities	—	28	135	—	163
Cash and cash equivalents	—	50	—	—	50
Fixed income	—	—	156	—	156
Mutual funds	—	24,682	—	—	24,682
<b>Total other investments</b>	<b>—</b>	<b>24,760</b>	<b>291</b>	<b>—</b>	<b>25,051</b>
<b>Total long-term investments</b>	<b>\$ 788,276</b>	<b>150,640</b>	<b>291</b>	<b>931</b>	<b>940,138</b>

The following tables present activity for the fiscal years ended June 30, 2016 and 2015 for long-term investments classified in Level 3 of the fair value hierarchy:

	Real assets	
	2016	2015
Beginning balance	\$ 931	1,670
Acquisitions	—	—
Dispositions	—	—
Transfers out	—	(968)
Realized gain	—	—
Unrealized gain	72	229
<b>Ending balance</b>	<b>\$ 1,003</b>	<b>931</b>

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

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Transfers out of Level 3 for the year ended June 30, 2015 include \$968 of conversion of real estate assets to marketable securities. For the years ended June 30, 2016 and 2015, there were no transfers between Levels 1 and 2.

The following summarizes the investment return for all investments for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Investment income	\$ 5,763	7,492
Net realized gains	45,074	67,358
Net change in unrealized appreciation	<u>(75,808)</u>	<u>(18,686)</u>
	(24,971)	56,164
Less management fees	<u>(3,768)</u>	<u>(4,665)</u>
Total investment return	<u>\$ (28,739)</u>	<u>51,499</u>

The following is a reconciliation of amounts presented in the statement of activities to total investment return for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Operating revenues – investment income	\$ 763	1,394
Operating revenues – endowment return utilized	46,144	42,482
Nonoperating revenues – investment return, net of endowment return utilized	<u>(75,646)</u>	<u>7,623</u>
Total investment return	<u>\$ (28,739)</u>	<u>51,499</u>



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**(a) Liquidity**

Hedge funds, global equity, and fixed income investments are redeemable at NAV under the terms of subscription agreements and/or partnership agreements. Investments with daily liquidity generally do not require any notice prior to withdrawal. Investments with monthly, quarterly or annual redemption frequency typically require notice periods ranging from 30 to 180 days. The following table presents the University's long-term investments by their availability for the next twelve months following June 30, 2016 and June 30, 2015:

	June 30, 2016				
	Daily	Quarterly	Annual	Illiquid	Total
Cash equivalents	\$ 10,320	—	—	—	10,320
Receivable from investments sold	34,208	—	18,612	—	52,820
Fixed income	57,063	—	13,365	1,016	71,444
Equities	136	78,600	31,314	173,488	283,538
Hedge funds	—	100,440	169,924	130,329	400,693
Real assets	—	—	—	71,425	71,425
Total	\$ <u>101,727</u>	<u>179,040</u>	<u>233,215</u>	<u>376,258</u>	<u>890,240</u>
	June 30, 2015				
	Daily	Quarterly	Annual	Illiquid	Total
Cash equivalents	\$ 2,361	—	—	—	2,361
Receivable from investments sold	—	6,351	—	19,374	25,725
Fixed income	121,553	14,105	—	15,903	151,561
Equities	156	100,563	55,574	164,330	320,623
Hedge funds	—	72,698	183,916	129,437	386,051
Real assets	—	—	—	53,817	53,817
Total	\$ <u>124,070</u>	<u>193,717</u>	<u>239,490</u>	<u>382,861</u>	<u>940,138</u>

Investments categorized as illiquid include lock ups with definite expiration dates, restricted shares, side pockets, or private equity and real asset funds where the University has no liquidity.

**BRANDEIS UNIVERSITY**

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(In thousands of dollars)

The University has certain investments with a fair value of \$156,619 at June 30, 2016 that have restricted redemptions for lock-up periods. Some of the investments with redemption restrictions allow earlier redemption for specified fees. The expiration of redemption lock-up period amounts are summarized in the table below:

	<u>Amount</u>
Fiscal year:	
2017	\$ 84,846
2018	49,153
2019	<u>22,256</u>
	<u>\$ 156,255</u>

**(b) Commitments**

Private credit, private equity, and real asset investments are generally made through limited partnerships. Under the terms of these agreements, the University is obligated to remit additional funding periodically as capital are exercised by the manager. These partnerships have a limited existence, generally between ten and fifteen years, and provide for annual one year extensions for the purpose of disposing portfolio positions and returning capital to the investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend or reduce the term of a fund from that which was originally anticipated. As a result, the timing and amount of future capital calls expected to be exercised in any particular future year is uncertain. The aggregate amount of unfunded commitments associated with global equities, non-US equities, private equity, and energy and real asset investments as of June 30, 2016 was \$27,147, \$9,278, \$92,167, and \$89,560, respectively.

**(c) Derivatives**

The endowment employs certain derivative financial instruments to replicate asset positions more cost effectively than through purchases or sales of the underlying assets.

As a result of entering into investment derivative agreements, the University is subject to market volatility consistent with the underlying asset classes. The University has established policies, procedures, and internal controls governing the use of derivatives.

## BRANDEIS UNIVERSITY

### Notes to Financial Statements

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The purchase and sale of exchange-traded derivatives require collateral deposits with the Futures Commission Merchant (FCM). Collateral is posted and moved on a daily basis as required by the rules of the exchange on which the derivatives are traded. In the event of the FCM's insolvency, recovery may be limited to the University's pro-rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total cash or other collateral posted. The collateral is generally in the form of debt obligations issued by the U.S. treasury or cash. Cash collateral and certain securities owned by the University were held at counterparty brokers to collateralize these positions and are included in long-term investments on the Balance Sheet. As of June 30, 2016 and 2015, the aggregate notional exposure on long-term assets was (\$26,337) and \$0, respectively. The associated unrealized gain on these assets was \$188 and \$0, respectively, as of June 30, 2016 and 2015. The notional amount of these derivatives is not recorded on the University's financial statements.

#### (7) Property, Plant and Equipment

The composition of property, plant, and equipment as of June 30 is as follows:

	<u>2016</u>	<u>2015</u>
Land and land improvements	\$ 44,447	44,099
Buildings	184,884	184,884
Building systems and improvements	367,770	355,202
Equipment, furnishings, and software	109,524	100,414
Construction in progress	<u>16,630</u>	<u>8,713</u>
	723,255	693,312
Less accumulated depreciation	<u>(376,397)</u>	<u>(348,955)</u>
Property, plant and equipment, net	<u>\$ 346,858</u>	<u>344,357</u>

Depreciation expense amounted to \$27,442 in 2016 and \$26,076 in 2015. Operation and maintenance expenses amounted to \$29,444 in 2016 and \$30,532 in 2015.

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Notes to Financial Statements

June 30, 2016

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(In thousands of dollars)

**(8) Long-Term Debt**

Long-term debt outstanding as of June 30 consists of the following:

	<u>2016</u>	<u>2015</u>
Commonwealth of Massachusetts Development Finance Agency (MDFA) Revenue Bonds, Brandeis University Issue 2010 Series O-2, at interest rates from 3.0% to 5.0%, maturing in annual installments from October 1, 2012 through October 1, 2028	\$ 78,915	83,235
MDFA Revenue Bonds, Brandeis University Issue 2010 Series O-1, at interest rates from 3.0% to 5.0%, maturing in annual installments from October 1, 2013 through October 1, 2040	77,720	79,300
MDFA Revenue Bonds, Brandeis University Issue 2008 Series N, at interest rates from 3.25% to 5.0%, maturing in annual installments from October 1, 2012 through October 1, 2039	43,960	44,900
MDFA Revenue Bonds, Brandeis University Issue 2013 Series P-1, at interest rates of 3.48%, maturing in annual installments from October 1, 2017 through April 1, 2043	15,205	15,205
MDFA Revenue Bonds, Brandeis University Issue 2013 Series P-2, at interest rates of 3.04%, maturing in annual installments from October 1, 2013 through July 1, 2033	21,080	21,180
MDFA Brandeis University Issue Master Lease, at an interest rate of 2.62%, principal and interest payable through May 10, 2018	<u>2,923</u>	<u>4,391</u>
Total	239,803	248,211
Unamortized premium, net	5,635	6,494
Unamortized issuance costs	<u>(1,852)</u>	<u>(1,959)</u>
Long-term debt, net	<u>\$ 243,586</u>	<u>252,746</u>

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Notes to Financial Statements

June 30, 2016

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(In thousands of dollars)

The University's principal payment obligations as of June 30, 2016 are as follows:

Year ending June 30:		
2017	\$	9,532
2018		10,134
2019		9,118
2020		9,555
2021		10,020
Thereafter		<u>191,444</u>
	\$	<u><u>239,803</u></u>

Interest expense, net of amounts capitalized, for the years ended June 30, 2016 and 2015 was \$10,467 and \$10,534, respectively. Interest costs incurred and capitalized during 2015 were \$178. There were no capitalized interest costs for 2016.

**(9) Line of Credit**

The University has a \$30,000 line of credit with JPMorgan Chase Bank, N.A. at an interest rate of LIBOR plus 55 basis points. As of June 30, 2016, the interest rate was 1%. There is an annual commitment fee of 0.1% based on the daily average unused portion of the loan commitment, which is paid quarterly. The maturity date of the credit agreement is March 30, 2017. As of June 30, 2016 and 2015, there were no outstanding borrowings against this line of credit.

**(10) Net Assets**

**(a) Temporarily Restricted Net Assets**

The composition of temporarily restricted net assets as of June 30 is as follows:

	<u>2016</u>	<u>2015</u>
Restricted contributions	\$ 28,600	30,700
Unspent net endowment return and term endowments	191,101	245,603
Student loan funds	379	421
Life income and annuity funds	6,775	6,387
Contributions receivable, net	8,700	15,343
Physical plant and other	<u>119</u>	<u>133</u>
Total temporarily restricted net assets	\$ <u><u>235,674</u></u>	<u><u>298,587</u></u>

Restricted contributions include gifts received for scholarships, academic support and auxiliary programs. Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes including scholarships, instruction, research, and other operational purposes or by the occurrence of events specified by the donors or the passage of time.

## BRANDEIS UNIVERSITY

### Notes to Financial Statements

June 30, 2016

(with summarized comparative information for June 30, 2015)

(In thousands of dollars)

#### **(b) Permanently Restricted Net Assets**

The composition of permanently restricted net assets as of June 30 is as follows:

	<u>2016</u>	<u>2015</u>
Donor-restricted endowment funds	\$ 569,072	550,228
Student loan funds	2,886	2,924
Life income and annuity funds	3,665	3,884
Contributions receivable, net	13,722	16,058
Funds held in trust by others	<u>9,679</u>	<u>10,062</u>
Total permanently restricted net assets	<u>\$ 599,024</u>	<u>583,156</u>

#### **(11) Endowments**

The University's endowment is pooled for investment purposes and consists of approximately 1,900 individual funds established for a variety of purposes. The endowment consists of both donor-restricted funds managed in accordance with applicable law and donor intent, as well as funds designated by the University's Board to operate as endowment (quasi-endowment).

If an individual donor restricted endowment fund balance falls below its original fair value, that fund is considered to be "underwater." The aggregate fair value of underwater endowment funds was less than their original corpus by \$3,876 and \$60 as of June 30, 2016 and 2015, respectively.

The University follows the provisions of UPMIFA. State law allows the Board of Trustees to appropriate so much of the endowment fund as is prudent considering the University's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

Endowment return utilized in operations in 2016 and 2015 amounted to \$46,144 and \$42,482, respectively. The funds are utilized principally for student financial aid and support of faculty chairs.

The endowment investment objectives are to maximize risk-adjusted returns over a long-term horizon and to achieve its objectives by having a strategy of investing in multiple asset classes. In order to meet the primary investment goals for endowment funds, the average annual net total return over an extended period, after adjusting for inflation, is deemed sufficient to support the spending rate as determined by the University's Board of Trustees. To have a reasonable probability of achieving the Fund's primary investment goal at an acceptable risk level, the University's Trustees Investment Committee has adopted a long-term asset allocation policy.

The University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. Donor-restricted amounts reported below include term endowments and appreciation, net of underwater funds, which are reported as unrestricted net assets.

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Notes to Financial Statements

June 30, 2016

(with summarized comparative information for June 30, 2015)

(In thousands of dollars)

Endowment and quasi-endowment funds consist of the following at June 30, 2016 and 2015:

<b>2016</b>				
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor restricted	\$ (3,876)	182,906	569,072	748,102
Quasi (Board-designated)	110,480	8,195	—	118,675
Total	<u>\$ 106,604</u>	<u>191,101</u>	<u>569,072</u>	<u>866,777</u>

<b>2015</b>				
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor restricted	\$ (60)	237,408	550,228	787,576
Quasi (Board-designated)	119,316	8,195	—	127,511
Total	<u>\$ 119,256</u>	<u>245,603</u>	<u>550,228</u>	<u>915,087</u>

Changes in endowment and quasi-endowment funds for the year ended June 30, 2016 are as follows:

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Net assets at June 30, 2015	\$ 119,256	245,603	550,228	915,087
Net investment return	(5,171)	(24,617)	72	(29,716)
Contributions	3	25	17,755	17,783
Utilized in operations	(16,234)	(29,910)	—	(46,144)
Transfers	8,750	—	1,017	9,767
Net assets at June 30, 2016	<u>\$ 106,604</u>	<u>191,101</u>	<u>569,072</u>	<u>866,777</u>

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June 30, 2016

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(In thousands of dollars)

Changes in endowment and quasi-endowment funds for the year ended June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets at June 30, 2014	\$ 92,452	237,870	530,830	861,152
Net investment return	6,531	39,335	231	46,097
Contributions	16	—	18,871	18,887
Utilized in operations	(10,880)	(31,602)	—	(42,482)
Transfers	31,137	—	296	31,433
Net assets at June 30, 2015	<u>\$ 119,256</u>	<u>245,603</u>	<u>550,228</u>	<u>915,087</u>

**(12) Retirement Plans**

The University participates in defined contribution plans providing retirement benefits for substantially all full-time and regular part-time employees. Under the programs, the University makes monthly contributions, currently 6% – 10% of the annual eligible wages of participants, up to defined limits. Voluntary contributions by participants are made subject to statutory limits. The University's contribution to the plans totaled \$9,852 in 2016 and \$9,358 in 2015.

**(13) Contingencies**

The University is involved in legal cases that have arisen in the normal course of its operations. The University believes that the outcome of these cases will not have a material adverse effect on the financial position of the University.

**(14) Subsequent Events**

The University evaluated subsequent events for potential recognition or disclosure through October 26, 2016, the date on which the financial statements were issued.



**BRANDEIS UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Direct Award Or Pass-Through Entity Identifying Number	Passed Through To Subrecipients	Total Federal Expenditures
Student Financial Assistance Cluster:				
U.S. Department of Education:				
Office of Student Financial Assistance Programs:				
Federal Pell Grant Program	84.063	Direct	\$ —	3,034,405
Federal Supplemental Educational Opportunity Grants	84.007	Direct	—	651,748
Federal Work-Study Program	84.033	Direct	—	595,295
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	Direct	—	1,854
Federal Perkins Loan Program (Note 4)	84.038	Direct	—	8,080,429
Federal Direct Student Loans (Note 4)	84.268	Direct	—	25,526,738
Total Student Financial Assistance Cluster			—	37,890,469
Research and Development Cluster:				
Department of Health and Human Services (DHHS):				
National Institutes of Health (NIH):				
Food and Drug Administration_Research	93.103	Direct	—	3,663
Maternal and Child Health Federal Consolidated Programs	93.110	Direct	16,205	35,968
Research Related to Deafness and Communication Disorders	93.173	Direct	—	568,877
Research and Training in Complementary and Alternative Medicine	93.213	Direct	68,221	747,858
Mental Health Research Grants	93.242	Direct	1,349,381	3,051,709
Brown University	93.242	00000491	—	16,405
Children's Hospital	93.242	RSTFD0000689037	—	49,057
Stanford University	93.242	61109443-121247	—	175,678
Total Mental Health Research Grants			1,349,381	3,292,849
Alcohol Research Programs	93.273	Direct	—	367,931
Drug Abuse and Addiction Research Programs	93.279	Direct	203,267	2,594,697
Mississippi State University	93.279	190300.362838.04	—	(1,896)
University of Miami	93.279	665787	—	72,014
Total Drug Abuse and Addiction Research Programs			203,267	2,664,815
Mental Health National Research Service Awards for Research Training	93.282	Direct	—	368,388
Discovery and Applied Research for Technical Innovations to Improve Human Health	93.286	Direct	—	288,210
National Center for Advancing Translational Sciences:				
Tufts University	93.350	100107-00001	—	76,740
Cancer Treatment Research	93.395	Direct	40,868	352,779
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	Direct	—	84,983
Heart and Vascular Diseases Research	93.837	Direct	—	223,536
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Direct	—	5,026,131
Harvard University	93.853	152738.5095125.0104	—	32,536
Trustees of Columbia University New York	93.853	1(GG006553-01)	—	22,855
University Of California, Irvine	93.853	2014-3141	—	29,872
University of Massachusetts	93.853	WA00188809/RFS2014138	—	92,298
University of Massachusetts – Worcester	93.853	WA00233529/RFS2015079	—	70,684
Total Extramural Research Programs in the Neurosciences and Neurological Disorders			—	5,274,376
Allergy, Immunology and Transplantation Research	93.855	Direct	537,945	1,552,263
Children's Hospital	93.855	RSTFD0000592953	—	(7,309)
University of Houston	93.855	R-15-0004	—	113,620
Total Allergy, Immunology and Transplantation Research			537,945	1,658,574

**BRANDEIS UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Direct Award Or Pass-Through Entity Identifying Number	Passed Through To Subrecipients	Total Federal Expenditures
Biomedical Research and Research Training	93.859	Direct	\$ 1,671,451	10,344,625
Boston University	93.859	4,500,002,110	—	52,752
Harvard Medical School	93.859	152463.5064757.1304	—	130,791
Harvard Medical School	93.859	152463.5064759.1306	—	285,781
University of Massachusetts	93.859	WA00228621/RFS2015072	—	23,513
University of Vermont	93.859	26835SUB51330	—	33,219
Total Biomedical Research and Research Training			1,671,451	10,870,681
Child Health and Human Development Extramural Research	93.865	Direct	11,081	419,497
University of Massachusetts Medical School	93.865	WA00277858/RFS2015142	—	99,091
Total Child Health and Human Development Extramural Research			11,081	518,588
Aging Research	93.866	Direct	444,489	1,404,014
Hebrew Rehabilitation Center for Aged	93.866	10.10.90069	—	16,593
University of Pennsylvania	93.866	569246	—	105,611
University of Wisconsin-Madison	93.866	618K015	—	137,356
Total Aging Research			444,489	1,663,574
Vision Research	93.867	Direct	—	1,135,928
Total NIH Awards			4,342,908	30,198,318
Administration for Community Living:				
ACL National Institute on Disability, Independent Living, and Rehabilitation Research				
University of Illinois at Chicago	93.433	2016-00319-02-02	—	37,589
Total Administration for Community Living Awards			—	37,589
Administration for Children and Families:				
Affordable Care Act (ACA) Personal Responsibility Education Program:				
Oasis Center Inc	93.092	62-0968273	—	3,909
Child Care and Development Block Grant	93.575	Direct	57,993	237,670
Social Services Research and Demonstration	93.647	Direct	—	162,504
Total Administration for Children and Families Awards			57,993	404,083
Agency for Healthcare Research and Quality:				
National Research Service Awards_Health Services Research Training	93.225	Direct	—	365,089
Research on Healthcare Costs, Quality and Outcomes	93.226	Direct	—	20,986
Total Agency for Healthcare Research and Quality Awards			—	386,075
Centers for Medicare and Medicaid Services:				
Health Care Innovation Awards	93.610	Direct	—	98,640
Massachusetts Behavioral Health Partners	93.610	CMS-1C1-12-001	—	180,268
Total Health Care Innovation Awards			—	278,908
Total Centers for Medicare and Medicaid Services Awards			—	278,908
Health Resources and Services Administration:				
Maternal and Child Health Federal Consolidated Programs				
Partners HealthCare Systems, Inc.	93.110	226859	—	11,109
Nurse Education, Practice and Retention Grants:				
University of N. Carolina-Chapel Hill	93.359	5038951	—	19,048
University of Washington	93.359	UWSC7644	—	10,903
Total Nurse Education, Practice and Retention Grants			—	29,951
Total Health Care Resources and Services Administration			—	41,060

**BRANDEIS UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Direct Award Or Pass-Through Entity Identifying Number	Passed Through To Subrecipients	Total Federal Expenditures
Substance Abuse and Mental Health Services Administration:				
Drug Free Communities Support Program Grants:				
The Waltham Partnership for Youth	93.276	SP 019740	\$ —	26,335
Substance Abuse and Mental Health Services_Projects of Regional and National Significance:				
Advocates, Inc.	93.243	TI-12-005	—	16,972
Commonwealth of Massachusetts	93.243	INTF2400H78500224232	—	79,027
Commonwealth of Massachusetts	93.243	INTF2400HH2W30615190	—	44,790
Wayside Youth & Family Support Network	93.243	SP0-18075	—	11,589
Wayside Youth & Family Support Network	93.243	YMAP	—	6,171
Total Substance Abuse and Mental Health Services_Projects of Regional and National Significance			—	158,549
Total Substance Abuse and Mental Health Services Administration Awards			—	184,884
Total DHHS Awards			4,400,901	31,530,917
Department of Defense:				
Department of the Navy, Office of the Chief of Naval Research:				
Basic and Applied Scientific Research:				
Smart Information Flow Technologies	12.300	C3-Brandeis-01	—	44,101
Office of the Secretary of Defense				
Basic Scientific Research – Combating Weapons of Mass Destruction				
University of Colorado	12.351	1553696	—	49,362
U.S. Army Materiel Command:				
Basic Scientific Research	12.431	Direct	—	153,884
Office of the Secretary of Defense:				
Basic, Applied, and Advanced Research in Science and Engineering	12.630	Direct	—	269
Department of the Air Force, Materiel Command:				
Air Force Defense Research Sciences Program	12.800	Direct	—	293,423
Advanced Research Projects Agency:				
Research and Technology Development:				
Smart Information Flow Technologies	12.910	CLIC-BU-01	—	162,883
Smart Information Flow Technologies	12.910	CLIC-ECI-BU-01	—	4,528
Smart Information Flow Technologies	12.910	R3E-BU-01	—	109,581
University of Pennsylvania	12.910	560460	—	10,964
Total Research and Technology Development			—	287,956
Total Department of Defense Awards			—	828,995
Department of Education:				
National Institute on Disability and Rehabilitation Research:				
University of Illinois at Chicago	84.133	487841 E2378	—	122,500
Total Department of Education Awards			—	122,500
Department of Energy:				
Office of Science Financial Assistance Program	81.049	Direct	—	1,314,027
Pennsylvania State University	81.049	5269-BU-DOE-0908	—	12,000
Total Office of Science Financial Assistance Program			—	1,326,027
Total Department of Energy Awards			—	1,326,027
Department of Justice:				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	Direct	—	96,341
Department of Veterans Affairs:				
Veterans Medical Care Benefits	64.009	Direct	—	37,577
Environmental Protection Agency:				
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716	Direct	—	5,408

**BRANDEIS UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Direct Award Or Pass-Through Entity Identifying Number	Passed Through To Subrecipients	Total Federal Expenditures
National Endowment for the Humanities: Promotion of the Humanities_Digital Humanities Initiative	45.169	Direct	\$ —	11,860
National Science Foundation: Engineering Grants Iowa State University	47.041 47.041	Direct 420-72-24	— —	16,458 127,100
Total Engineering Grants			—	143,558
Mathematical and Physical Sciences Trustees of Columbia University New York	47.049 47.049	Direct 3 (GG006141)	266,610 —	4,056,554 296,677
Total Mathematical and Physical Sciences			266,610	4,353,231
Computer and Information Science and Engineering Biological Sciences	47.070 47.074	Direct Direct	— —	414,524 938,463
Social, Behavioral, and Economic Sciences Boston University	47.075 47.075	Direct 4500000382	— —	210,670 36,495
Total Social, Behavioral, and Economic Sciences			—	247,165
Education and Human Resources Office of International Science and Engineering Office of Cyberinfrastructure	47.076 47.079 47.080	Direct Direct Direct	— — 167,781	1,743 900 399,098
Total National Science Foundation Awards			434,391	6,498,682
Office of Personnel Management: Intergovernmental Personnel Act (IPA) Mobility Program	27.011	Direct	—	73,571
Total Office of Personnel Management			—	73,571
Corporation for National and Community Service: Learn and Serve America_Higher Education Rhode Island Campus Compact AmeriCorps: YouthBuild USA Social Innovation Fund Green Light Fund YouthBuild USA	94.005 94.006 94.019 94.019	06LHHR001 13NDHMA001 12S1HMA001 SIF/ OSF	— — — —	3 87,014 146,167 78,947
Total Social Innovation Fund			—	225,114
Total Corporation for National and Community Service			—	312,131
Total Research and Development Cluster			4,835,292	40,844,009
Other Sponsored Programs: Department of Health and Human Services (DHHS): Centers for Disease Control and Prevention Building Capacity of the Public Health System to Improve Population Health through National, Nonprofit Organizations Disabilities Prevention Commonwealth of Massachusetts Total Centers for Disease Control and Prevention Administration for Community Living Developmental Disabilities Basic Support and Advocacy Grants Commonwealth of Massachusetts Substance Abuse and Mental Health Services Administration: Substance Abuse and Mental Health Services_Projects of Regional and National Significance Commonwealth of Massachusetts Total DHHS	93.524 93.184 93.630 93.243	Direct INTF3043HH2500224035 16G14CR11A*0 INTF2400H78500224291	— — — —	81,506 28,331 109,837 12,649 38,718 161,204

**BRANDEIS UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Direct Award Or Pass-Through Entity Identifying Number	Passed Through To Subrecipients	Total Federal Expenditures
Department of Commerce: NOAA Mission-Related Education Awards Earth Force, Inc.	11.008	NA12SEC008007	\$ —	17,753
Total Department of Commerce			—	17,753
Department of Education: Graduate Assistance in Areas of National Need	84.200	Direct	—	111,449
TRIO_Student Support Services	84.042	Direct	—	308,340
Total Department of Education			—	437,542
Department of Justice: Harold Rogers Prescription Drug Monitoring Program	16.754	Direct	130,696	1,033,814
Bureau of Justice Assistance Second Chance Act Reentry Initiative	16.812	2015-CY-BX-0017	—	611
Spectrum Health Systems	16.812	WCSO-2015-002	—	13,643
Worcester County Sheriff's Office			—	14,254
Total Second Chance Act Reentry Initiative			—	14,254
Total Department of Justice			130,696	1,048,068
Department of State: Professional and Cultural Exchange Programs – Citizen Exchanges	19.415	Direct	—	1,260
Institute of Museum and Library Services: Museums for America	45.301	Direct	—	47,155
National Leadership Grants	45.312	Direct	—	7,300
Total Institute of Museum and Library Services			—	55,715
National Endowment for the Humanities: Promotion of the Humanities_Challenge Grants	45.130	Direct	—	72
National Science Foundation: Social, Behavioral, and Economic Sciences	47.075	Direct	—	26,483
Office of Personnel Management: Intergovernmental Personnel Act (IPA) Mobility Program:	27.011	Direct	—	282,816
Total expenditures of federal awards			\$ 4,965,988	80,746,378

See accompanying notes to supplementary schedule of expenditures of federal awards.

## BRANDEIS UNIVERSITY

### Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

#### (1) Basis of Presentation

The accompanying supplementary schedule of expenditures of federal awards (the Schedule) summarizes the expenditures of Brandeis University (the University) under programs funded by the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards passed through to the University by nonfederal organizations pursuant to federal grants, contracts and similar agreements. The Schedule also denotes awards passed through from the University to other non-federal organizations.

#### (2) Summary of Significant Accounting Policies

Expenditures for direct costs are recognized as incurred using the accrual basis of accounting and cost accounting principles of the Uniform Guidance. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures also include a portion of costs associated with general University activities (facilities and administrative costs) which are allocated to awards under negotiated formulas commonly referred to as facilities and administrative cost rates (note 3). Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### (3) Facilities and Administrative Cost Rates

The University has approved predetermined facilities and administrative cost rates effective through fiscal year June 30, 2016 for on-campus and off-campus sponsored program activities. The base rates in effect for the year ended June 30, 2016 were 62.5% for on-campus research and 26% for off-campus research. The rates for other sponsored programs were 33.9% for on-campus programs and 26% for off-campus programs. Facilities and administrative cost recoveries are reported as part of federal expenditures on the Schedule.

#### (4) Federal Student Financial Assistance

##### *Student Loan Programs*

The Perkins Loan Program listed below is administered directly by the University, and balances and transactions relating to this program are included in the University's financial statements. Loan activities and balances consist of the following:

	<b>Balance as of July 1, 2015</b>	<b>Loans issued</b>	<b>Payments received</b>	<b>Balance as of June 30, 2016</b>
\$	7,394,100	555,790	(1,424,290)	6,656,139

## **BRANDEIS UNIVERSITY**

### Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

The University recovered an administrative cost allowance from the Perkins Loan Program of \$130,539 for the year ended June 30, 2016. As required by the Uniform Guidance, the amount shown on the Schedule as expenditures for the Perkins Loan Program is equal to the sum of this administrative cost allowance, balance outstanding at July 1, 2015, and the loans issued during the year ended June 30, 2016. There were no new federal capital contributions to the Perkins Loan Program during the year ended June 30, 2016.

#### *Federal Direct Loans*

The University distributed \$25,526,738 of federally guaranteed loans to students of the University through the Federal Direct Loan Program (CFDA 84.268), which includes Direct Subsidized and Unsubsidized Loans, and Direct Parent Loans for Undergraduate Students. These distributions and the related funding sources are not included in the University's financial statements.



KPMG LLP  
Two Financial Center  
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Boston, MA 02111

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Trustees  
Brandeis University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Brandeis University (the University), which comprise the balance sheet as of June 30, 2016, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.





**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

October 26, 2016



KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

## **Independent Auditors' Report on Compliance for Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

The Board of Trustees  
Brandeis University:

### **Report on Compliance for Major Federal Program**

We have audited Brandeis University's (the University's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University's major federal program for the year ended June 30, 2016. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the University's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the University's major federal program. However, our audit does not provide a legal determination of the University's compliance.

#### ***Opinion on Major Federal Program***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.



## **Report on Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*KPMG LLP*

March 3, 2017

**BRANDEIS UNIVERSITY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

**(1) Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting principles: Unmodified

Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

- Material weaknesses: \_\_\_\_\_ yes      X      no
- Significant deficiencies: \_\_\_\_\_ yes      X      none reported

Noncompliance material to the financial statements noted? \_\_\_\_\_ yes      X      no

*Federal Awards*

Internal control deficiencies over major program disclosed by audit:

- Material weaknesses: \_\_\_\_\_ yes      X      no
- Significant deficiencies: \_\_\_\_\_ yes      X      none reported

Type of auditors' report issued on compliance for major program: Unmodified

Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a): \_\_\_\_\_ yes      X      no

*Identification of Major Program*

Name of federal program/cluster	CFDA numbers
Research and Development Cluster	Various

Dollar threshold used to distinguish between type A and type B programs: \$2,422,391

Audit qualified as low risk auditee:   X   yes    \_\_\_\_\_ no

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None

**(3) Findings and Questioned Costs Relating to Federal Awards**

None