



BRANDEIS UNIVERSITY

Financial Statements

June 30, 2019

(with summarized comparative information for June 30, 2018)

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Board of Trustees
Brandeis University:

We have audited the accompanying financial statements of Brandeis University (the University), which comprise the balance sheet as of June 30, 2019, 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. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brandeis University as of June 30, 2019, 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.



Emphasis of Matters

As discussed in Note 2(o) to the financial statements, in 2019, the University adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*; ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended; and ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the University's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived before the adjustments to adopt ASU No. 2016-14. As part of our audit of the 2019 financial statements, we also audited the adjustments described in Note 2(o) that were applied to adopt ASU No. 2016-14 retrospectively in the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

KPMG LLP

October 25, 2019

BRANDEIS UNIVERSITY

Balance Sheet

June 30, 2019

(with comparative information as of June 30, 2018)

(In thousands of dollars)

Assets	2019	2018
Cash and cash equivalents	\$ 29,223	28,989
Accounts receivable, net	10,245	13,994
Notes receivable, net	9,133	10,460
Contributions receivable, net	8,212	10,350
Long-term investments	1,096,897	1,069,924
Funds held by bond trustee	45,420	11,124
Funds held in trust by others and other assets	25,465	21,971
Property, plant and equipment, net	<u>363,565</u>	<u>363,367</u>
Total assets	<u>\$ 1,588,160</u>	<u>1,530,179</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 27,868	30,530
Sponsored program advances	6,691	6,085
Student deposits and deferred revenue	14,932	16,074
Other long-term liabilities	21,769	22,155
Long-term debt, net	<u>304,417</u>	<u>271,546</u>
Total liabilities	<u>375,677</u>	<u>346,390</u>
Net assets:		
Without donor restrictions	182,857	185,096
With donor restrictions	<u>1,029,626</u>	<u>998,693</u>
Total net assets	<u>1,212,483</u>	<u>1,183,789</u>
Total liabilities and net assets	<u>\$ 1,588,160</u>	<u>1,530,179</u>

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Statement of Activities

Year ended June 30, 2019

(with summarized comparative information for the year ended June 30, 2018)

(In thousands of dollars)

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>2019</u>	<u>2018</u>
Operating revenues and other support:				
Tuition and fees (net of financial aid)	\$ 168,605	—	168,605	163,548
Residence hall and dining	43,371	—	43,371	40,668
Net tuition and fees, residence hall and dining	211,976	—	211,976	204,216
Net assets utilized in operations	21,416	—	21,416	21,292
Sponsored programs – direct	41,230	—	41,230	43,029
Sponsored programs – indirect	13,063	—	13,063	13,027
Other investment income	1,562	—	1,562	885
Investment income from funds held in trust by others	474	—	474	315
Endowment return utilized	51,619	—	51,619	49,637
Other auxiliary enterprises	3,907	—	3,907	4,135
Other sources	11,162	—	11,162	9,244
Total operating revenues and other support	<u>356,409</u>	<u>—</u>	<u>356,409</u>	<u>345,780</u>
Operating expenses:				
Compensation	181,993	—	181,993	175,558
Employee benefits	39,235	—	39,235	40,584
Utilities and general repairs	18,911	—	18,911	18,968
Depreciation	28,702	—	28,702	28,144
Interest	11,077	—	11,077	11,027
Supplies, services, and other	72,820	—	72,820	68,630
Total operating expenses	<u>352,738</u>	<u>—</u>	<u>352,738</u>	<u>342,911</u>
Change in net assets from operating activities	<u>3,671</u>	<u>—</u>	<u>3,671</u>	<u>2,869</u>
Nonoperating activities:				
Net investment return	6,080	52,539	58,619	95,918
Endowment return utilized in operations	(10,223)	(41,396)	(51,619)	(49,637)
Net assets utilized in operations	(5,715)	(15,701)	(21,416)	(21,292)
Net assets released for capital purposes	55	(55)	—	—
Contributions	5,715	36,040	41,755	45,234
Other changes, net	(1,822)	(494)	(2,316)	(3,648)
Change in net assets from nonoperating activities	<u>(5,910)</u>	<u>30,933</u>	<u>25,023</u>	<u>66,575</u>
Change in net assets	(2,239)	30,933	28,694	69,444
Net assets at beginning of year	<u>185,096</u>	<u>998,693</u>	<u>1,183,789</u>	<u>1,114,345</u>
Net assets at end of year	<u>\$ 182,857</u>	<u>1,029,626</u>	<u>1,212,483</u>	<u>1,183,789</u>

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2019

(with comparative information for the year ended June 30, 2018)

(In thousands of dollars)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 28,694	69,444
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization, net	27,799	27,643
Net realized and unrealized investment gains	(55,219)	(88,873)
Net change from funds held in trust by others	117	(175)
Loss on disposal of fixed assets	20	—
Contributions restricted for long-term investment	(19,991)	(25,148)
Loss on debt refinancing	59	—
Change in operating assets, net	2,276	(2,572)
Change in operating liabilities, net	(2,251)	(5,681)
Net cash used in operating activities	<u>(18,496)</u>	<u>(25,362)</u>
Cash flows from investing activities:		
Acquisition and construction of property, plant and equipment	(30,253)	(46,950)
Purchases of investments	(235,790)	(207,889)
Proceeds from sales and maturities of investments	264,036	228,040
Notes receivable issued	(389)	(892)
Notes receivable repaid	1,716	2,412
Net cash used in investing activities	<u>(680)</u>	<u>(25,279)</u>
Cash flows from financing activities:		
Repayments of bonds, notes and leases	(51,004)	(10,984)
Proceeds from issuance of bonds and notes, including premium	85,714	—
Cost of issuance of bonds and notes	(995)	—
Change in funds held by bond trustee	(34,296)	35,307
Contributions restricted for long-term investment	19,991	25,148
Net cash provided by financing activities	<u>19,410</u>	<u>49,471</u>
Change in cash and cash equivalents	234	(1,170)
Cash and cash equivalents, beginning of year	<u>28,989</u>	<u>30,159</u>
Cash and cash equivalents, end of year	\$ <u>29,223</u>	<u>28,989</u>
Supplemental data:		
Interest paid	\$ 11,630	12,193
Increase (decrease) in accrued liabilities attributable to property, plant and equipment	(1,333)	3,882

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2019

(with summarized comparative information for June 30, 2018)

(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 5,400 full-time equivalent 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:

Without donor restrictions: net assets not subject to donor stipulations restricting their use, but may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties. Such net assets may be designated by the Board of Trustees for specific purposes, including to function as endowment.

With donor restrictions: net assets subject to donor stipulations that restrict the purpose and usage or contain a time restriction, which may be perpetual. These net assets may be released from restrictions when the specified time elapses or actions have been taken to meet the restrictions. As further described in note 14, 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 donor restricted until appropriated by the Board and spent on their intended purpose. In addition, net assets with donor restrictions includes donor-restricted endowment funds with underwater valuation. Life income trusts and pledges receivable for which the ultimate use is restricted by the donor are also reported as net assets with donor restrictions.

For comparison purposes, the 2019 statement of activities has been presented with 2018 summarized comparative information in total but not by net asset class. This summarized 2018 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, 2018, from which the summarized information was derived before the adjustments described in note 2(o) that were applied to adopt ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, retrospectively.

BRANDEIS UNIVERSITY

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(with summarized comparative information for June 30, 2018)

(In thousands of dollars)

(b) Nonoperating Activities

Nonoperating activities reflect all contributions, transactions of a long-term investment or capital in nature, investment return net of appropriations for current operational support in accordance with the University's endowment spending policy, collection of artwork, 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 net assets without donor restrictions, unless they are limited by donor-imposed restrictions. Expirations of donor-restrictions are reflected in the statement of activities as net assets utilized in operations. 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 without donor-restrictions, unless restricted by donor-imposed stipulations or law.

Revenue is recognized when or as the University satisfies performance obligations by rendering promised goods or services.

Tuition, student fees, residence hall and dining revenues are recorded as revenue during the year in which the related services are rendered. Payments are generally required to be received in advance of the academic term and are recorded as student deposits and deferred revenue. Tuition and student fees received for courses that cross fiscal years are prorated in accordance with the number of days of instruction. Other auxiliary enterprise revenues are recognized when the goods or services are provided.

(d) Contributions and Sponsored Programs

Contributions with and without donor restrictions are reported as increases to net assets. Contributions include unconditional promises (contributions receivable) that are reported at present value of expected cash flows, net of an allowance for uncollectable contributions receivable. Contributions of noncash assets are recorded at fair value on the date of the contribution.

Contributions without donor restrictions and contributions with donor restrictions for which time or purpose restrictions have been met are reclassified to operating activities as net assets utilized in operations, unless the purpose is capital in nature. For the years ended June 30, 2019 and 2018, net assets utilized in operations include \$15,701 and \$15,935 of net assets released from restrictions, respectively. Contributions for capital purposes are reported as nonoperating activities.

Grants and contracts awarded by federal and other sponsors, which generally are considered nonexchange transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred or other conditions under the agreements are met. The University has elected the simultaneous release policy available under ASU 2018-08, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized.

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Notes to Financial Statements

June 30, 2019

(with summarized comparative information for June 30, 2018)

(In thousands of dollars)

Federal and other sponsored grants and contracts may be subject to fiscal funding clauses or annual appropriations. The University estimates that conditional awards outstanding as of June 30, 2019 approximate the University's recent historical annual sponsored program activity.

(e) Fundraising Expense

Fundraising expense was \$11,587 and \$10,204 for the years ended June 30, 2019 and 2018, respectively, and is classified as institutional support in note 4.

(f) Cash and Cash Equivalents

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

(g) 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. Certain investments are reported at their net asset value (NAV), which is used as a practical expedient to estimate their fair values, and these investments are not categorized in the fair value hierarchy.

(h) 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 net assets with donor restrictions. The University had \$10,154 and \$10,271 of FHITBO as of June 30, 2019 and 2018, respectively. Other assets include prepayments, inventories, and deferral of qualifying cloud computing arrangement implementation costs.

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2019

(with summarized comparative information for June 30, 2018)

(In thousands of dollars)

(i) 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 (18–50 years), equipment and furnishings (5–15 years), software (5 years), and leases (3–5 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 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.

(j) Other Long-Term Liabilities

The University is bound by certain donor 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 \$10,069 and \$10,669 as of June 30, 2019 and 2018, 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, 2019 and 2018, the estimated liabilities were \$5,552 and \$5,502, respectively. In addition, the University carries a liability related to refundable advances received under the Federal Perkins Loan Program as discussed in note 6. As of June 30, 2019 and 2018, those liabilities were \$5,102 and \$5,113, respectively.

(k) Collections

Collections at Brandeis University are protected and preserved for public exhibition, education, research and the furtherance of public service. Collections are not capitalized and contributions of collections are not recognized as contribution revenue. 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.

(l) 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.

BRANDEIS UNIVERSITY
Notes to Financial Statements
June 30, 2019
(with summarized comparative information for June 30, 2018)
(In thousands of dollars)

(m) 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.

(n) Allocation of Expenses

The statement of activities presents operating expenses by natural classification. Note 4 displays a matrix of operating expenses by both natural and functional categories. Depreciation, amortization, interest, and operation of plant expenses are allocated to functional expense categories on the basis of square feet utilized.

(o) Recently Issued Accounting Standards

Effective in 2019, the University retrospectively adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. The primary changes include revisions to simplify and enhance the presentation of net assets, a requirement to present functional and natural expenses in a single location, and expanded disclosures regarding liquidity and availability of resources. The ASU is effective for fiscal years beginning after December 15, 2017.

The adoption of ASU No. 2016-14 effective as of July 1, 2017 resulted in the following retrospective changes to net assets classification:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
As previously presented:			
Unrestricted	\$ 184,153	—	184,153
Temporarily restricted	—	273,863	273,863
Permanently restricted	—	656,329	656,329
	<hr/>	<hr/>	<hr/>
Net assets as previously presented as of July 1, 2017	184,153	930,192	1,114,345
Reclassification to adopt ASU 2016-14:			
Underwater endowments	897	(897)	—
	<hr/>	<hr/>	<hr/>
Net assets as reclassified	\$ 185,050	929,295	1,114,345
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2019

(with summarized comparative information for June 30, 2018)

(In thousands of dollars)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
As previously presented:			
Unrestricted	\$ 184,615	—	184,615
Temporarily restricted	—	322,408	322,408
Permanently restricted	—	676,766	676,766
Net assets as previously presented as of July 1, 2018	184,615	999,174	1,183,789
Reclassification to adopt ASU 2016-14:			
Underwater endowments	481	(481)	—
Net assets as reclassified	\$ <u>185,096</u>	<u>998,693</u>	<u>1,183,789</u>

Effective in 2019, the University adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, which is intended to improve the financial reporting requirements for revenue from contracts with customers. The ASU establishes a five-step model and application guidance for determining the timing and amount of revenue recognition. Topic 606 allows for revenue to be recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services (the transaction price). The University's adoption of the ASU did not materially change the timing or amount of revenue recognized by the University. However, the ASU requires that tuition, fees and auxiliary student revenues be presented in the statement of activities at the transaction price, i.e., net of any institutional student aid. Previously, such revenues were presented gross, i.e., at published rates, followed by a reduction for institutional student aid. Accordingly, the University's 2018 summarized comparative statement of activities has been revised to conform to the 2019 presentation.

ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, was issued by the FASB in June 2018. The new ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonexchange transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes one or more barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The ASU became effective for the University for the year ended June 30, 2019. The University's adoption of the ASU on a modified prospective basis did not have a material effect on its financial statements.

BRANDEIS UNIVERSITY
Notes to Financial Statements
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(with summarized comparative information for June 30, 2018)
(In thousands of dollars)

(p) Related-Party Transactions

Members of the University's Board of Trustees may, from time to time, be associated either directly or indirectly with companies doing business with the University. The University has a written conflict of interest policy that requires each Trustee to certify compliance with such policy on an annual basis as well as disclose any potential related-party transactions. When such a relationship exists, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arms' length, with terms that are fair and reasonable to and for the benefit of the University.

(3) Tuition and Fees, Residence Hall and Dining Revenues

Revenue from tuition and fees, residence halls, and dining services is reflected net of reductions from institutional student aid and is recognized as the services are provided over the academic year, which generally aligns with the University's fiscal year. Such revenue is determined based on published rates for such services, less scholarships and financial aid awarded by the University to qualifying students. Aid in excess of a student's tuition and fees is reflected as a reduction of residence hall and dining charges. Disbursements made directly to students for living or other costs are reported as an expense.

For the years ended June 30, 2019 and 2018, such revenue at the published rate and financial aid is as follows:

	<u>2019</u>	<u>2018</u>
Tuition and fees	\$ 274,421	263,421
Less scholarships and financial aid	<u>(105,816)</u>	<u>(99,873)</u>
Tuition and fees, net	168,605	163,548
Residence hall and dining	<u>43,371</u>	<u>40,668</u>
Tuition and fees, residence hall and dining revenues	<u>\$ 211,976</u>	<u>204,216</u>

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2019

(with summarized comparative information for June 30, 2018)

(In thousands of dollars)

(4) Analysis of Expenses

Expenses by functional and natural classification for the year ended June 30, 2019 consist of the following:

	<u>Instruction</u>	<u>Sponsored Programs</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Auxiliary Enterprises</u>	<u>Institutional Support</u>	<u>Total</u>
Compensation	\$ 85,741	25,676	23,948	16,830	6,329	23,469	181,993
Employee benefits	16,393	4,961	6,139	3,895	1,718	6,129	39,235
Utilities and general repairs	4,436	2,529	1,887	2,975	5,474	1,610	18,911
Depreciation	6,732	3,838	2,864	4,515	8,309	2,444	28,702
Interest	2,598	1,481	1,105	1,743	3,207	943	11,077
Supplies, services, and other	15,252	10,018	12,289	7,212	13,474	14,575	72,820
Total	\$ <u>131,152</u>	<u>48,503</u>	<u>48,232</u>	<u>37,170</u>	<u>38,511</u>	<u>49,170</u>	<u>352,738</u>

Expenses by functional and natural classification for the year ended June 30, 2018 consist of the following:

	<u>Instruction</u>	<u>Sponsored Programs</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Auxiliary Enterprises</u>	<u>Institutional Support</u>	<u>Total</u>
Compensation	\$ 82,133	26,620	23,134	15,967	5,917	21,787	175,558
Employee benefits	16,458	5,086	5,737	3,709	1,555	8,039	40,584
Utilities and general repairs	4,541	2,579	1,925	3,034	5,240	1,649	18,968
Depreciation	6,720	3,817	2,849	4,562	7,755	2,441	28,144
Interest	2,640	1,499	1,119	1,764	3,046	959	11,027
Supplies, services, and other	14,299	10,463	12,451	7,180	12,580	11,657	68,630
Total	\$ <u>126,791</u>	<u>50,064</u>	<u>47,215</u>	<u>36,216</u>	<u>36,093</u>	<u>46,532</u>	<u>342,911</u>

The University's primary programs are instruction and sponsored programs. Expenses reported as academic support, student services, and auxiliary enterprises are incurred in support of these primary program activities.

(5) Accounts Receivable

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

	<u>2019</u>	<u>2018</u>
Student receivables	\$ 2,471	1,978
Sponsored program receivables	6,550	10,150
Other	2,490	3,267
	<u>11,511</u>	<u>15,395</u>
Less allowance for doubtful accounts	<u>(1,266)</u>	<u>(1,401)</u>
Accounts receivable, net	\$ <u>10,245</u>	<u>13,994</u>

BRANDEIS UNIVERSITY
Notes to Financial Statements
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(6) Notes Receivable

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

	<u>2019</u>	<u>2018</u>
Federal Perkins loan program	\$ 4,004	4,885
University student loan programs	<u>9,137</u>	<u>9,495</u>
	13,141	14,380
Less allowance for doubtful loans	<u>(4,008)</u>	<u>(3,920)</u>
Notes receivable, net	<u>\$ 9,133</u>	<u>10,460</u>

Notes receivable under the Federal Perkins Loan Program (the Program) are funded by the U.S. government and University funds and are subject to significant restrictions. The Program has ended and a portion of the amounts are generally refundable to the U.S. government.

(7) Contributions Receivable

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

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 4,302	5,970
Between one and five years	4,448	5,955
More than five years	<u>600</u>	<u>100</u>
Gross contributions receivable	9,350	12,025
Less:		
Allowance for unfulfilled contributions	(902)	(1,462)
Discount, at rates from 1.01% to 3.72%	<u>(236)</u>	<u>(213)</u>
Contributions receivable, net	<u>\$ 8,212</u>	<u>10,350</u>

(8) 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.

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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 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, 2019 and 2018, the 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, 2019 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	\$ 83,937	—	—	—	83,937
Non-U.S. equity	150,406	141	—	—	150,547
Private equity	158,861	—	—	—	158,861
Hedge fund/credit:					
Credit – private	1,636	—	—	—	1,636
Hedge funds – long/short	257,929	—	—	—	257,929
Hedge funds – multi strategy	212,487	—	—	—	212,487
Real assets – private	97,825	—	—	—	97,825
Cash and cash equivalents	—	2,866	—	—	2,866
Treasuries and fixed income	—	106,999	—	438	107,437
	<u>963,081</u>	<u>110,006</u>	<u>—</u>	<u>438</u>	<u>1,073,525</u>
Total endowment investments					

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	Investments measured at NAV	Investments classified in fair value hierarchy			Total
		Level 1	Level 2	Level 3	
Other investments:					
Equities	\$ —	—	135	—	135
Cash and cash equivalents	—	55	—	—	55
Fixed income	—	—	8	—	8
Mutual funds	—	23,174	—	—	23,174
Total other investments	—	23,229	143	—	23,372
Total long-term investments	\$ 963,081	133,235	143	438	1,096,897

The University's long-term investments at June 30, 2018 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	\$ 82,041	—	—	—	82,041
Non-U.S. equity	99,913	133	—	—	100,046
Private equity	167,006	—	—	—	167,006
Hedge fund/credit:					
Credit – private	2,562	—	—	—	2,562
Hedge funds – long/short	211,068	—	—	—	211,068
Hedge funds – multi strategy	248,160	—	—	—	248,160
Real assets – private	96,253	—	—	—	96,253
Cash and cash equivalents	—	13,501	—	—	13,501
Treasuries and fixed income	—	106,023	—	892	106,915
Receivable for investments sold	—	18,834	—	—	18,834
Total endowment investments	907,003	138,491	—	892	1,046,386
Other investments:					
Cash and cash equivalents	—	56	—	—	56
Fixed income	—	—	11	—	11
Mutual funds	—	23,471	—	—	23,471
Total other investments	—	23,527	11	—	23,538
Total long-term investments	\$ 907,003	162,018	11	892	1,069,924

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(a) Investment 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, 2019 and June 30, 2018:

		June 30, 2019					
		<u>Daily</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Annual</u>	<u>Illiquid</u>	<u>Total</u>
Cash equivalents	\$	2,921	—	—	—	—	2,921
Treasuries, fixed income and mutual funds		129,610	—	—	—	1,009	130,619
Equities		141	22,119	48,486	37,340	285,393	393,479
Hedge funds		—	—	153,769	157,053	161,230	472,052
Real assets		—	—	—	—	97,826	97,826
Total	\$	<u>132,672</u>	<u>22,119</u>	<u>202,255</u>	<u>194,393</u>	<u>545,458</u>	<u>1,096,897</u>
		June 30, 2018					
		<u>Daily</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Annual</u>	<u>Illiquid</u>	<u>Total</u>
Cash equivalents	\$	13,557	—	—	—	—	13,557
Receivables from investments sold		—	18,834	—	—	—	18,834
Treasuries, fixed income and mutual funds		129,369	—	—	—	1,028	130,397
Equities		134	29,326	18,028	49,236	252,369	349,093
Hedge funds		—	—	134,703	169,516	157,571	461,790
Real assets		—	—	—	—	96,253	96,253
Total	\$	<u>143,060</u>	<u>48,160</u>	<u>152,731</u>	<u>218,752</u>	<u>507,221</u>	<u>1,069,924</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.

The University has certain investments with a fair value of \$80,192 at June 30, 2019 that have restricted redemptions for lock-up periods. Some of the investments with redemption restrictions allow

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earlier redemption for specified fees. The expiration of redemption lock-up period amounts are summarized in the table below:

	Amount
Fiscal year:	
2020	\$ 35,899
2021	12,904
2022	27,468
2023	1,960
2024	1,961
Total	\$ 80,192

(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 is called by the manager. These partnerships have a limited existence, generally between ten and fifteen years, and provide for annual one year extensions after the initial contract period for the purpose of systematically liquidating 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-U.S. equities, hedge funds, private equity, and real assets investments as of June 30, 2019 was \$21,800, \$6,976, \$15,000, \$80,072 and \$84,967, respectively.

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(9) Property, Plant and Equipment

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

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 45,833	45,111
Buildings	210,225	184,884
Building systems and improvements	407,960	385,329
Equipment, furnishings, and software	135,637	126,872
Construction in progress	19,025	53,518
	<u>818,680</u>	<u>795,714</u>
Less accumulated depreciation	<u>(455,115)</u>	<u>(432,347)</u>
Property, plant and equipment, net	<u>\$ 363,565</u>	<u>363,367</u>

Depreciation expense amounted to \$28,702 in 2019 and \$28,144 in 2018. Operation and maintenance expenses amounted to \$29,708 in 2019 and \$29,508 in 2018.

(10) Financial Assets and Liquidity Resources

As of June 30, 2019 and 2018, financial assets and other liquidity resources available within one year for general expenditures as defined by the University and representing operating expenses, scheduled principal payments on debt, and capital construction costs, were as follows:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 29,223	28,989
Accounts receivable, net, due within one year	10,245	13,994
Notes receivable, net, due within one year	914	950
Scheduled pledge payments, net, available for operations	2,529	2,936
Funds held by bond trustee	45,420	11,124
Subsequent year's Board-approved endowment payout	57,902	51,619
Total financial assets available within one year	<u>\$ 146,233</u>	<u>109,612</u>

The University's working capital and cash flows have seasonal variations during the year attributable to tuition billing and a concentration of contributions received at calendar and fiscal year end. To manage liquidity, the University has other liquidity resources including a \$35,000 bank line of credit as described in note 12. In addition, the quasi endowment of \$99,479 can be made available for general expenditures with approval from the University's Board of Trustees, subject to investment liquidity provisions.

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(11) Long-Term Debt

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

	2019	2018
Commonwealth of MA Development Finance Agency (MDFA) Revenue Bonds, Brandeis University Issue 2018 Series S-2, at interest rate of 5.00% maturing in annual installments from October 1, 2020 through October 1, 2034	\$ 36,905	—
MDFA Revenue Bonds, Brandeis University Issue 2018 Series R, at interest rate of 5.00% maturing in annual installments from October 1, 2019 through October 1, 2039	35,500	—
MDFA Revenue Bonds, Brandeis University Issue, 2017 Series Q, at interest rate of 2.58% maturing in annual installments from October 1, 2017 through April 1, 2032, at which time a balloon payment of \$13,200 will be due.	19,375	19,700
TD Bank note at interest rate of 3.68% maturing in annual installments from October 1, 2017 through June 1, 2032, at which time a balloon payment of \$19,125 will be due.	28,875	29,450
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	18,330	19,275
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	14,440	14,817
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	64,835	69,745
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	72,570	74,365
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 extinguishment in August 2018.	—	41,935
Total	290,830	269,287
Unamortized premium, net	15,930	4,095
Unamortized issuance costs	(2,343)	(1,836)
Long-term debt, net	\$ 304,417	271,546

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Interest expense, net of amounts capitalized, for the years ended June 30, 2018 and 2017 was and \$10,239, respectively. There were not capitalized interests costs in 2017.

The University's principal payment obligations as of June 30, 2019 are as follows:

Year ending June 30:	
2020	\$ 10,360
2021	10,865
2022	11,384
2023	11,934
2024	12,509
Thereafter	<u>233,778</u>
	<u>\$ 290,830</u>

Interest expense for the years ended June 30, 2019 and 2018 was \$11,010 and \$10,940, respectively. There were no capitalized interest costs in 2019. Interest costs incurred and capitalized during 2018 were \$479.

Bond indentures require the maintenance of certain financial covenants which, among other restrictions, require the University to maintain an annual debt service coverage ratio of not less than 1.2 to 1.0 and a liquidity ratio of not less than 50%. The University was in compliance with all such covenants at June 30, 2019 and 2018.

On July 3, 2019, the University issued Series S-1 bonds for \$116,445 through MDFA. Substantially all of the proceeds of Series S-1 will be used on October 1, 2019 for the refunding of existing bonds, MDFA Series O-1 and O-2. The Series S-1 bonds have a fixed interest rate of 5.00% and mature in annual installments from October 1, 2020 to October 1, 2040. Series S-1 bonds were issued with an original premium of \$16,258 which will also be amortized over the life of the bond.

(12) Line of Credit

The University has a \$35,000 line of credit with JPMorgan Chase Bank, N.A. at an interest rate of LIBOR plus 55 basis points if funds are drawn. As of June 30, 2019, the interest rate was 2.95%. 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 31, 2020 subject to annual renewal. During the fiscal years ended June 30, 2019 and 2018, there were no borrowings against this line of credit.

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(13) Net Assets with Donor Restrictions

Net assets with donor restrictions by major category is as follows as of June 30:

<u>Detail of net assets</u>	<u>2019</u>	<u>2018</u>
Restricted contributions	\$ 26,505	25,419
Contributions receivable, net	8,212	10,350
Endowment	968,716	937,287
Student loans	2,572	2,894
Life income and annuity funds	12,223	11,795
Funds held in trust by others	10,154	10,271
Physical plant and other	<u>1,244</u>	<u>677</u>
Total net assets with donor-imposed restrictions	<u>\$ 1,029,626</u>	<u>998,693</u>

Net assets with donor-imposed restrictions provide support for instruction, scholarships, auxiliary programs, library, research, capital, and other programmatic purposes.

(14) Endowments

The University's endowment is pooled for investment purposes and consists of approximately 2,000 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." As of June 30, 2019 and 2018, funds with an original gift value of \$1,714 and \$1,649 were "underwater" by \$486 and \$481, respectively.

The University follows the provisions of UPMIFA. State law allows the Board of Trustees to appropriate the endowment funds as is prudent taking into consideration 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.

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.

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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 gifts donated to the endowment, term endowments and appreciation.

Endowment and quasi-endowment funds consist of the following at June 30, 2019 and 2018:

		2019			Total funds as of June 30, 2019
		Without donor restrictions	With donor restrictions		
			Original gift	Accumulated gains (losses)	Total
Donor restricted:					
Financial aid	\$	—	300,710	55,169	355,879
Department programs and support		—	405,412	197,730	603,142
Quasi (board-designated):					
Financial aid		36,161	—	—	36,161
Department programs and support		68,648	9,695	—	78,343
Total	\$	<u>104,809</u>	<u>715,817</u>	<u>252,899</u>	<u>1,073,525</u>
		2018			Total funds as of June 30, 2018
		Without donor restrictions	With donor restrictions		
			Original gift	Accumulated gains (losses)	Total
Donor restricted:					
Financial aid	\$	—	279,860	48,514	328,374
Department programs and support		—	405,966	193,252	599,218
Quasi (board-designated):					
Financial aid		38,165	—	—	38,165
Department programs and support		70,934	9,695	—	80,629
Total	\$	<u>109,099</u>	<u>695,521</u>	<u>241,766</u>	<u>1,046,386</u>

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Changes in endowment and quasi-endowment funds for the year ended June 30, 2019 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net assets at June 30, 2018	\$ 109,099	937,287	1,046,386
Net investment return	5,881	52,898	58,779
Contributions	2	19,688	19,690
Utilized in operations	(10,223)	(41,396)	(51,619)
Transfers	50	239	289
Net assets at June 30, 2019	<u>\$ 104,809</u>	<u>968,716</u>	<u>1,073,525</u>

Changes in endowment and quasi-endowment funds for the year ended June 30, 2018 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net assets at June 30, 2017	\$ 109,852	867,035	976,887
Net investment return	11,344	83,828	95,172
Contributions	19	24,799	24,818
Utilized in operations	(11,258)	(38,379)	(49,637)
Transfers	(858)	4	(854)
Net assets at June 30, 2018	<u>\$ 109,099</u>	<u>937,287</u>	<u>1,046,386</u>

(15) 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. University contributions are subject to the participants meeting the minimum employee contributions, age, and service requirements. Additional voluntary contributions by participants are made subject to statutory limits. The University's contribution to the plans totaled \$10,473 in 2019 and \$10,944 in 2018.

(16) 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.

(17) Subsequent Events

The University evaluated subsequent events for potential recognition or disclosure through October 25, 2019, the date on which the financial statements were issued. The only material item is the new bond issuance, which is explained in note 11, *Long-Term Debt*.