



BRANDEIS UNIVERSITY

Financial Statements

June 30, 2020

(with summarized comparative information for June 30, 2019)

(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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Boston, Massachusetts
October 28, 2020

BRANDEIS UNIVERSITY

Balance Sheet

June 30, 2020

(with comparative information as of June 30, 2019)

(In thousands of dollars)

Assets	2020	2019
Cash and cash equivalents	\$ 39,459	29,223
Short-term investments	34,989	—
Accounts receivable, net	18,103	10,245
Notes receivable, net	7,595	9,133
Contributions receivable, net	11,751	8,212
Long-term investments	1,099,459	1,096,897
Funds held by bond trustee	30,031	45,420
Funds held in trust by others and other assets	28,177	25,465
Lease right-of-use assets	7,658	—
Property, plant and equipment, net	360,799	363,565
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Total assets	\$ 1,638,021	1,588,160
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 30,739	27,868
Sponsored program advances	9,887	6,691
Student deposits and deferred revenue	11,079	14,932
Other short-term liabilities	35,000	—
Lease obligations	8,939	—
Other long-term liabilities	19,804	21,769
Long-term debt, net	292,334	304,417
	<hr/>	<hr/>
Total liabilities	407,782	375,677
	<hr/>	<hr/>
Net assets:		
Without donor restrictions	182,890	182,857
With donor restrictions	1,047,349	1,029,626
	<hr/>	<hr/>
Total net assets	1,230,239	1,212,483
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Total liabilities and net assets	\$ 1,638,021	1,588,160
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See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Statement of Activities

Year ended June 30, 2020

(with summarized comparative information for the year ended June 30, 2019)

(In thousands of dollars)

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>2020</u>	<u>2019</u>
Operating revenues and other support:				
Tuition and fees (net of financial aid)	\$ 174,340	—	174,340	168,605
Residence hall, and dining	<u>37,487</u>	<u>—</u>	<u>37,487</u>	<u>43,371</u>
Net tuition and fees, residence hall, and dining	211,827	—	211,827	211,976
Net assets utilized in operations	24,152	—	24,152	21,416
Sponsored programs – direct	42,830	—	42,830	41,230
Sponsored programs – indirect	14,199	—	14,199	13,063
Other investment income	1,367	—	1,367	1,562
Investment income from funds held in trust by others	328	—	328	474
Endowment return utilized	53,120	—	53,120	51,619
Other auxiliary enterprises	4,400	—	4,400	3,907
Other sources	<u>9,303</u>	<u>—</u>	<u>9,303</u>	<u>11,162</u>
Total operating revenues and other support	<u>361,526</u>	<u>—</u>	<u>361,526</u>	<u>356,409</u>
Operating expenses:				
Compensation	182,443	—	182,443	173,526
Employee benefits	41,958	—	41,958	36,903
Utilities and general repairs	17,111	—	17,111	18,233
Depreciation	28,673	—	28,673	28,702
Interest	12,266	—	12,266	11,078
Supplies, services, and other	<u>77,923</u>	<u>—</u>	<u>77,923</u>	<u>84,296</u>
Total operating expenses	<u>360,374</u>	<u>—</u>	<u>360,374</u>	<u>352,738</u>
Change in net assets from operating activities	<u>1,152</u>	<u>—</u>	<u>1,152</u>	<u>3,671</u>
Nonoperating activities:				
Net investment return	4,512	36,035	40,547	58,619
Endowment return utilized in operations	(5,574)	(47,546)	(53,120)	(51,619)
Net assets utilized in operations	(6,485)	(17,667)	(24,152)	(21,416)
Net assets released for capital purposes	1,243	(1,243)	—	—
Contributions	6,498	48,213	54,711	41,755
Gain on bond refinancing	2,666	—	2,666	—
Other changes, net	<u>(3,979)</u>	<u>(69)</u>	<u>(4,048)</u>	<u>(2,316)</u>
Change in net assets from nonoperating activities	<u>(1,119)</u>	<u>17,723</u>	<u>16,604</u>	<u>25,023</u>
Change in net assets	33	17,723	17,756	28,694
Net assets at beginning of year	<u>182,857</u>	<u>1,029,626</u>	<u>1,212,483</u>	<u>1,183,789</u>
Net assets at end of year	\$ <u><u>182,890</u></u>	\$ <u><u>1,047,349</u></u>	\$ <u><u>1,230,239</u></u>	\$ <u><u>1,212,483</u></u>

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2020

(with comparative information for the year ended June 30, 2019)

(In thousands of dollars)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 17,756	28,694
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization, net	27,140	27,799
Net realized and unrealized investment gains	(44,680)	(55,219)
Net change from funds held in trust by others	303	117
Loss on disposal of fixed assets	—	20
Contributions restricted for long-term investment	(17,684)	(19,991)
(Gain) loss on debt refinancing	(2,015)	59
Change in operating assets, net	(22,070)	2,276
Change in operating liabilities, net	12,231	(2,251)
Net cash used in operating activities	<u>(29,019)</u>	<u>(18,496)</u>
Cash flows from investing activities:		
Acquisition and construction of property, plant and equipment	(28,530)	(30,253)
Purchases of investments	(196,117)	(235,790)
Proceeds from sales and maturities of investments	203,246	264,036
Notes receivable issued	(105)	(389)
Notes receivable repaid	1,643	1,716
Net cash used in investing activities	<u>(19,863)</u>	<u>(680)</u>
Cash flows from financing activities:		
Principal payments on bonds, notes and leases	(141,139)	(51,004)
Proceeds from issuance of bonds and notes, including premium	132,703	85,714
Cost of issuance of bonds and notes	(519)	(995)
Advances from line of credit	35,000	—
Change in funds held by bond trustee	15,389	(34,296)
Contributions restricted for long-term investment	17,684	19,991
Net cash provided by financing activities	<u>59,118</u>	<u>19,410</u>
Change in cash and cash equivalents	10,236	234
Cash and cash equivalents, beginning of year	<u>29,223</u>	<u>28,989</u>
Cash and cash equivalents, end of year	\$ <u><u>39,459</u></u>	\$ <u><u>29,223</u></u>
Supplemental data:		
Interest paid	\$ 14,102	11,630
Decrease in accrued liabilities attributable to property, plant, and equipment	(2,623)	(1,333)

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2020

(with summarized comparative information for June 30, 2019)

(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 5,500 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 15, 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 2020 statement of activities has been presented with 2019 summarized comparative information in total but not by net asset class. This summarized 2019 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, 2019, from which the summarized information was derived.

(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

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(with summarized comparative information for June 30, 2019)

(In thousands of dollars)

from transactions that do not arise from or currently affect operations, including one-time non-structural costs.

(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, 2020 and 2019, net assets utilized in operations include \$17,667 and \$15,701 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.

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, 2020 approximate the University's recent historical annual sponsored program activity.

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Notes to Financial Statements

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(with summarized comparative information for June 30, 2019)

(In thousands of dollars)

(e) Fundraising Expense

Fundraising expense was \$12,340 and \$11,587 for the years ended June 30, 2020 and 2019, 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, long-term investments, or funds held by bond trustee, 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) Short-term Investments

Short-term investments consist of operating funds deposited in short-term treasuries 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. 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.

(i) Funds Held by Bond Trustee

Funds held by bond trustee represents bond proceeds that will be drawn down to fund various capital projects. Funds held by bond trustee is invested in the Massachusetts Development Finance Agency's Short Term Asset Reserve Fund (STAR).

(j) 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

BRANDEIS UNIVERSITY

Notes to Financial Statements

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(with summarized comparative information for June 30, 2019)

(In thousands of dollars)

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 \$9,851 and \$10,154 of FHITBO as of June 30, 2020 and 2019, respectively. Other assets include prepayments, inventories, and deferral of qualifying cloud computing arrangement implementation costs.

(k) 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.

(l) 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 \$10,559 and \$10,069 as of June 30, 2020 and 2019, 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, 2020 and 2019, the estimated liabilities were \$5,472 and \$5,552, 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, 2020 and 2019, those liabilities were \$3,578 and \$5,102, respectively.

(m) 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.

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2020

(with summarized comparative information for June 30, 2019)

(In thousands of dollars)

(n) 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.

(o) 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.

(p) 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.

(q) Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, as amended, that requires, among other things, a lessee to recognize a right-of-use asset representing an entity's right to use the underlying asset for the lease term and a liability for lease payments on the balance sheet, regardless of classification of a lease as an operating or finance lease. As permitted by the ASU, for leases with a term of twelve months or less as a lessee, the University has elected not to recognize lease assets and liabilities and account for the lease similar to existing guidance for operating leases. The University early-adopted ASU 2016-02 in fiscal year 2020 using the modified retrospective approach. Right-of-use assets and related lease obligations of \$10,737 were recognized as of July 1, 2019 and are included in the balance sheet. The guidance did not materially impact the University's results of operations.

(r) Leasing

The University determines if an arrangement is a lease at inception. The University has both leases under which it is obligated as a lessee and leases for which it is a lessor. Finance leases are included in property, plant, and equipment, operating leases are included in right of use assets, and the related lease obligations in the balance sheet.

Lease right-of-use assets represent the University's right to use an underlying asset for the lease term. Lease obligations represent the University's liability to make lease payments arising from the lease. Operating and finance lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments. The

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2020

(with summarized comparative information for June 30, 2019)

(In thousands of dollars)

value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Interest expense is recognized as a component of the lease payment for finance leases.

Rental income arising from operating leases as a lessor is included in operating revenue in other sources in the Statement of Activities.

The following table summarizes cash paid for amounts included in the measurement of these liabilities, under ASC 842, for operating and finance leases as a lessee for the year ended June 30, 2020:

	<u>2020</u>
Operating cash flows from finance leases	\$ 62
Operating cash flows from operating leases	986
Financing cash flows from finance leases	419

(s) 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.

(t) Reclassifications

Certain 2019 information has been reclassified to conform to the 2020 presentation.

(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.

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Notes to Financial Statements
June 30, 2020
(with summarized comparative information for June 30, 2019)
(In thousands of dollars)

For the years ended June 30, 2020 and 2019, such revenue at the published rates and financial aid is as follows:

	2020	2019
Tuition and fees	\$ 285,208	274,421
Less scholarships and financial aid	(110,868)	(105,816)
Tuition and fees, net	174,340	168,605
Residence hall and dining	37,487	43,371
Tuition and fees, residence hall and dining revenues	\$ 211,827	211,976

(4) Analysis of Expenses

Expenses by functional and natural classification for the year ended June 30, 2020 consist of the following:

	Instruction	Sponsored Programs	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Total
Compensation	\$ 85,526	25,987	25,586	15,992	4,030	25,322	182,443
Employee benefits	16,903	5,381	6,858	3,917	1,145	7,754	41,958
Utilities and general repairs	3,778	2,133	1,710	2,648	4,853	1,989	17,111
Depreciation	6,528	3,722	2,777	4,378	8,057	3,211	28,673
Interest	2,793	1,592	1,188	1,873	3,447	1,373	12,266
Supplies, services, and other	14,412	10,646	13,882	7,049	15,890	16,044	77,923
Total	\$ 129,940	49,461	52,001	35,857	37,422	55,693	360,374

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

	Instruction	Sponsored Programs	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Total
Compensation	\$ 83,715	24,521	23,086	15,472	3,829	22,903	173,526
Employee benefits	15,835	4,643	5,902	3,521	1,029	5,973	36,903
Utilities and general repairs	4,191	2,389	1,783	2,811	5,173	1,886	18,233
Depreciation	6,598	3,761	2,807	4,425	8,143	2,968	28,702
Interest	2,546	1,452	1,083	1,708	3,143	1,146	11,078
Supplies, services, and other	17,944	11,552	13,434	9,017	16,796	15,553	84,296
Total	\$ 130,829	48,318	48,095	36,954	38,113	50,429	352,738

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.

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Notes to Financial Statements
June 30, 2020
(with summarized comparative information for June 30, 2019)
(In thousands of dollars)

(5) Accounts Receivable

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

	<u>2020</u>	<u>2019</u>
Student receivables	\$ 3,144	2,471
Sponsored program receivables	11,666	6,550
Other	4,738	2,490
	<u>19,548</u>	<u>11,511</u>
Less allowance for doubtful accounts	<u>(1,445)</u>	<u>(1,266)</u>
Accounts receivable, net	<u>\$ 18,103</u>	<u>10,245</u>

(6) Notes Receivable

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

	<u>2020</u>	<u>2019</u>
Federal Perkins loan program	\$ 3,056	4,004
University student loan programs	8,454	9,137
	<u>11,510</u>	<u>13,141</u>
Less allowance for doubtful loans	<u>(3,915)</u>	<u>(4,008)</u>
Notes receivable, net	<u>\$ 7,595</u>	<u>9,133</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.

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(with summarized comparative information for June 30, 2019)
(In thousands of dollars)

(7) Contributions Receivable

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

	2020	2019
Amounts due in:		
Less than one year	\$ 3,440	4,302
Between one and five years	9,236	4,448
More than five years	487	600
Gross contributions receivable	13,163	9,350
Less:		
Allowance for unfulfilled contributions	(1,246)	(902)
Discount, at rates from 0.29% to 3.72%	(166)	(236)
Contributions receivable, net	\$ 11,751	8,212

(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.

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

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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, 2020 and 2019, 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, 2020 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	\$ 83,880	23	—	—	83,903
Non-U.S. equity	180,555	153	—	—	180,708
Private equity	175,428	—	—	—	175,428
Hedge fund/credit:					
Credit – private	785	—	—	—	785
Hedge funds – long/short	203,593	—	—	—	203,593
Hedge funds – multi strategy	238,242	—	—	—	238,242
Real assets – private	88,160	—	—	—	88,160
Cash and cash equivalents	—	2,893	—	—	2,893
Receivable for investments sold	—	18,475	—	—	18,475
Treasuries and fixed income	—	80,964	—	438	81,402
Total endowment investments	970,643	102,508	—	438	1,073,589
Other investments:					
Equities	—	585	—	—	585
Cash and cash equivalents	—	392	—	—	392
Fixed income	—	—	1,148	—	1,148
Mutual funds	—	23,745	—	—	23,745
Total other investments	—	24,722	1,148	—	25,870
Total long-term investments	\$ 970,643	127,230	1,148	438	1,099,459

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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
Total endowment investments	963,081	110,006	—	438	1,073,525
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

(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

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University's long-term investments by their availability for the next twelve months following June 30, 2020 and June 30, 2019:

		June 30, 2020					
		<u>Daily</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Annual</u>	<u>Illiquid</u>	<u>Total</u>
Cash equivalents	\$	3,285	—	—	—	—	3,285
Receivable for investments sold		—	17,914	—	561	—	18,475
Treasuries, fixed income and mutual funds		105,200	—	—	—	1,095	106,295
Equities		761	30,544	19,474	60,611	329,234	440,624
Hedge funds		—	—	121,282	141,878	179,460	442,620
Real assets		—	—	—	—	88,160	88,160
Total	\$	<u>109,246</u>	<u>48,458</u>	<u>140,756</u>	<u>203,050</u>	<u>597,949</u>	<u>1,099,459</u>

		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>

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 \$99,023 at June 30, 2020 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>Fiscal year</u>	<u>Amount</u>
2021	\$ 22,570
2022	44,637
2023	28,079
2024	3,070
2025	667
Total	<u>\$ 99,023</u>

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(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, hedge funds, private equity, and real assets investments as of June 30, 2020 was \$9,944, \$9,000, \$80,377, and \$100,406, respectively.

(9) Leasing

The University is committed to annual payments under several long-term non-cancellable operating and capital leases for office space, equipment, and vehicles through fiscal year 2029.

The components of finance lease expense are as follows:

	<u>2020</u>
Lease cost:	
Finance lease expense:	
Amortization of right-of-use assets	\$ 419
Interest on lease obligations	62
Operating lease expense	1,429
Short-term lease expense	604
	<u>2,514</u>
Total lease cost	\$ 2,514
	<u>2020</u>
Other information:	
Weighted average remaining lease term – finance leases	2.93 years
Weighted average remaining lease term – operating leases	8.13 years
Weighted average discount rate – finance leases	5.46 %
Weighted average discount rate – operating leases	6.03 %

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Payments due include options to extend leases that are reasonably certain through fiscal year 2029 and are summarized below as of June 30, 2020:

<u>Fiscal year</u>	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2021	\$ 1,401	299	1,700
2022	1,428	294	1,722
2023	1,210	214	1,424
2024	1,129	85	1,214
2025	1,151	8	1,159
Thereafter	3,976	—	3,976
Less amounts representing interest	<u>(2,194)</u>	<u>(62)</u>	<u>(2,256)</u>
Total	<u>\$ 8,101</u>	<u>838</u>	<u>8,939</u>

The University is the lessor in three long-term non-cancellable leases for space. Rental income for the years ended June 30, 2020 and 2019 was \$1,484 and \$1,629, respectively.

(10) Property, Plant and Equipment

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

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 47,887	45,833
Buildings	210,225	210,225
Building systems and improvements	417,646	407,960
Equipment, furnishings, and software	140,899	133,846
Leased vehicles and other equipment	<u>2,124</u>	<u>1,791</u>
	818,781	799,655
Less accumulated depreciation	(483,788)	(455,115)
Construction in progress	<u>25,806</u>	<u>19,025</u>
Property, plant and equipment, net	<u>\$ 360,799</u>	<u>363,565</u>

Depreciation expense amounted to \$28,673 in 2020 and \$28,702 in 2019. Operation and maintenance expenses amounted to \$27,578 in 2020 and \$29,031 in 2019.

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(11) Financial Assets and Liquidity Resources

As of June 30, 2020 and 2019, 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>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 39,459	29,223
Short-term investments	34,989	—
Accounts receivable, net, due within one year	18,103	10,245
Notes receivable, net, due within one year	845	914
Scheduled pledge payments, net, available for operations	2,385	2,529
Funds held by bond trustee	30,031	45,420
Subsequent year's Board-approved endowment payout	66,529	57,902
Total financial assets available within one year	<u>\$ 192,341</u>	<u>146,233</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 ends. To manage liquidity, the University has other liquidity resources including \$70,000 in bank lines of credit as described in footnote 13. As of June 30, 2020, \$35,000 was outstanding under these lines of credit. In addition, the quasi endowment of \$96,623 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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(12) Long-Term Debt

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

	2020	2019
Commonwealth of MA Development Finance Agency (MDFA) Revenue Bonds, Brandeis University Issue 2018 Series S-1, at interest rate of 5.00% maturing in annual installments from October 1, 2020 through October 1, 2040	\$ 116,445	—
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	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	34,500	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.	19,025	19,375
TD Bank note at interest rate of 3.68% maturing in annual installments from October 1, 2017 through June 15, 2032, at which time a balloon payment of \$19,125 will be due.	28,275	28,875
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	17,355	18,330
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	14,050	14,440
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
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
Total	266,555	290,830
Unamortized premium, net	27,648	15,930
Unamortized issuance costs	(1,869)	(2,343)
Long-term debt, net	\$ 292,334	304,417

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The University's principal payment obligations as of June 30, 2020 are as follows:

Fiscal year	Amount
2021	\$ 10,100
2022	10,579
2023	11,089
2024	11,624
2025	12,021
Thereafter	211,142
	\$ 266,555

Interest expense for the years ended June 30, 2020 and 2019 was \$11,978 and \$11,010, respectively. There were no capitalized interest costs in 2020 and 2019.

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, 2020 and 2019.

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 were 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.

(13) Line of Credit

The University has a \$35,000 line of credit with JPMorgan Chase Bank, N.A. at an interest rate of LIBOR, which was 16 basis points as of June 30, 2020, plus 45 basis points when funds are drawn. 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, 2021. During the fiscal years ended June 30, 2020 and 2019, the total drawn amounts were \$35,000 and \$0, respectively.

On May 14, 2020, the University secured a second \$35,000 line of credit with Century Bank at an interest rate of LIBOR plus 95 basis points, but in no event less than 1.65%, when funds are drawn. There is no annual commitment fee on the unused portion of the loan commitment. The maturity date of the credit agreement is May 1, 2025. During the fiscal year ended June 30, 2020, there were no borrowings against this line of credit.

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(14) 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>2020</u>	<u>2019</u>
Restricted contributions	\$ 35,861	26,315
Contributions receivable, net	11,751	8,212
Endowment	970,755	968,716
Student loans	2,643	2,572
Life income and annuity funds	11,867	12,223
Funds held in trust by others	9,851	10,154
Physical plant and other	633	1,244
Unexpended endowment income	3,988	190
Total net assets with donor-imposed restrictions	<u>\$ 1,047,349</u>	<u>1,029,626</u>

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

(15) 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, 2020 and 2019, funds with an original gift value of \$17,126 and \$1,714 were "underwater" by \$787 and \$486, 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, 2020 and 2019:

2020					
	Without donor restrictions	With donor restrictions			Total funds as of June 30, 2020
		Original gift	Accumulated returns	Total	
Donor restricted:					
Financial aid	\$ —	314,074	49,199	363,273	363,273
Department programs and support	—	410,355	187,432	597,787	597,787
Quasi (board-designated):					
Financial aid	35,435	—	—	—	35,435
Department programs and support	67,399	9,695	—	9,695	77,094
Total	<u>\$ 102,834</u>	<u>734,124</u>	<u>236,631</u>	<u>970,755</u>	<u>1,073,589</u>
2019					
	Without donor restrictions	With donor restrictions			Total funds as of June 30, 2019
		Original gift	Accumulated returns	Total	
Donor restricted:					
Financial aid	\$ —	300,710	55,169	355,879	355,879
Department programs and support	—	405,412	197,730	603,142	603,142
Quasi (board-designated):					
Financial aid	36,161	—	—	—	36,161
Department programs and support	68,648	9,695	—	9,695	78,343
Total	<u>\$ 104,809</u>	<u>715,817</u>	<u>252,899</u>	<u>968,716</u>	<u>1,073,525</u>

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Changes in endowment and quasi-endowment funds for the year ended June 30, 2020 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net assets at June 30, 2019	\$ 104,809	968,716	1,073,525
Net investment return	4,123	35,265	39,388
Contributions	13	17,092	17,105
Distributions	(6,111)	(51,534)	(57,645)
Transfers	—	1,216	1,216
Net assets at June 30, 2020	<u>\$ 102,834</u>	<u>970,755</u>	<u>1,073,589</u>

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
Distributions	(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>

(16) 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 \$11,133 in 2020 and \$10,473 in 2019. The University suspended contributions to the plans in fiscal year 2021.

(17) 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.

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(18) COVID-19 Pandemic

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. As a result, the University closed its residential campus to most students and implemented remote learning for all classes through the rest of the academic year. The University provided emergency financial assistance and applied pro-rata refundable credits for room and board to students impacted by the campus closure. The University received funding from the Higher Education Emergency Relief Fund (HEERF) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and provided additional aid to students during the fiscal year beginning July 1, 2020. The full extent of the impact of COVID-19 on the University will depend on future developments, including the spread and duration of the pandemic. The University continues to monitor the impact of the pandemic and is prepared to take additional measures to protect the health of the Brandeis community and promote the continuity of its academic mission.

(19) Subsequent Events

The University evaluated subsequent events for potential recognition or disclosure through October 28, 2020, the date on which the financial statements were issued.