



## **BRANDEIS UNIVERSITY**

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

Year ended June 30, 2019

**BRANDEIS UNIVERSITY**

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

Year ended June 30, 2019

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KPMG LLP  
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## Independent Auditors' Report

The Board of Trustees  
Brandeis University:

### Report on the Financial Statements

We have audited the accompanying financial statements of Brandeis University (the University), which comprise the balance sheet as of June 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Statement 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

**KPMG LLP**

October 25, 2019

**BRANDEIS UNIVERSITY**

Balance Sheet

June 30, 2019

(with comparative information as of June 30, 2018)

(In thousands of dollars)

<b>Assets</b>	<b>2019</b>	<b>2018</b>
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	363,565	363,367
Total assets	\$ <u>1,588,160</u>	<u>1,530,179</u>
<b>Liabilities and Net Assets</b>		
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	304,417	271,546
Total liabilities	<u>375,677</u>	<u>346,390</u>
Net assets:		
Without donor restrictions	182,857	185,096
With donor restrictions	1,029,626	998,693
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)

	<b>Net assets without donor restrictions</b>	<b>Net assets with donor restrictions</b>	<b>2019</b>	<b>2018</b>
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	356,409	—	356,409	345,780
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	352,738	—	352,738	342,911
Change in net assets from operating activities	3,671	—	3,671	2,869
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	(5,910)	30,933	25,023	66,575
Change in net assets	(2,239)	30,933	28,694	69,444
Net assets at beginning of year	185,096	998,693	1,183,789	1,114,345
Net assets at end of year	\$ 182,857	1,029,626	1,212,483	1,183,789

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><u>29,223</u></u>	<u><u>28,989</u></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**

Notes to Financial Statements

June 30, 2019

(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.

## BRANDEIS UNIVERSITY

### 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:

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

**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	\$ 185,096	998,693	1,183,789

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

June 30, 2019

(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>

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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	9,137	9,495
	13,141	14,380
Less allowance for doubtful loans	(4,008)	(3,920)
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	600	100
Gross contributions receivable	9,350	12,025
Less:		
Allowance for unfulfilled contributions	(902)	(1,462)
Discount, at rates from 1.01% to 3.72%	(236)	(213)
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:

	<b>Investments</b>				
	<b>measured at NAV</b>	<b>Investments classified in fair value hierarchy</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
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>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total endowment investments	963,081	110,006	—	438	1,073,525

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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:

		<b>June 30, 2019</b>					
		<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>

  

		<b>June 30, 2018</b>					
		<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:

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

**(b) Commitments**

Private credit, private equity, and real asset investments are generally made through limited partnerships. Under the terms of these agreements, the University is obligated to remit additional funding periodically as capital 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:

	<b>2019</b>	<b>2018</b>
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	1,244	677
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:

		<b>2019</b>			<b>Total funds as of June 30, 2019</b>
		<b>Without donor restrictions</b>	<b>With donor restrictions</b>		
			<b>Original gift</b>	<b>Accumulated gains (losses)</b>	<b>Total</b>
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	—	9,695
<b>Total</b>	<b>\$</b>	<b>104,809</b>	<b>715,817</b>	<b>252,899</b>	<b>968,716</b>
		<b>2018</b>			<b>Total funds as of June 30, 2018</b>
		<b>Without donor restrictions</b>	<b>With donor restrictions</b>		
			<b>Original gift</b>	<b>Accumulated gains (losses)</b>	<b>Total</b>
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	—	9,695
<b>Total</b>	<b>\$</b>	<b>109,099</b>	<b>695,521</b>	<b>241,766</b>	<b>937,287</b>

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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*.

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 Supplementary Schedule of Expenditures of Federal Awards (SEFA)  
 Year ended June 30, 2019

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Total Federal Expenditures
Student Financial Assistance Cluster:				
U.S. Department of Education:				
Office of Student Financial Assistance Programs:				
Federal Pell Grant Program	84.063	Direct	\$ —	3,097,564
Federal Supplemental Educational Opportunity Grants	84.007	Direct	—	650,748
Federal Work-Study Program	84.033	Direct	—	517,405
Federal Perkins Loan Program (Note 2)	84.038	Direct	—	4,897,687
Federal Direct Student Loans (Note 3)	84.268	Direct	—	21,084,529
Teacher Education Assistance for College and Higher Education Grants	84.379	Direct	—	144,843
Total Student Financial Assistance Cluster			—	30,392,776
Research and Development Cluster:				
U.S. Department of Health and Human Services (DHHS):				
National Institutes of Health (NIH):				
Aging Research:				
	93.866	Direct	201,598	1,161,432
Boston College	93.866	5104001-01	—	35,526
Boston College	93.866	5104641-01	—	32,330
University of Pennsylvania	93.866	569246	—	—
University of Southern California	93.866	103250176	—	14,477
University of Wisconsin-Madison	93.866	0000000095	—	3,894
University of Wisconsin-Madison	93.866	833K070	—	84,833
Total Aging Research			201,598	1,332,492
Alcohol Research Programs	93.273	Direct	—	383,263
Allergy, Immunology and Transplantation Research	93.855	Direct	209,873	1,726,335
Children's Hospital	93.855	GENFD000162021	—	33,300
University of Houston	93.855	R-16-0076	—	225,204
Total Allergy, Immunology and Transplantation Research			209,873	1,984,839
Biomedical Research and Research Training:	93.859	Direct	1,026,245	9,520,604
California Institute of Technology	93.859	S409880	—	7,623
University of Michigan	93.859	SUBK00010341/3005375	—	71,403
University of Massachusetts	93.859	WA00228621/RFS2015072	—	19,120
Total Biomedical Research and Research Training			1,026,245	9,618,750
Cancer Cause and Prevention Research	93.393	Direct	—	27,406
Cancer Treatment Research	93.395	Direct	68,570	290,973
Child Health and Human Development Extramural Research	93.865	Direct	340,106	1,084,825
Regents of the University of Minnesota	93.865	H006124301	—	42,381
Total Child Health and Human Development Extramural Research			340,106	1,127,206
Discovery and Applied Research for Technical Innovations to Improve Human Health	93.286	Direct	—	335,557
Drug Abuse and Addiction Research Programs	93.279	Direct	219,120	2,436,142
Brigham and Women's Hospital	93.279	120025	—	12,515
National Development and Research Institute	93.279	PO #001119	—	3,491
University of Miami	93.279	SPC-000451	—	101,220
Total Drug Abuse and Addiction Research Programs			219,120	2,553,368
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Direct	—	4,398,966
Harvard University	93.853	152738.5095125.0304	—	306,025
Total Extramural Research Programs in the Neurosciences and Neurological Disorders			—	4,704,991
Food and Drug Administration_Research	93.103	Direct	—	22,964
Medical Library Assistance				
Harvard Medical School	93.879	153063.5109902.0004	—	19,835
Mental Health National Research Service Awards for Research Training	93.282	Direct	—	377,089
Mental Health Research Grants	93.242	Direct	241,028	1,983,560
National Center for Advancing Translational Sciences:				
Tufts University	93.350	100107-00001	—	32,667
Research and Training in Complementary and Alternative Medicine	93.213	Direct	56,567	474,477
Research Related to Deafness and Communication Disorders	93.173	Direct	132,152	1,050,614
Trans-NIH Research Support	93.310	Direct	—	3,803
Boston University	93.310	4500002491	—	67,687
Total Trans-NIH Research Support			—	71,490
Vision Research	93.867	Direct	—	658,773
Case Western Reserve University	93.867	RES513833	—	22,353
Trustees of Columbia University New York	93.867	1(GG013056-01)	—	130,950
Total Vision Research			—	812,076
Total NIH Awards			2,495,259	27,203,617
Administration for Children and Families:				
Affordable Care Act (ACA) Health Profession Opportunity Grants	93.093	Direct	—	413,064
Child Care and Development Block Grant	93.575	Direct	5,912	24,943
Total Administration for Children and Families			5,912	438,007
Administration for Community Living:				
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	Direct	184,051	1,016,380
Temple University	93.433	254026-04-BU	—	28,216
University of Illinois	93.433	16.340	—	4,402
University of Illinois	93.433	2016-00319-02-02	—	133,297

**BRANDEIS UNIVERSITY**  
 Supplementary Schedule of Expenditures of Federal Awards (SEFA)  
 Year ended June 30, 2019

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Total Federal Expenditures
University of Minnesota	93.433	A005198606 90RT5039	\$ —	42,714
Total Administration for Community Living			184,051	1,225,009
Agency for Healthcare Research and Quality:				
National Research Service Awards_Health Services Research Training	93.225	Direct	—	174,921
Total Agency for Healthcare Research and Quality			—	174,921
Centers for Disease Control and Prevention:				
Disabilities Prevention:				
Commonwealth of Massachusetts	93.184	INTF3043HH2500224045	—	69,696
Occupational Safety and Health Program:				
Harvard T. H. Chan School of Public Hlth	93.262	T42 OH008416	—	9,834
Total Centers for Disease Control and Prevention			—	79,530
Health Resources and Services Administration:				
Maternal and Child Health Federal Consolidated Programs:				
Mass General Hosp/Partners	93.110	217086	—	37,043
Total Health Resources and Services Administration			—	37,043
Substance Abuse and Mental Health Services Administration:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Direct	—	1,251
Total DHHS Awards			2,685,222	29,159,378
Corporation for National and Community Service:				
Social Innovation Fund:				
Green Light Fund	94.019	Direct	—	47,898
Department of Commerce:				
Statistical, Research, and Methodology Assistance:				
Purdue University	11.016	4112-78013	—	38,480
Department of Defense:				
Advanced Research Projects Agency:				
Research and Technology Development:				
Smart Information Flow Technologies	12.910	CLIC-BU-01	—	113,712
Smart Information Flow Technologies	12.910	CLIC-ECI-BU-01	—	114,265
Smart Information Flow Technologies	12.910	R3E-BU-01	—	646
Total Advanced Research Projects Agency			—	228,623
Defense Threat Reduction Agency:				
Scientific Research – Combatting Weapons of Mass Destruction				
University of Colorado	12.351	1553696	—	136,278
Uniformed Services University of the Health Sciences:				
Uniformed Services University Medical Research Projects:				
The Henry M. Jackson Foundation	12.750	4591/949849	—	75,431
The Henry M. Jackson Foundation	12.750	4592-949855-65048	—	64,567
The Henry M. Jackson Foundation	12.750	4609 949708 65048	—	67,199
Total Advanced Research Projects Agency			—	207,197
U.S. Army Materiel Command:				
Basic Scientific Research	12.431	Direct	—	140,720
Total Department of Defense			—	712,818
Department of Energy:				
Office of Science Financial Assistance Program	81.049	Direct	—	1,182,931
University of California	81.000	Subcontract 7415318	—	9,585
Total Department of Energy			—	1,192,516
Department of Justice:				
National Institute of Justice:				
Colorado State University	16.560	G-01508-01	—	118,593
National Aeronautics and Space Administration:				
Aerospace Education Services Programs:				
University of Wisconsin-Madison	43.001	775K751	—	63,764
Human Exploration Research				
Baylor College of Medicine	43.003	7000000537	—	65,587
Total National Aeronautics and Space Administration			—	129,351
National Science Foundation:				
Biological Sciences	47.074	Direct	—	505,187
Computer and Information Science and Engineering	47.070	Direct	—	351,949
Education and Human Resources	47.076	Direct	—	85,982
Engineering Grants	47.041	Direct	81,994	281,887
Iowa State University	47.041	420-72-24	—	9,528
Total Engineering Grants			81,994	291,415
Mathematical and Physical Sciences	47.049	Direct	362,396	3,925,331
Hampton University	47.049	HU-190001	—	1,988
Pennsylvania State University	47.049	5894-BU-NSF-2471	—	28,101
Stony Brook University	47.049	76749/1136652/2	—	324,869
Total Mathematical and Physical Sciences			362,396	4,280,289

**BRANDEIS UNIVERSITY**  
 Supplementary Schedule of Expenditures of Federal Awards (SEFA)  
 Year ended June 30, 2019

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Total Federal Expenditures
Office of Cyberinfrastructure	47.080	Direct	\$ 20,822	25,502
Social, Behavioral, and Economic Sciences	47.075	Direct	—	218,715
Purdue University	47.075	4101-81929	—	3,467
Total Social, Behavioral, and Economic Sciences			—	222,182
Total National Science Foundation			465,212	5,762,506
Veteran Affairs:				
Veterans Medical Care Benefits	64.009	Direct	—	11,578
Total Research and Development Cluster			3,150,434	37,173,118
Other Sponsored Programs Cluster:				
U.S. Department of Health and Human Services (DHHS):				
Substance Abuse and Mental Health Services Administration:				
Substance Abuse and Mental Health Services Projects of Regional and National Significance				
Commonwealth of Massachusetts	93.243	INTF2400H78500224291	—	36,674
Total Other Sponsored Programs Awards from DHHS			—	36,674
Agency for International Development:				
USAID Foreign Assistance for Programs Overseas:				
Save the Children Fund	98.001	Direct	—	117,488
Total Agency for International Development			—	117,488
Corporation for National and Community Service:				
Americorps:				
YouthBuild USA	94.006	16NDHMA001	—	66,355
Total Corporation for National and Community Service			—	66,355
Department of Education:				
TRIO_Student Support Services:	84.042	Direct	—	305,126
Total Department of Education			—	305,126
Department of Justice:				
Bureau of Justice Assistance				
Second Chance Act Reentry Initiative				
Spectrum Health Systems	16.812	2015-CY-BX-0017	—	25,220
Services for Trafficking Victims				
U.S. Committee for Refugees and Immigran	16.320	2018-VT-BX-K015	—	1,889
Harold Rogers Prescription Drug Monitoring Program	16.754	Direct	813,134	1,026,977
Total Department of Justice			813,134	1,054,086
Institute of Museum and Library Services:				
Museums for America	45.301	Direct	—	48,754
National Science Foundation:				
Engineering Grants	47.041	Direct	—	37,141
Social, Behavioral, and Economic Sciences	47.075	Direct	—	16,892
Total National Science Foundation			—	54,033
National Endowment for the Humanities:				
Promotion of the Humanities Office of Digital Humanities	45.169	Direct	—	939
Promotion of the Humanities Public Programs	45.164	Direct	22,563	22,563
Total National Endowment for the Humanities			22,563	23,502
Office of Personnel Management:				
Intergovernmental Personnel Act (IPA) Mobility Program:				
U. S. Department of the Treasury	27.011	Direct	—	37,019
Total Other Sponsored Programs Cluster			835,697	1,743,037
Total Expenditures of Federal Awards			\$ 3,986,131	69,308,931

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

**BRANDEIS UNIVERSITY**

Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

**(1) Basis of Presentation**

The accompanying supplementary schedule of expenditures of federal awards (the Schedule) summarizes the expenditures of Brandeis University (the University) under programs funded by the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University.

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

**(2) Significant Accounting Policies**

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

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

The University elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance. The University has approved predetermined facilities and administrative cost rates effective through fiscal year June 30, 2019 for on-campus and off-campus sponsored research program activities. The base rates in effect for the year ended June 30, 2019 were 62.50% for on-campus research and 26.00% for off-campus research. The rates for other federally sponsored programs were 33.90% for on-campus programs and 26.00% for off-campus programs. Facilities and administrative cost recoveries are reported as part of federal expenditures on the Schedule.

**(4) Federal Student Financial Assistance**

*Perkins Loan Program*

The Perkins Loan Program listed below is administered directly by the University, and balances and transactions relating to this program are included in the University's financial statements. Loan activities and balances consist of the following for the year ended June 30, 2019:

Balance as of July 1, 2018	Loans issued	Payments received and other changes	Balance as of June 30, 2019
\$ 4,897,687	—	883,501	4,014,186

**BRANDEIS UNIVERSITY**

Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

As required by the Uniform Guidance, the amount shown on the Schedule as expenditures for the Perkins Loan Program is equal to the balance outstanding at July 1, 2018. The University is continuing to service loans under the Perkins programs; however, no new loans were made subsequent to September 30, 2017. There was no administrative cost allowance recovered for the year ended June 30, 2019.

*Federal Direct Loans*

The University distributed \$21,084,529 of federally guaranteed loans to students of the University through the Federal Direct Loan Program (CFDA 84.268), which includes Direct Subsidized and Unsubsidized Loans, and Direct Parent Loans for Undergraduate Students. These distributions and the related funding sources are not included in the University's financial statements.



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

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

The Board of Trustees  
Brandeis University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Brandeis University (the University), which comprise the balance sheet as of June 30, 2019, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2019. Our report contains an emphasis of matters paragraph referring to the University's adoptions, in 2019, of 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*.

**Internal Control Over Financial Reporting**

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

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

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





### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

KPMG LLP

October 25, 2019



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

## **Independent Auditors' Report on Compliance for Major Federal Program; Report on Internal Control Over Compliance; and Report on Supplementary Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

The Board of Trustees  
Brandeis University:

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

We have audited Brandeis University's (the University's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University's major federal program for the year ended June 30, 2019. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

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

#### *Auditors' Responsibility*

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

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

#### *Opinion on Major Federal Program*

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

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

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major



federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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

#### **Report on Supplementary Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the University as of and for the year ended June 30, 2019, and have issued our report thereon dated October 25, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

**KPMG LLP**

December 18, 2019

**BRANDEIS UNIVERSITY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2019

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

- (a) Type of report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major program disclosed by the audit:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for major program: **Unmodified**
- (f) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?: **No**
- (g) Major program:
  - Student Financial Assistance Cluster – various CFDA numbers
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$2,079,268**
- (i) Auditee qualified as a low-risk auditee: **Yes**

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

None

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

None