STEVENS INSTITUTE OF TECHNOLOGY

Consolidated Financial Statements and Supplementary Schedules of Federal and State of New Jersey Awards

June 30, 2018

(With Independent Auditors' Report Thereon)

STEVENS INSTITUTE OF TECHNOLOGY

Table of Contents

KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

Independent Auditors' Report

The Board of Trustees
Stevens Institute of Technology:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Stevens Institute of Technology and Subsidiary (the University), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Stevens Institute of Technology and Subsidiary as of June 30, 2018, and the changes in their net assets and their 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 Stevens Institute of Technology and Subsidiary's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 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

December 10, 2018

STEVENS INSTITUTE OF TECHNOLOGY

Consolidated Statement of Financial Position

June 30, 2018
(with comparative financial information as of June 30, 2017)

(Dollars in thousands)

Assets		2018	2017
Cash and cash equivalents	$	65,003	45,673
Student, sponsor and other receivables, net (note 3)		18,896	19,969
Prepaid expenses and other assets		2,053	2,361
Contributions receivable, net (notes 4 and 15)		39,778	29,163
Deposits with bond trustees (note 8)		61,074	80,797
Investments (note 5)		187,249	175,006
Trusts held by others (note 5)		5,669	4,361
Land, buildings and equipment, net (note 7)		198,117	168,833
Total assets	$	577,839	526,163
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	22,385	22,924
Deferred revenue		15,100	18,579
Capital lease obligations (note 14)		2,832	4,059
Annuities payable		1,855	2,035
Post-retirement benefits (note 9)		5,603	6,008
Conditional asset retirement obligations (note 10)		6,067	6,149
Long-term debt, net (note 8)		140,571	141,406
Refundable advances (note 3)		4,668	5,836
Total liabilities		199,081	206,996
Net assets (notes 6 and 12):			
Unrestricted		132,046	95,343
Temporarily restricted		129,892	125,632
Permanently restricted		116,820	98,192
Total net assets		378,758	319,167
Total liabilities and net assets	$	577,839	526,163

See accompanying notes to consolidated financial statements.

STEVENS INSTITUTE OF TECHNOLOGY

Consolidated Statement of Activities

Year ended June 30, 2018
(with summarized financial information for the year ended June 30, 2017)

(Dollars in thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2018	Total 2017
Operating activities:					
Revenues and other support:					
Tuition and fees	$ 251,849	—	—	251,849	240,341
Less student aid	(76,091)	—	—	(76,091)	(72,219)
Net tuition and fees	175,758	—	—	175,758	168,122
Sponsored activity revenues:					
Federal	26,396	—	—	26,396	26,928
State	1,251	—	—	1,251	1,326
Private/other	2,886	—	—	2,886	2,575
Total sponsored activity revenues	30,533	—	—	30,533	30,829
Grants	948	—	—	948	833
Contributions	1,619	5,824	—	7,443	8,354
Other revenues	4,001	—	—	4,001	3,955
Auxiliary enterprises	28,893	—	—	28,893	29,211
Investment return in support of operations (notes 5 and 6)	1,432	5,281	—	6,713	6,547
Net assets released from restrictions	9,330	(9,330)	—	—	—
Total operating revenues and other support	252,514	1,775	—	254,289	247,851
Expenses (note 13):					
Salaries and benefits	138,743	—	—	138,743	132,409
Purchased services	18,951	—	—	18,951	18,474
Sub-contracts	4,590	—	—	4,590	4,437
Maintenance, rents and utilities	20,961	—	—	20,961	21,834
Supplies and other	25,221	—	—	25,221	26,320
Interest expense (note 8)	3,251	—	—	3,251	3,344
Depreciation and amortization	13,510	—	—	13,510	12,067
Total operating expenses	225,227	—	—	225,227	218,885
Operating surplus	27,287	1,775	—	29,062	28,966
Nonoperating activities:					
Investment return (loss), net of amounts in support of operations (note 5)	947	2,939	—	3,886	8,926
Contributions	—	484	18,837	19,321	12,164
Grants	7,315	—	—	7,315	1,705
Post-retirement benefit changes other than service cost (note 9)	126	—	—	126	(99)
Change in value of split-interest agreements	—	133	87	220	418
Loss on bond defeasance	—	—	—	—	(1,162)
Uncollectible contributions	—	—	(339)	(339)	(298)
Reclassification of net assets	(186)	143	43	—	—
Net assets released from restrictions	1,214	(1,214)	—	—	—
Total nonoperating activities	9,416	2,485	18,628	30,529	21,654
Changes in net assets	36,703	4,260	18,628	59,591	50,620
Net assets, beginning of year	95,343	125,632	98,192	319,167	268,547
Net assets, end of year	$ 132,046	129,892	116,820	378,758	319,167

See accompanying notes to consolidated financial statements.

STEVENS INSTITUTE OF TECHNOLOGY

Consolidated Statement of Cash Flows

Year ended June 30, 2018
(with comparative financial information for the year ended June 30, 2017)

(Dollars in thousands)

		2018	2017
Cash flows from operating activities:			
Change in net assets	$	59,591	50,620
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Accretion of bond premium		(439)	(129)
Accretion of interest on conditional asset retirement obligations		291	293
Amortization of bond issuance costs		30	53
Depreciation and amortization		13,594	12,265
Loss of disposal of property		1,382	—
Loss of bond defeasance		—	1,162
Net (gains) losses on investments		(5,732)	(12,071)
Post-retirement benefit changes other than net periodic benefit costs		(502)	(309)
Present value adjustment on annuities payable		(220)	(418)
Present value adjustment on contribution receivable		208	(45)
Change in allowance for doubtful accounts – contributions receivable		(4)	(168)
Change in allowance for doubtful accounts – student, sponsor, loans and other receivables		(275)	506
Contributions and grants restricted for capital and endowment		(26,841)	(13,263)
Decrease (increase) in operating assets:			
Student, sponsor and other receivables		694	2,195
Contributions receivable		2,439	(1,606)
Prepaid expenses and other assets		308	(524)
Trusts held by others		(1,150)	(505)
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses		(950)	(431)
Deferred revenue		(3,479)	7,591
Annuities payable		262	398
Accrued post-retirement benefits		97	141
Conditional asset retirement obligations		(373)	(407)
Net cash provided by operating activities		38,931	45,348
Cash flows from investing activities:			
Proceeds from sales of investments		137,392	107,267
Purchase of investments		(143,851)	(110,920)
Purchases of land, buildings and equipment		(43,849)	(27,403)
Withdrawals from deposits with bond trustee		116,156	115,862
Additions to deposits with bond trustees		(96,643)	(189,870)
Loans issued to students		(373)	(1,278)
Collection of student loans		1,027	1,514
Net cash used in investing activities		(30,141)	(104,828)
Cash flows from financing activities:			
Receipts of contributions and grants restricted for capital and endowment		13,583	6,149
Payment of line of credit		—	(2,100)
Change in annuity obligations		(222)	(206)
Refundable advances for student loans		(1,168)	478
Repayments of capital lease obligations		(1,227)	(1,467)
Proceeds from issuance of long-term debt		—	141,708
Refunding of long-term debt		—	(66,258)
Payment of bond issuance costs		—	(897)
Repayments of long-term debt		(426)	(229)
Net cash provided by financing activities		10,540	77,178
Net increase in cash		19,330	17,698
Cash and cash equivalents, beginning of year		45,673	27,975
Cash and cash equivalents, end of year	$	65,003	45,673
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	4,863	2,786
Increase in amounts accrued for purchase of land, buildings and equipment		411	2,841

See accompanying notes to consolidated financial statements.

(1) Organization

Stevens Institute of Technology and Subsidiary (collectively, the University), founded in 1870 and located in Hoboken, New Jersey, educates and inspires students to acquire knowledge needed to lead in the creation, application and management of technology and to excel in solving problems in any profession. The University serves approximately 6,900 students and is accredited by the Middle States Association of Colleges and Schools (MSACS), the Accreditation Board of Engineering Technology (ABET), and the Association to Advance Collegiate Schools of Business (AACSB).

The University is also committed to a comprehensive growing program of research, which strengthens the educational experience and materially contributes to our nation's goals. In this context, it follows an educational methodology by which faculty, students and colleagues from industry jointly nurture the process of conception, design, and the marketplace realization of new technologies.

The University is the sole owner of Castle Point Holdings, Inc., established for the purpose of providing a corporate interface between the University and enterprise (start-up) companies.

(2) Summary of Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of Stevens Institute of Technology and its wholly owned subsidiary, Castle Point Holdings, Inc. All significant intercompany accounts have been eliminated in consolidation.

(b) Basis of Presentation

The University prepares its consolidated financial statements on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (U.S. GAAP) and with standards established by the Financial Accounting Standards Board (FASB) for external financial reporting by not-for-profit organizations. Accordingly, the University's resources are classified and reported based upon the existence or absence of donor-imposed restrictions, as follows:

Permanently restricted: net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Donors of these assets generally permit the use of all or part of investment earnings for operating or specific purposes, such as scholarships, chairs and educational and research programs.

Temporarily restricted: net assets subject to donor-imposed restrictions that will be satisfied either by actions of the University or the passage of time.

Unrestricted: net assets that are not subject to donor-imposed restrictions, and therefore are expendable for operating purposes. Unrestricted net assets may be designated for specific purposes by the University's Board of Trustees.

Revenues are reported as increases in unrestricted net assets unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Appreciation or depreciation in the fair value of investments and gains and losses on other assets or liabilities are reported as increases or decreases in unrestricted net assets unless otherwise restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unconditional promises to give are recorded at their net realizable value if they are expected to be collected within one year or at the present value of future cash flows if they are expected to be collected over periods longer than one year. The University has been notified of certain intentions to give under various wills and trusts, the realizable amounts of which are not presently determinable. The University's share of such bequests is recorded when the University has an irrevocable right to the bequest and the proceeds are measurable. At June 30, 2018 and 2017, conditional contributions, including advised bequests, totaled $43,436 and $25,475, respectively. Contributions of assets other than cash are recorded at their estimated fair value at date of donation. Contributions to be received after one year are discounted using a risk-adjusted rate of return. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided based upon management's judgment of prior collection history, type of contribution and nature of fundraising activity. Unrestricted net assets resulting from certain large contributions may be designated by the University's Board of Trustees for capital or long-term investment.

Refundable advances represent obligations of the University to the Federal Government under the Federal Perkins Loan Program.

(c) Cash and Cash Equivalents

Cash is recorded at fair value and comprises highly liquid financial instruments with original maturities of three months or less at time of purchase. At June 30, 2018 and 2017, there were no cash equivalents within the cash balances presented in the accompanying consolidated statement of financial position. Restricted cash totaled $16,065 and $18,893 at June 30, 2018 and 2017, respectively, and is recorded in cash and cash equivalents.

(d) Concentrations of Credit Risk

Cash and investments are exposed to interest rate, market, and credit risks. The University maintains its cash in various bank deposit accounts that, at times, may exceed federally insured limits. To minimize risk, the University's cash accounts are placed with high credit quality financial institutions and the University's investment portfolio is diversified among a variety of asset categories, which are held by several investment managers. The University regularly evaluates its depository arrangements and investment strategies.

(e) Student Accounts and Loans Receivable

Student accounts receivable represent credit extended to students with no underlying collateral. Such balances are due at the beginning of each semester and are stated net of an allowance for doubtful accounts. The University determines its allowance based on the anticipated net realizable value of expected collections. Student loans receivable principally represent loans under the Federal Perkins Loan Program. Student loans under the Federal Perkins Program are guaranteed by the federal government.

(f) Investments

The fair value of investments, which consist of fixed income and equity securities, is based on quoted market prices at June 30th. Investments in pooled private equity and other alternative investment funds are stated at estimated fair value based on the net asset value (NAV) of the funds as a practical expedient. Values of these funds, which may invest in both nonmarketable and market-traded securities, are provided by the general partner of the fund and reviewed by management for reasonableness.

(g) Deposits with Bond Trustees

Deposits with bond trustees represent funds held by the trustee, as required by bond indentures, and invested by the trustee in short-term marketable securities classified under Level 2 within the fair value hierarchy of the Accounting Standards Codification (ASC) 820, *Fair Value Measurement*. Such resources will be utilized to fund various construction projects or to satisfy certain debt service reserve requirements pursuant to the respective bond indenture agreements.

(h) Split-Interest Agreements

The University’s split-interest agreements include charitable remainder trusts, life income funds and perpetual trusts. The underlying assets of the trust agreements are invested in cash, cash equivalents and equity securities and are carried at fair value. Charitable remainder trusts and life income funds for one or more beneficiaries generally pay lifetime income to those beneficiaries, after which, the principal is made available to the University in accordance with donor stipulations. A liability is established for the present value of the estimated future payments to the beneficiaries, with the difference between the liability and the fair value of the proceeds received by the University recorded as a contribution. The present value calculation is performed using rates prescribed by the Internal Revenue Service.

The University operates a gift annuity program for donors from various states including New Jersey, New York, Florida and Maryland. The University maintains assets at least equal to the sum of the reserves on its outstanding annuity agreements. The reserves on the outstanding annuity agreements are consistent with the assumptions underlying the rates adopted by the American Council on Gift Annuities which are in effect at the time of issuance of the gift annuity. In determining the appropriate reserves, an adjustment is made for the obligation to the annuitant and the fair value of the investments. The University’s gift annuity reserves are sufficient to meet the state requirements of all of the states in which the program operates.

(Continued)

The split-interest agreements assets that are held by third party trustees are recorded in trusts held by others. These amounts are recorded at the fair value of the assets contributed to the trust and are classified within Level 3 of the fair value hierarchy of ASC 820.

(i) Land, Buildings and Equipment

Land, buildings and equipment, purchased for a value of $5 or more and with depreciable lives greater than one year, are stated at cost net of depreciation, or fair value at date of contribution, if donated. Upon disposal of fixed assets, the costs and accumulated depreciation are removed from the accounts, and the resulting gain or loss, if any, is included within operating activities in the accompanying consolidated statement of activities.

Depreciation is calculated using the straight-line method and half-year convention over the following estimated useful lives:

Buildings	40 years
Building improvements	20 years
Furniture, fixtures and equipment	4 to 15 years

(j) Deferred Revenue

Deferred revenue consists of tuition revenue for summer sessions prorated based on the portion of the session that occurs within each fiscal year, as well as unexpended grants from the State of New Jersey for construction, which will be recognized as spent. Also included are unexpended sponsored awards, which represent amounts received from sponsors for which the University has not yet fulfilled its obligations. Such amounts are recorded as revenues when the related services are performed, or obligations are satisfied.

(k) Fair Value Measurement

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices or published NAVs in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets.

(l) Operating Measure

The University classifies its activities in the accompanying consolidated statement of activities as operating and nonoperating. Operating activities principally include all income and expenses related to carrying out the University's educational and research mission. Operating revenues also include contributions and investment return used to fund current operations, in accordance with the University's endowment spending rate policy.

Nonoperating activities principally include investment return in excess of (or less than) amounts authorized for expenditure by the University's Board of Trustees (spending rate policy); contributions and other resources intended for permanently restricted purposes or purchases of capital assets; present value adjustments of annuities payable; and other activities considered to be a more unusual or nonrecurring nature, if any.

(m) Auxiliary Enterprises

Auxiliary enterprises include revenues and expenses primarily related to student housing, the campus bookstore and student dining facilities. An auxiliary enterprise exists to furnish goods or services to students, faculty, staff, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of an auxiliary enterprise is that it is managed as an essentially self-supporting activity. The auxiliary enterprise category includes all expenditures and transfers relating to the operation of auxiliary enterprises, including expenditures for operation and maintenance of plant, interest expense and depreciation expense. Also included are other direct and indirect costs, whether charged directly as expenditures or allocated as a proportionate share of costs of other departments or units.

(n) Sponsored Activities

The University receives sponsored program funding from various governmental and corporate sources. The University recognizes revenue associated with direct costs or sponsored programs as the related costs are incurred. Recovery of facilities and administrative (F&A) costs of federally sponsored programs are recorded at cost reimbursement rates negotiated with the University's cognizant agency, the Office of Naval Research. In fiscal 2018, the revenue from sponsored activities comprised $23,197 associated with direct costs, and $7,336 associated with F&A recoveries from all sponsors, including the federal government. The corresponding amounts for fiscal 2017 were $23,686 and $7,143, respectively.

(o) Income Taxes

The University has been classified as an organization described under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, is exempt from Federal income taxes under Section 501(a) of the Code and similar State of New Jersey tax provisions. Federal law imposes tax on income that is not related to an organization's tax-exempt purposes or otherwise excluded under the Code.

The University has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, determine its filing and tax obligations in jurisdictions for which it has nexus, and to review other matters that may be considered tax positions. Management of the University believes there are no uncertain tax positions.

(p) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include valuation of alternative investments that do not have readily determinable fair values; actuarially determined costs associated with accrued post-retirement benefit obligations; conditional asset retirement obligations; and the recoverability of receivables. Actual results could differ from those estimates.

(q) Prior Year Summarized Financial Information

While comparative information is not required under U.S. GAAP, the University believes this information is useful and has included certain summarized comparative financial information from its fiscal year 2017 consolidated financial statements. Such summarized comparative information is not intended to be a complete presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the University's consolidated financial statements as of and for the year ended June 30, 2017, from which it was derived.

(r) New Accounting Pronouncements

In fiscal 2018, the University adopted the provisions of FASB Accounting Standards Update (ASU) No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* The provisions of this update require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the consolidated statement of activities separately from the service cost component and outside a subtotal of income from operations. The University adopted the provisions of this update in fiscal year 2018 and applied the provisions retrospectively to fiscal year 2017. As a result, the University reclassified $408 of the other components of net benefit cost from operating expenses to other components of net periodic costs in nonoperating activities in the 2017 consolidated statement of activities.

(Dollars in thousands)

The FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which among other things, changes how not-for-profit entities report net asset classes, expenses and liquidity in their financial statements. The significant requirements of the new ASU include the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; quantitative and qualitative information about the management of liquid resources and the availability of financial assets to meet cash needs within one year of the date of the statement of financial position; and retaining the option to present operating cash flows in the statement of cash flows using either the direct or indirect method. The University plans to adopt ASU 2016-14 for the year ending June 30, 2019.

The FASB issued ASU 2018-08, *Not-for-Profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This update helps an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The update also clarifies and expands the criteria for determining whether a contribution is conditional, which may delay recognition of contribution revenue (recipient) or expenses (resource provider). The University plans to adopt ASU 2018-08 for the year ending June 30, 2019.

(s) Reclassifications

Certain amounts in the fiscal year 2017 financial statements have been reclassified to conform to the current year presentation.

(3) Student, Sponsor and Other Receivables

Student, sponsor and other receivables, net, as of June 30, 2018 and 2017, consisted of the following:

		2018	2017
Student	$	6,363	6,995
Sponsored contracts and grants		8,942	8,864
Student loans		5,610	6,264
Other		2,290	2,430
		23,205	24,553
Less:			
Allowance for doubtful student accounts		(2,004)	(2,174)
Allowance for doubtful sponsor accounts		(571)	(560)
Allowance for doubtful student loan accounts		(1,162)	(1,149)
Allowance for doubtful other accounts		(572)	(701)
		(4,309)	(4,584)
Student, sponsor and other receivables, net	$	18,896	19,969

(Continued)

(Dollars in thousands)

A majority of the student loans outstanding are associated with the Federal Perkins Loan Program. At June 30, 2018 and 2017, student loans represented approximately 1% of total assets. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of $4,668 and $5,836 at June 30, 2018 and 2017, respectively, are ultimately refundable to the U.S. government and are classified as liabilities in the consolidated statement of financial position. Outstanding loans canceled under the program result in a reduction of the funds available for future loans and a decrease in the liability to the U.S. government.

At June 30, 2018 and 2017, the following amounts were outstanding receivables under the Federal Perkins Loan Program:

		Less than 30 days	Less than 90 days	Less than 180 days	Less than 360 days	Greater than 360 days	Total
June 30:							
2018	$	3,898	60	98	46	1,266	5,368
2017		4,623	94	43	25	1,252	6,037

Also included in student loan receivables are private student loan and direct lending receivables totaling $242 and $227 in fiscal year 2018 and 2017, respectively. Allowances for doubtful accounts are established based on prior collection experiences and current economic factors, which, in management’s judgment, could influence the ability of loan recipients to repay the amounts per the loan terms.

(4) Contributions Receivable

Contributions receivable, net, as of June 30, 2018 and 2017, consisted of the following:

		2018	2017
Amounts due in:			
Less than one year	$	14,176	8,973
One to five years		25,384	18,592
Greater than five years		2,809	3,985
		42,369	31,550
Less discount to present value		(1,658)	(1,450)
		40,711	30,100
Less allowance for doubtful contributions		(933)	(937)
Contributions receivable, net	$	39,778	29,163

(Dollars in thousands)

A discount for contributions receivable to be received over periods longer that the one year from date of contribution is provided using a risk-adjusted rate of return. The discount rates used range from 1.47% to 3.25%.

At June 30, 2018 and 2017, approximately 78% and 70%, respectively, of gross contributions receivable is due from six donors. For the years ended June 30, 2018 and 2017, approximately 70% and 62% of contribution revenue was received from six donors.

(5) Investment and Trusts Held by Others

The fair value of investments and trusts held by others at June 30, 2018 and 2017 comprised the following:

		2018	2017
Cash and cash equivalents	$	5,910	1,964
Mutual funds invested in equities		96,395	91,776
Mutual funds invested in fixed income		54,779	43,393
Pooled private equity		17,195	15,927
Pooled alternative investments		10,150	19,045
Other		111	111
		184,540	172,216
Split-interest agreements		2,709	2,790
Total investments		187,249	175,006
Trusts held by others		5,669	4,361
Total investments and trusts held by others	$	192,918	179,367

(Dollars in thousands)

Investment valuations are established and classified based on a variety of inputs. The input classifications or levels, by investment category, are shown in the following tables:

2018		Total		Level 1	Level 2	Level 3
Investments:						
Cash and cash equivalents	$	5,910		5,910	—	—
Mutual funds invested in equities		96,395		96,395	—	—
Mutual funds invested in fixed income		54,779		54,779	—	—
Split-interest agreements		2,709		2,709	—	—
Other		111		48	—	63
		159,904	$	159,841	—	63
Investments reported at NAV or its equivalent:						
Pooled private equity		17,195				
Pooled alternative investments		10,150				
Total investments	$	187,249				
Trusts held by others	$	5,669		—	—	5,669

2017		Total		Level 1	Level 2	Level 3
Investments:						
Cash and cash equivalents	$	1,964		1,964	—	—
Mutual funds invested in equities		91,776		91,776	—	—
Mutual funds invested in fixed income		43,393		43,393	—	—
Split-interest agreements		2,790		2,790	—	—
Other		111		48	—	63
		140,034	$	139,971	—	63
Investments reported at NAV or its equivalent:						
Pooled private equity		15,927				
Pooled alternative investments		19,045				
Total investments	$	175,006				
Trusts held by others	$	4,361		—	—	4,361

(Dollars in thousands)

There were no transfers in or out of Levels 1, 2 or 3 within the fair value hierarchy during the years ended June 30, 2018 and 2017.

The following table summarizes the changes in value of the Level 3 investments for the fiscal year ended June 30, 2018:

		Other	Trust held by others
Balance as of June 30, 2016	$	72	3,650
(Distributions) new trusts, net		(6)	472
Total investment return, net		(3)	239
Balance as of June 30, 2017		63	4,361
(Distributions) new trusts, net		—	1,032
Total investment return, net		—	276
Balance as of June 30, 2018	$	63	5,669

The University diversifies its investments both by asset class and within asset classes. As a general practice, all investments of the University are managed by external investment management firms.

Investments reported at NAV as calculated by respective investment managers are subject to capital calls and specific redemption terms. Investments, valued using NAV at June 30, 2018, are as follows:

		Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period (days)
Pooled alternatives:					
Multi-strategy (a)	$	10,150	—	Quarterly	91 days
		10,150	—		
Pooled private equity:					
Real estate fund (b)		836	810	Not eligible	
Private equity (c)		16,359	18,385	Not eligible	
		17,195	19,195		
Total investments reported at NAV	$	27,345	19,195		

(Continued)

(Dollars in thousands)

The information below includes description of the investments by class, valuation estimates used, and the redemption terms by investment class.

a. Multi-strategy invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' portfolio for this class includes investments in funds of funds, public and private equity and fixed income, long-term and short-term equities and credit. The fair values of the investments in this class have been estimated using the NAV per share of the investments.

b. The real estate fund includes investments in undervalued or inappropriately capitalized U.S. and non-U.S. real estate assets and corporate real estate. They also include public and private real estate companies in growth/emerging markets. The fair values of the investments in this class have been estimated using the NAV of the University's ownership interest in partners' capital. Each investment has specific terms regarding redemptions and/or terminations. Upon termination of the partnership, investments in the funds are liquidated and distributed. Investments representing 68% of the value in this class will terminate on August 30, 2021 and 32% will terminate December 31, 2019.

c. Private equity includes several private equity funds that invest primarily in strategies and markets that demonstrate the potential to produce attractive returns due to market inefficiencies and/or companies with a strong potential for change, as well as managers who demonstrate differentiated capabilities in pursuing their strategies. The investments consist of 30% in Natural Resources, 39% in U.S. Private Equities, 30% in Global Private Equities, and 1% in Venture Capital. These investments cannot be redeemed. Upon termination of the partnership, distributions will be made through the liquidation of the underlying assets. The distributions may take more than one year after the partnership termination date. The fair values of the investments in this class have been estimated using the NAV of the University's ownership in partners' capital.

The components of investment return (loss) for the years ended June 30, 2018 and 2017 are as follows:

		2018	2017
Dividends and interest	$	5,062	4,070
Net realized gain (loss)		375	2,595
Net unrealized appreciation (depreciation)		5,357	9,476
Investment management fees		(940)	(850)
Total investment return (loss)		9,854	15,291
Endowment distribution, net of amounts returned to endowment		(5,968)	(6,365)
Net investment return (loss)	$	3,886	8,926

In addition to the gross endowment distribution, net noninvestment return totaling $745 and $182 in fiscal 2018 and 2017, respectively, was included in the investment return in support of operations on the accompanying consolidated statement of activities.

(Dollars in thousands)

Total calculated endowment distribution, less amounts associated with true endowments whose fair value is less than the original gift value, is defined as endowment distribution-gross and is presented as part of operating activities on the accompanying consolidated statement of activities. A ratable portion of the endowment distributions associated with chairs and professorships that are unnamed for a portion of the fiscal year is transferred back to the specific endowment fund, and presented within nonoperating activities.

(6) Endowment

The University's endowment fund consists of 387 and 378 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the University's Board of Trustees to function as endowments at June 30, 2018 and 2017, respectively. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Relevant Law

The University follows New Jersey State Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate for expenditure or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return of investments; general economic conditions and the possible effect of inflation or deflation; other resources of the institution; and the investment policy of the institution.

While UPMIFA does not require it unless the donor gift instrument contains an express provision, the University generally requires the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds. Following this approach, the University classifies as permanently restricted net assets (a) the original value of gifts donated to its permanent endowment, (b) its original value of subsequent gifts to its permanent endowment, and the (c) accumulations to its permanent endowment made in accordance with the directions of the applicable donor gift instrument, at the time the accumulation is added to the fund.

Accumulated gains resulting from donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University, in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment net assets consisted of the following at June 30, 2018:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(1)	83,390	111,273	194,662
Board-designated endowment funds		12,144	—	—	12,144
Total net assets	$	12,143	83,390	111,273	206,806

(Dollars in thousands)

Endowment net assets consisted of the following at June 30, 2017:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (49)	80,221	93,545	173,717
Board-designated endowment funds	10,217	—	—	10,217
Total net assets	$ 10,168	80,221	93,545	183,934

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2017	$ 10,168	80,221	93,545	183,934
Investment return, net	561	8,491	—	9,052
Contributions	—	—	17,429	17,429
Appropriation for expenditure	(256)	(5,712)	—	(5,968)
Distributions returned to endowment	99	296	—	395
Reclassification of net assets	1,571	94	299	1,964
Endowment net assets, June 30, 2018	$ 12,143	83,390	111,273	206,806

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2016	$ 8,073	71,763	86,189	166,025
Investment return, net	938	14,195	—	15,133
Contributions	—	—	1,444	1,444
Appropriation for expenditure	(256)	(6,109)	—	(6,365)
Distributions returned to endowment	—	329	—	329
Reclassification of net assets	1,413	43	5,912	7,368
Endowment net assets, June 30, 2017	$ 10,168	80,221	93,545	183,934

(b) Return Objectives and Risk Parameters

The University's primary investment objectives are to invest its endowment principal to achieve growth of both principal value and income over time sufficient to preserve and/or increase the real (inflation adjusted) purchasing power of the assets, and to provide a stable source of perpetual financial support.

(c) Strategies Employed for Achieving Objectives

The University relies on a total return strategy in which active equity managers/funds are expected to achieve an annualized total rate of return over a three-to five-year period, which exceeds an agreed upon benchmark rate of return, net of costs and fees. Total return is defined as dividend and interest income plus realized and unrealized capital appreciation or depreciation. Active fixed income managers are expected to exceed appropriate market indices, net of costs and fees. When index funds are used, the return should closely track with the appropriate index.

(d) Spending Rate Policy

The University maintains an investment pool for its long-term investments. The pool is managed to achieve the maximum prudent long-term total return. The University's Board of Trustees has authorized a spending rate designed to fulfill the following objectives:

- Preserve the value of the investment pool in real terms (after inflation); and
- Provide a predictable flow of funds to support operations.

For the years ended June 30, 2018 and 2017, the spending rate permitted the use of total returns (dividend and interest income and appreciation) at a rate of 4.5% of the average year-end fair value of the investment pool over a three-year period. Endowment funds for which the total return is permanently restricted by donors, if any, are excluded from the spending rate.

(e) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of accumulated gifts. At June 30, 2018 and 2017, the aggregate deficiencies of this nature totaling $1 and $49, respectively, were reported within unrestricted net assets. These deficiencies principally resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

(Continued)

(Dollars in thousands)

(7) Land, Buildings and Equipment, Net

At June 30, 2018 and 2017, property, plant and equipment, net consisted of the following:

		2018	2017
Land	$	1,763	1,763
Buildings and improvements		272,447	241,938
Furniture, fixtures and equipment		51,565	58,658
Construction in progress		37,145	24,909
		362,920	327,268
Less accumulated depreciation and amortization		(164,803)	(158,435)
Total land, buildings and equipment, net	$	198,117	168,833

Depreciation and amortization expense, excluding accretion, totaled $13,594 and $12,265 for the years ended June 30, 2018 and 2017, respectively. Construction in progress includes costs associated with the Gianforte Family Academic Center, Workday Student system, New Residence Halls/Student Center, costs associated with the campus plan, and various other campus improvements. The commitments to complete these projects at June 30, 2018 are approximately $56 million.

(8) Long-Term Debt and Line of Credit

Long-term debt at June 30, 2018 and 2017 consisted of the following:

Bond issue		2018	2017	Maturity date	Interest rate range
(a) 2003 Dormitory Safety Trust Fund Series A	$	—	15	1/15/2018	— %
(b) 2014 Higher Education Equipment Leasing Fund		577	690	6/1/2023	5.00 %
(c) 2016 Higher Education Capital Improvement Fund Series A		373	490	9/1/2024	2.84 %
(d) 2016 Higher Education Capital Improvement Fund Series B		8,342	8,523	9/1/2036	4.73 %
(e) 2017 Revenue Bonds Series A		119,905	119,905	7/1/2047	4.00%–5.00%
Long-term debt, net		129,197	129,623		
Plus unamortized bond premium		12,234	12,673		
Less unamortized bond issuance costs		(860)	(890)		
	$	140,571	141,406		

(a) 2003 Dormitory Safety Trust Fund Series A

On January 15, 2004, the University entered into a loan agreement with the New Jersey Educational Facilities Authority (the Authority) for improvements of dormitory safety facilities, including fire prevention and sprinkler systems. The loan agreement was financed through the issuance of bonds by the Authority. The University's portion of the funds amounted to $244. The loan was fully repaid in 2018.

(b) Equipment Leasing Fund

In April 2013, the University was awarded $7,250 in capital improvement grants from the State of New Jersey for two information technology infrastructure projects. A portion of the award, $4,500, is being funded under the Higher Education Equipment Leasing Fund, using bonds issued by the Authority. On January 1, 2014, the University entered into lease agreements with the Authority, which require that the University pay one-fourth (25%) of the debt service of the underlying bonds, totaling $987. The agreement requires the University to establish and maintain all original funds as deposits with a trustee, whereby the Trustee, as evidenced by University payments, releases funds during construction.

(c) 2016 Higher Education Capital Improvement Fund Series A Bonds

In 2016, the Authority issued bonds to advance refund the 2005A and 2006A Capital Improvement Funds. The advance refunding added to principal while lowering the overall debt service and did not generate new grants. The remaining balance represents the University's share of the bonds outstanding that funded the original grants made to the University under the 2005A and 2006A programs.

(d) 2016 Higher Education Capital Improvement Fund Series B Bonds

In June 2016, the University was awarded $19,250 in capital improvement grants from the State of New Jersey for the Academic Gateway Project. A portion of the award, $17,435, is being funded under the Higher Education Equipment Capital Improvement Fund, using bonds issued by the Authority. On December 1, 2016, the University entered into a grant agreement with the Authority, which requires that the University pay one-half (50%) of the debt service of the underlying bonds, totaling $8,523. The agreement requires the University to establish and maintain all original funds as deposits with a trustee in an account, whereby the Trustee, as evidenced by University payments, releases funds during construction. As of June 30, 2018, such deposits amounted to $10,591.

(e) 2017 Revenue Bonds Series A

On April 1, 2017, the University entered into a loan agreement with the Authority for bonds with principal of $119,905 to i.) refinance the costs of certain capital projects through the refunding of the 2007 Series A Bonds and the 1998 Series I Bonds; and ii.) finance capital projects for construction, renovation, expansion and equipping of certain university research and academic buildings and a garage. The University granted as security for this loan, a pledge of and lien on tuition and fee collections. The loan has a negative pledge which states that no additional liens of greater than $10 million shall be pledged upon three certain campus buildings unless a provision is made to secure the bonds equally and ratably with such liens. Under the 2017 Series A Bonds, the loan agreement requires the University to establish and maintain all original funds as deposits with a trustee in a separate account. At June 30, 2018, such deposits amounted to $50,483.

(Dollars in thousands)

Principal and interest payments for each of the next five years and thereafter are as follows:

		Principal	Interest	Total
Fiscal year ending June 30:				
2019	$	3,295	6,366	9,661
2020		2,977	6,209	9,186
2021		3,128	6,070	9,198
2022		3,153	5,920	9,073
2023		3,218	5,765	8,983
Thereafter		113,426	80,006	193,432
Total	$	129,197	110,336	239,533

Interest expense related to long-term debt is $6,282 and $4,162 for the years ended June 30, 2018 and 2017, respectively, of which $2,756 and $950 has been capitalized, respectively.

Line of Credit

The University has a $25,000 line of credit with TD Bank for general corporate purposes, which may include the temporary financing of capital projects. This facility bears interest at ninety (90) basis points above the LIBOR one-month rate and has an unused fee of three (3) basis points. This line of credit became effective May 20, 2016 and expires on May 20, 2019. There is one financial covenant: Debt Service Ratio of not less than 1.15 to 1.0 that is tested annually at fiscal year-end. The interest rates for the line of credit were 2.900% and 2.025% at June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, there were no amounts outstanding under the TD Bank line of credit.

(9) Post-Retirement Benefits

The University provides health benefits to substantially all of its employees. Upon retirement, employees may be eligible for continuation of these benefits. Amounts are accrued for such benefits during the years employees provide services to the University. The University funds its post-retirement benefit cost on a pay-as-you-go basis.

(Dollars in thousands)

The following are the details of the University's postretirement benefit obligation for the years ended June 30:

		2018	2017
Change in benefit obligation:			
Benefit obligation at beginning of year	$	6,008	6,176
Service cost		115	123
Interest cost		208	206
Plan participants' contributions		9	8
Amendments/curtailments/special termination		—	449
Actuarial (gain) loss		(334)	(556)
Benefits paid		(403)	(398)
Benefit obligation at end of year	$	5,603	6,008

The discount rates used to determine benefit obligations for the years ended June 30, 2018 and 2017 were 3.99% and 3.58%, respectively.

Assumed healthcare cost trend rates can have a significant effect on the amounts reported for the healthcare plans. A one percentage point change in the healthcare cost trend rates would have the following effects:

		One percentage point increase	One percentage point decrease
Effect on post-retirement benefit obligation	$	40	(36)
Effect on total of service and interest cost components		1	(1)

(Dollars in thousands)

The following presents details of the University's post-retirement benefit plan assets and costs for the years ended June 30:

		2018	2017
Change in plan assets:			
Fair value of plan assets at beginning of year	$	—	—
Contributions (employer and plan participants)		403	398
Benefits paid		(403)	(398)
Fair value of plan assets at end of year	$	—	—
Components of accrued benefit cost:			
Funded status	$	(5,603)	(6,008)
Unamortized prior service credit (cost)		188	165
Unamortized actuarial net loss		2,346	2,870
Accrued benefit cost	$	(3,069)	(2,973)
Components of net periodic benefit cost:			
Service cost	$	115	123
Interest cost		208	206
Amortization of unrecognized prior service cost (credit)		(22)	(22)
Amortization of net loss		190	224
Net periodic benefit cost	$	491	531

The following weighted average assumptions were used to determine net periodic benefit cost for the years ended June 30:

	2018	2017
Discount rate	3.58 %	3.39 %
Assumed pre-65 medical trend rates at June 30:		
Healthcare cost trend rate assumed	5.00	5.70
Prescription drug cost trend rate assumed	10.25	10.50
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.89	3.89
Fiscal year that the rate reaches the ultimate trend rate	2075	2075

		2018	2017
Post-retirement benefit changes other than net periodic costs:			
Change in unamortized items:			
Prior service cost	$	—	449
Actuarial (loss) gain		(334)	(556)
Amortization of:			
Actuarial loss		(190)	(224)
Unrecognized prior service credit		22	22
Total benefit changes other than periodic costs		(502)	(309)
Components of net periodic benefit cost, other than service cost		376	408
Post-retirement benefit changes other than service cost	$	(126)	99

Expected Future Benefit Payments

Shown below are expected gross benefit payments (including prescription drug benefits) and the expected gross amount of subsidy receipts:

		Employer contributions
Year ending June 30:		
2019	$	404
2020		400
2021		391
2022		375
2023		365
2024 to 2028		1,698

Amounts that have not been recognized as components of net periodic benefit cost but are included in unrestricted net assets are as follows:

		2018	2017
Prior service credit (cost)	$	188	165
Net loss		2,346	2,870
	$	2,534	3,035

(Dollars in thousands)

Amounts in unrestricted net assets expected to be recognized as components of net periodic benefit cost during fiscal year 2019 are as follows:

Prior service credit	$	(22)
Net loss		190

(10) Conditional Asset Retirement Obligations

Conditional asset retirement obligations (CARO) are legal obligations associated with the retirement of long-lived assets. These liabilities are recognized for remediation or disposal of asbestos, underground storage tanks, radioactive sources and equipment, and similar hazardous materials. These liabilities were initially recorded at an estimated cost of remediation, with related asset retirement costs capitalized by increasing the carrying amount of the related assets by the same amount as the liability. The University applied retrospective application at the inception of the liability using an inflation rate of 4.40% and a discount rate of 5.19%. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the University records period-to-period changes in the CARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows associated with abatement projects. In fiscal year 2014, the University modified the inflation rate to 4.0%. The University satisfies CARO liabilities when the related obligations are settled. Accretion charges in the amount of $291 and $293 for the years ended June 30, 2018 and 2017, respectively, were presented as a component of depreciation and amortization expense.

(11) Pension Plans

The University participates in the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF), a defined contribution plan for academic, professional administrative, nonacademic support and union personnel.

The University participated in a defined contribution plan underwritten by the Variable Annuity Life Insurance Company (VALIC) for nonacademic support and union personnel. Contributions to the VALIC plan ended in May 2009; those participants are now participants in the TIAA/CREF plan. Certain participants still have assets with VALIC.

Retirement costs related to these plans for the years ended June 30, 2018 and 2017 totaled approximately $5,764 and $5,455, respectively.

The Non-Academic Staff Employees' Pension Plan was established in 1973 as noncontributory defined benefit plan and covered all nonacademic employees who were not eligible for coverage under the TIAA-CREF defined contribution plan described above. The plan was frozen effective June 30, 1994, after which date, no new participants were accepted into the plans. As of June 30, 2018, the Non-Academic Staff Employees' Pension Plan had a funded status of $349.

(Dollars in thousands)

The Local 660 Pension Plan was established in 1973 as noncontributory defined benefit plans and covered Local 660 union who were not eligible for coverage under the TIAA-CREF defined contribution plan described above. The plan was frozen effective June 30, 1994, after which date, no new participants were accepted into the plans. As of June 30, 2018, the Local 660 Pension Plan had a funded status of $59.

(12) Net Assets

At June 30, 2018 and 2017, net assets consisted of the following:

		2018	2017
Unrestricted:			
Undesignated	$	15,484	(1,832)
Net investment in plant		103,402	86,067
Endowment		12,143	10,168
Institutional portion of Federal Perkins Loans Program		1,017	940
Total unrestricted		132,046	95,343
Temporarily restricted:			
Education and research programs		16,850	16,589
Capital projects		26,177	26,363
Annuity and life income funds		3,475	2,459
Endowment		83,390	80,221
Total temporarily restricted		129,892	125,632
Permanently restricted:			
Endowment		111,273	93,545
Student loans		2,693	2,780
Annuity and life income funds		2,854	1,867
Total permanently restricted		116,820	98,192
Total net assets	$	378,758	319,167

(Dollars in thousands)

(13) Functional Classification of Expenses

The consolidated statement of activities presents operating expenses based upon their natural classification and before certain allocations such as depreciation and amortization, interest, and operations and maintenance of plant. For the years ended June 30, 2018 and 2017, operating expenses presented by their functional category and allocation of depreciation and amortization, interest, and operations and maintenance of plant were as follows:

2018	Operating expenses before allocations	Depreciation and amortization	Interest	Operations and maintenance of plant	Total operating expenses
Instruction	$ 71,832	2,553	614	2,690	77,689
Research	22,735	2,057	495	2,167	27,454
Public services	1,297	—	—	—	1,297
Academic support	25,768	2,008	483	2,116	30,375
Student services	24,690	2,629	633	2,770	30,722
Institutional support	30,617	896	216	945	32,674
Auxiliary enterprises	17,291	3,367	810	3,548	25,016
Total	$ 194,230	13,510	3,251	14,236	225,227

2017	Operating expenses before allocations	Depreciation and amortization	Interest	Operations and maintenance of plant	Total operating expenses
Instruction	$ 72,921	2,280	1,013	2,575	78,789
Research	23,136	1,837	548	2,074	27,595
Public services	1,164	—	—	—	1,164
Academic support	23,933	1,793	522	2,024	28,272
Student services	23,043	2,348	428	2,650	28,469
Institutional support	28,965	801	123	904	30,793
Auxiliary enterprises	16,690	3,008	710	3,395	23,803
Total	$ 189,852	12,067	3,344	13,622	218,885

The allocation of depreciation and amortization, interest and operations and maintenance is based on square footage occupied by functional area.

Fundraising expenses are included within institutional support and totaled $5,298 and $4,892 for the years ended June 30, 2018 and 2017, respectively. Advertising costs are expensed in the year they are incurred. Amounts totaled $925 and $885 for the years ended June 30, 2018 and 2017, respectively.

(Dollars in thousands)

(14) Commitments and Contingent Liabilities

The University receives funding or reimbursement from Federal government agencies for sponsored activity under government grants and contracts. These grants and contracts provide for reimbursement of indirect (facilities and administrative) costs based on rates negotiated with the Office of Naval Research, which is the University's cognizant Federal agency. The University's facilities and administrative cost reimbursements for the years ended June 30, 2018 and 2017 were based on a final predetermined rate that is not subject to a carry forward provision.

The Defense Contract Audit Agency (DCAA) is responsible for auditing both direct and indirect charges to grants and contracts in support of the Office of Naval Research's negotiating responsibility. The University has final audited rates through fiscal 2009. It is the opinion of management that disallowances, if any, resulting from open years will not have a material effect on the accompanying consolidated financial statements. The University anticipates the ongoing DCAA audit will be completed in fiscal year 2019.

In July 2014, the University was selected by the State of New Jersey for an audit of its practices regarding unclaimed property. Since June 2014, major components of the audit have been completed, including resolution of the liability associated with student accounts, payroll and accounts payable. Other smaller areas of the audit are proceeding. The University has established a reserve for the estimated liabilities. It is management's belief that the completion of this audit will not result in additional reserves being required that will have a material impact on the University's consolidated financial statements.

The University is a party to various legal actions arising in the ordinary course of operations. While it is not possible to predict the outcome of these actions at this time, it is the opinion of management that the resolution of these matters will not have a material effect on the University's consolidated financial statements.

Operating Leases

The University is party to various operating lease agreements, expiring through 2022, for office equipment, vehicles and student housing. Minimum lease payments due under these agreements are as follows:

Fiscal year ending June 30:		
2019	$	8,225
2020		4,454
2021		1,711
2022		345
Total	$	14,735

Rent expense associated with the above leases, for the years ended June 30, 2018 and 2017, totaled $8,690 and $9,236, respectively.

(Dollars in thousands)

Capital Leases

The University leases equipment under capital lease agreements that expire in fiscal year 2021. The value of the leased equipment of $6,532 is included in furniture, fixtures and equipment while the present value of net minimum lease payments is included in capital lease obligation. The following is a schedule by years of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2018:

Fiscal year ending June 30:		
2019	$	1,042
2020		1,042
2021		910
Total		2,994
Less amounts representing interest		(162)
	$	2,832

Interest expense related to capital lease obligations is $127 and $161 for the years ended June 30, 2018 and 2017, respectively.

(15) Related Party Transactions

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or through interlocking board memberships, with companies doing business with the University. Under the University's conflict-of-interest policy, all business and financial relationships of trustees and officers with the University and with vendors and subcontractors to the University are subject to an annual disclosure process culminating with review by General Counsel, Internal Audit and the Audit Committee of the Board of Trustees. During fiscal years 2018 and 2017, there were no arrangements that required review and approval.

From time to time, the University is the recipient of contributions from donors who are also members of the Board of Trustees. At June 30, 2018 and 2017, contributions receivable included $11,091 and $12,733, respectively, from members of the Board of Trustees.

(16) Subsequent Events

The University evaluated its June 30, 2018 consolidated financial statements for subsequent events through December 10, 2018 the date the consolidated financial statements were issued. In connection with this evaluation, the University is not aware of any significant subsequent events, which would require recognition or disclosure in the accompanying consolidated financial statements.

STEVENS INSTITUTE OF TECHNOLOGY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through entity number/ additional award number	Federal expenditures	Amounts passed-through to subrecipients
Research and Development Cluster:				
National Institutes of Health:				
An Egocentric Computer Vision based Active Learning Co-Robot Wheelchair	93.361	1R01NR015371-01	$ 251,103	—
BIGDATA: Causal Interference in Large-Scale Time Series with Rare Events and Latent Variables	93.879	1R01LM011826-01	265,963	88,145
Engineered Intravascular Catheters for the Treatment of Bacteremia	93.855	1R21AI110924-01	(14,063)	—
Improved Ventilation of the Edematous Lung	93.838	R01HL11357	425,635	—
RecQ DNA Helicase Impact on the Nuclear Pore Complex in Aging Cells	93.095	1R21AG047433-01	(422)	—
SNr DBS for the Treatment of Gait and Postural Disturbances in Parkinson's Disease	93.853	7R21NS085539-03	29,775	—
Structure, Spectra, and Roles of Metal and Active Site in HNO Heme Protein Complex and Metal-Mediated Biological HNO Formation, Conversion, and Detection	93.859	7R15GM08577402	45,857	—
Pass-through from University of Rochester:				
Micro- and Nanofiber Enabled Biomimetic Periosteum for Bone Repair and Reconstruction	93.846	416837-G	235,503	—
R01- Metalloprotein Catalysts for Asymmetric Synthesis URF	93.859	417249G/UR FAO GR510737	64,694	—
Pass-through from Hackensack University Medical Center:				
Microfluidic Approach for the Development of a Three-Dimensional Bone Marrow Microenvironment Model to Test Personalized Multiple Myeloma Treatments	93.393	2014001	435	—
Pass-through from University of Connecticut Health Center:				
Biodegradable Matrices for Bone Healing	93.286	UCHC7-95616052	49,413	—
National Institutes of Health Total			1,353,893	88,145
National Park Service:				
Coastal Adaptation Impacts on Jamaica Bay Water Quality, Waves and Flooding Post-Hurricane Sandy, New York	15.944	P14AC01472, PR#0020057215	12,600	—
National Park Service Total			12,600	—
National Science Foundation:				
Adapting Tested Spatial Skills Curriculum to On-Line Format for Community College Instruction: A Critical Link to Retain Technology Students	47.076	DUE-1407123	97,653	57,759
ADVANCE Stevens: Creating a Sustainable Culture that Facilities Recruitment, Retention and Advancement of Women Faculty in STEM	47.076	HRD-1311792	110,585	—
Biomimetic Assembly of Microphysiological Lacunocanalicular Network	47.049	DMR-1409779	51,478	15,615
Biomimetic Reconstruction of Functional and Hierarchical Microvascular Networks	47.049	DMR – 1508511	64,288	—
CAREER: Learning from Observational Data with Knowledge	47.070	IIS-1347119	90,641	—
CAREER: Non-Commutative Cryptography from Hard Learning Problems: Theory and Practice	47.070	CNS-1350858	39,057	—
CAREER: Synthetic Ultra-High-Resolution Millimeter-Wave Imaging for Tissue Diagnostics	47.041	ECCS 1554402	135,141	—
CAREER: Verifiable Outsourcing of Data Mining Computations	47.070	CNS-1350324	147,663	—
CHS: Small: Collective Design Through Remixing	47.070	IIS-1422066	54,895	—
Collaborative Research: Chemical Ecology of Host Specialization in Phorid Parasitoids of Ants: An Experimental Analysis	47.074	IOS-1052372	2,162	—
Collaborative Research: Cavity-Enhanced Exciton Emission from Carbon Nanotubes in the Intrinsic Regime	47.049	DMR-1506711	75,795	—
Collaborative Research: Fundamentals of Biomass Upgrading to Fuels and Chemicals over Catalytic Bimetallic Nanoparticles	47.041	CBET-1264453	(65)	—
Collaborative Research: Unusual Temperature Dependent Behavior of Polymer Nanocomposites	47.041	CMMI-1538725	54,815	—
CSR: Medium: Collaborative Research: Guardian Angel-Enabling Mobile Safety Systems	47.070	CNS-1409767	1,886	—
CyberSEES: Type 2: Collaborative Research: Combining Experts and Crowds to Address Global Climate Change	47.070	CCF-1442840	39,287	—
EAGER: Hybrid Socio-Technical Teams: A Theoretical Framework For Modeling And Design of Hybrid Networks of Human and Autonomous Agents	47.041	1548521	83,706	—
EAGER: Toward Descriptive Mapping for Underwater Exploration	47.070	1551391	2,426	—
FOUNDATIONS: Integrating Evidence-based Teaching and Learning into the Core Engineering Curriculum	47.076	1524656	436,554	—
GOALI: Nanostructured Sapphire Optical Fiber for Sensing in Harsh Environment	47.049	1506179	117,684	—
Hydropower on a Chip: Frictionless Nanochannel Systems for Hydroelectric Power Generation	47.041	1462499	100,806	—
INSuRE Pilot Project	47.076	DGE-1433795	763	—
Microgel Tethering for Integrated Microarray-Based RNA Amplification and Detection	47.041	CBET-1402706	51,322	—
MRI: Acquisition of Cryogen-free Low-temperature Scanning-probe Spectroscopy System for Nanophotonic and Nanoelectronic Device Characterization	47.041	ECCS-1531237	(62)	—
NeTS: Medium: Collaborative Research: Exploiting Fine-Grained WiFi Signals for Wellbeing Monitoring	47.070	CNS-1514436	58,079	—
NeTS: Small: Collaborative Research: Distributed Robust Spectrum Sensing and Sharing in Cognitive Radio Networks	47.047	CNS-1318748	(750)	—
NRI: Collaborative Research: Controlling Crowd Dynamics by Dynamically Interacting Robots for Emergency Evacuation	47.070	IIS-1527016	116,294	—
OP: Collaborative Research: Quantum Zeno Photonics on Chip	47.041	1521424	100,503	—
Partnership to Improve Student Achievement in Physical Sciences: Intergrating STEM Approaches (PISA2)	47.076	DUE-0962772	322,244	20,738
Renewal: CyberCorps: Scholarship for Service Program at Stevens	47.076	DGE-1433795	559,455	26,656
RI: Small: Learning to Eliminate Heuristics in Stereo Vision	47.070	IIS-1527294	75,652	—
SaTC-EDU: EAGER: Development and Evaluation of Privacy Education Tools via Open Collaboration	47.076	DGE 1464800	27,881	7,892
Selective C-H Functionalization by Highly Tunable Metalloporphyrin Carbenoid: A Mechanistic Investigation	47.049	CHE-1300912	51,084	—
Signal Recovery with Unknown Clustered Sparsity and Quantization	47.041	ECCS-1408182	41,660	—
Software Engineering Master's Program for Liberal Arts Graduates	47.076	1458721	10,000	—
Structured Surfaces for Super-icephobicity	47.070	1537474	116,450	—
TC:Small: Distributed Privacy-Preserving Policy Reconciliation	47.070	CCF1018616	543	—
TWC: Medium: Collaborative: Flexible and Practical Information Flow Assurance for Mobile Apps	47.070	CNS-1228930	1,157	—
TWC: Small: Workflows and Relationships for End-to-End Data Security in Collaborative Applications	47.070	CNS-1320798	66,033	—
CAREER: Additive Biomanufacturing an Engineered Stem Cell Microenvironment	47.041	CMMI-1554150	48,149	—
I-Corps: Segmented Porous Dental Implants for Improved Tissue Generation	47.041	IIP-1637765	(2,112)	—
Travel Grants for The Colloquium for Information Systems Security Education	47.076	DGE-1642185	11,750	—
Facile Lab-on-Fiber Optofluidic Platform for the Study of Therapeutic-Eluting Polyelectrolyte Coatings	47.041	ECCS1611155	131,131	—
Bacteria-Triggered Antimicrobial Release from Microgel-Modified Surfaces	47.049	DMR-1608406	68,743	—
IPA: NSF Personnel Mobility Program	47.XXX	CNS-1738949	248,048	—
Maritime Cybersecurity – Building Capacity in Critical Infrastructure Protection	47.076	DGE-1623714	23,251	—
Polymer Nanocomposites with Enhanced Optoelectronic Properties via Shear Induced Crystallization	47.041	CMMI-1635284	156,135	—
Collaborative Research: A Nonbiding Commitment Modeling and Control for Deployment of Distributed Flexible Energy Resources	47.041	ECCS-1610302	13,698	—
EAGER: Hyperproperty Abstraction for Information Flow Control	47.070	CCF-1649894	23,833	—
Collaborative Research: The Genetic Basis, Biosynthetic Pathways and Evolution of Chemical Defense in Carabid Beetles	47.074	DEB – 1556898	81,872	—
EAGER: Towards Human Centered Visual Understanding: Exploring the Intended and Interpreted Meaning of Images in Social Multimedia	47.070	IIS-1350763	60,154	—
Signal Processing for Passive RF Sensing	47.041	ECCS-1609393	8,408	—
EAGER: Collaborative Research: Towards Understanding Smartphone User Privacy: Implication, Derivation, and Protection	47.075	SES-1450091	2,364	—
CAREER: Belief Space Planning and Learning for Uncertainty-Immersed Underwater Robots	47.070	IIS-1652064	38,560	—
CAREER: A Sparse Network-Operator Approach to Distributed Control: Theory and Algorithms	47.041	ECCS-1653756	55,895	—
Conference: Groups and Computation: Interactions between Geometric Group Theory, Computability and Computer Science	47.049	DMS-1719710	23,120	—
NRI: Collaborative Research: Autonomous Quadrotors for 3D Modeling and Inspection of Outdoor Infrastructure	47.047	IIS-1637761	106,873	—
CHS: Small: Collaborative Research: Understanding and Improving Implicit Coordination in Peer Production Networks	47.070	1717473	8,571	—
CAREER: Scalable Quantum Photonic Devices Based on Vertical Quatum Dots and Photonic Crystals	47.041	ECCS-1053537	(345)	—
GAGTA 2017	47.049	DMS 1744834	15,175	—
Multimedia Immersion (MI) Inspires STEM Learning	47.076	1720964	174,068	—
SaTC: CORE: Small: Relational Verification for Information Assurance and Privacy	47.070	1718713	140,089	—
SaTC: CORE: Small: Collaborative: An Integrated Approach for Enterprise Intrusion-Resilience	47.070	1718782	27,846	—
ICorps Teams: Thin Flexible Fuel Cell	47.041	IIP – 1738151	46,757	—

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through entity number/ additional award number	Federal expenditures	Amounts passed-through to subrecipients
Research and Development Cluster, continued:				
National Science Foundation, continued:				
Dynamic 3D Printing with in Situ Depolarization: A New Biomanufacturing Paradigm for Guided Cell-cell Communication	47.041	1663095	$ 11,073	—
S&AS: FND: Learning-Enabled Autonomous 3D Exploration for Underwater Robots	47.070	1723996	47,287	—
Collaborative Research: A New Nonlinear Modal Updating Framework for Soft, Hydrating Materials	47.041	1728186	2,272	—
Graduate Research Fellowship Program (GRFP)	47.076	1753809	12,000	—
EAGER: Model-Based Foundations of Collective Systems Design Theory	47.041	CMMI-1742971	81,308	—
CAREER: Architecting Products to Balance Innovation and Competition	47.041	CMMI-1554560	8,945	—
EAGER: Exploring the Use of Secure Multi-Party Computation in the Context of Organ Donation	47.041	CCF-1646999	11,207	—
Ionic Transport in Ion Containing Copolymer-Grafted Nanoparticle Structures	47.049	DMR-1807802	38,866	—
SHF: Small: Collaborative Research: Concurrent Software Verification with Rely/Guarantee Abstraction	47.070	1813745	20,590	—
I-Corps: Point-of-Care Skin Cancer Imaging Device	47.041	IIP-1834928	5,039	—
Pass-through from Columbia University:				
EFRI ACQUIRE: Development of Amorphous-Silicon Platform for Chip-Based Quantum Information Applications	47.041	2(GG012507-02)	177,870	—
Pass-through from Black Hills State University:				
An Examination of Science and Technology Teachers' Conceptual Learning Through Concept-Based Engineering Professional Development	47.076	BHSU-StevensBP1200005	58,013	—
Pass-through from University of Colorado at Boulder:				
Collaborative Research; GSE/ EXT: Expanding the Pool Local Cooperatives for Recruiting and Retaining Women in Disciplines with Least Women	47.076	HRD 1203198 / CU Reference No. 1549847	38,445	—
Pass-through from FlexTraPower, Inc.:				
SBIR: Conformal Temperature Sensors for Remote Monitoring of Diabetic Foot Ulceration	47.041	Sponsored Agreement Signed on April 13 2017	36,893	—
Pass-through from University of Oklahoma:				
CRISP Type 2: Collaborative Research: Resilience Analytics: A Data-Driven Approach for Enhanced Interdependent Network Resilience	47.041	2016-35	65,193	—
National Science Foundation Total			5,431,799	128,660
Naval postgraduate School:				
A Systems Complexity – Based Risk Assessment and management of Acquisition Programs	12.300	N0024-17-1-0003	91,553	—
Pass-through from University of Oklahoma:				
Improved Acquisition for System Sustainment: Resilient Supplier Evaluation and Selection with Bayesian Networks	12.300	2017-38	449	—
Naval postgraduate School Total			92,002	—
Office of Naval Research:				
Adapting Static and Dynamic Program Analysis to Effectively Harden Debloated Software	12.300	N00014-16-1-2261	59,712	—
Modeling and Control for High-Speed Systems	12.XXX	N00014-13-C-0198	295,393	—
Modeling Planning Dynamics of Cavity-Running Bodies	12.300	N00014-4-1-0085	61,702	—
Oil Impregnated Oxide Nanostructures for Aluminum Corrosion Prevention	12.300	N00014-14-1-0502	41,913	—
Persistent Maritime Quantum Key Distribution	12.300	N00014-15-1-2393	216,074	—
The Atlantic Center for the Innovative Design and Control of Small Ships Studies on SWACH Trimaran and Unmanned Surface Vessels.	12.300	N00014-10-1-0652	234,757	150,925
Multi-Scale Met-Hydro-Ocean Connections in the Maritime Continent	12.300	N00014-16-1-3198	65,531	—
Remote Detection of Chem/Bio Hazards via Coherent Anti-Stokes Raman Spectroscopy	12.300	N00014-17-1-2523	176,301	—
ABIDES: Adaptive Binary Debloating and Security	12.300	N00014-17-1-2788	283,762	253,807
Automatically Verifying Temporal Alignment of Transformed Software	12.300	N00014-17-1-2787	199,329	54,496
Pass-through from Pliant Energy Systems, LLC:				
Pliant Energy Systems Thruster Tow Testing	12.XXX	PO Number 2017-01	603	—
Pass-through from ATR Corporation:				
Physical Model Testing of Proof-of-Concept Launch and Recovery System	12.XXX	ATR-17-S-4742-020-02	20,606	—
Pass-through from Hoges Transportation DBA Nevada Automotive Test Center:				
Assessment of Swim Capability of an Amphibious Vehicle	12.300	PO#s 26957, 29048	25,436	—
Pass-through from Navatek, Ltd:				
Experimental Assessment of Ultra Heavylift Amphibious Connector (UHAC)	12.300	N68335-17-C-0049	18,043	—
Office of Naval Research Total			1,699,162	459,228
U.S. National Security Agency:				
INSuRE 2.0 – An Agile, Persistent Cybersecurity Research Network	12.902	H98230-15-1-0299	20,638	9,584
Cybersecurity Workforce Education – CNAP Initiatives	12.902	H98230-17-1-0342	19,339	—
U.S. National Security Agency Total			39,977	9,584
United States Air Force Office of Scientific Research:				
Instantaneous Velocity Profiles of Wall-Bounded Shear Flows in Thermochemical Non-Equilibrium	12.800	FA9550-16-1-0262	105,631	—
Adaptive Radar Signal Detection with Integrated Learning and Knowledge Exploitation	12.800	FA9550-16-1-0243	69,055	—
United States Air Force Office of Scientific Research Total			174,686	—
United States Air Force Research Laboratory:				
Acoustic Methods for Unmanned Aircraft Systems (UAS) Detection, Tracking and Localization	12.XXX	FA8750-17-C-0190	173,231	—
Pass-through from Matrix Research, Inc.:				
Instrumentation for Small UAS Data Collection Experiments	12.XXX	CRFR-019-002-02 Release 3	305,787	—
Pass-through from ANDRO Computational Solutions, LLC:				
Dynamic Spectrum Access Policy Algorithms and Impact on Security and Resilience	12.800	PANDNSC-17-RPP-SIT-17	15,400	—
Pass-through from University of Maryland – University Park:				
SOUCIS: Sound Over- & Under- Approximations of Complexity and Information Security	12.300	55064-Z8160003	96,677	—
Pass-through from University of Texas at Arlington:				
Moisture Degradation and its Effect on Aging	12.XXX	FA8650-17-C5275	3,159	—
United States Air Force Research Laboratory Total			594,254	—
United States Army:				
Tissue Engineered Nanofibrous Nerve Grafts for Enhancing the Rate of Nerve Regeneration	12.420	W81XWH-13-1-0320	14,741	2,483
Engineering Nanofibrous Scaffolds for Bone Regeneration	12.420	W81XWH-16-1-0132	119,482	—
Pass-through from EOIR Technologies:				
Innovation Systems Based on Photonic Research Military Applications	12.XXX	S16-06059	286,957	—
Small Caliber Fire Control Systems Support	12.XXX	S18-06115	182,396	—
Pass-through from Consortium for Energy, Environment and Demilitarization:				
Net Zero Technologies for the Army's Industrial Munitions Base	12.XXX	W15QKN-13-9-0001, SINIT-15-0013	2,338,967	264,485
Pass-through from Leidos, Inc.:				
Net Zero Technologies for the Army's Industrial Munitions Base	12.XXX	P010205636	298,265	75,728
Pass-through from Battelle Memorial Institute:				
Night Vision – Unique Mission Cell Sensor Support (Task 2)	12.XXX	Purchase Order US001-0000711898	46,715	—
Pass-through from Autonomous Healthcare:				
Fast Parameter Identification for Personalized Pharmacokinetics	12.420	W91XWH-18-C-0013	5,706	—
United States Army Total			3,293,229	342,696
United States Army Research Office:				
Conference and Symposia Grants: IEEE CNS Conference Student Travel Support Proposal	12.431	W911NF-14-1-0196	10,053	—
Making Inferences of Physical Properties to Enhance Wireless Security	12.431	W911NF-13-1-0288	750	—
MUSICA: Musical Improvising Collaborative Agent	12.431	W991NF-16-0567	435,117	230,940
Infrastructure for Securing Dynamic Tactical MANETs Research and Education	12.431	W911NF-17-1-0178	55,564	—
Enhanced Learning of Sensor Fusion for Human Authentication	12.431	W911NF-17-1-0467	17,901	—
Multifunctional Antimicrobial Microgels (Research Area 9: Materials Science)	12.431	W911NF-17-1-0332	124,883	—
United States Army Research Office Total			644,268	230,940

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through entity number/ additional award number	Federal expenditures	Amounts passed-through to subrecipients
Research and Development Cluster, continued:				
United States Department of Homeland Security:				
Counter Unmanned Aerial Systems	97.XXX	HSHQDC-10-A-BOA35, Order HSHQDC-16-J-00053, Req RSUS-16-00024	$ 1,514,871	—
Detection of Pests at U.S. Ports Using Microwave Technology	97.XXX	HSHQDC-10-A-BOA35 / HSHQDC-13-J-00133	607,785	—
Modular/Mobile Maritime Domain Awareness (M3DA)	97.XXX	HSHQDC10-a-BOA35, Order HSHQDC-15-J-00208, Req. RSUP-15-00021	39,435	—
Sensor, Data Fusion and Decision (Task Order Request for Proposal (TORP) #HSHQDC-11-R-PR# RSBR-11-00072)	97.XXX	HSHQDC-10-A-BOA35 / HSHQDC-11-J-00290	(21)	—
The Center for Maritime Research (CMR)	97.061	2014-ST-061-ML0001	1,332,840	506,987
The Center for Maritime Research (CMR) FY2015 CGD Education Supplement	97.061	2014-ST-061-ML0001	116,074	—
Collection of Performance Data on Maritime Counter Unmanned Aerial Systems	97.XXX	HSHQDC-16-A-B0004, Order No. 70RSAT18FR0000024, Req. No. RSAR-17-00089	377,353	—
Pass-through from Port Authority of New York/New Jersey:				
Develop High-Resolution Storm Surge Forecasts for Port Authority of New York & New Jersey Facilities Vulnerable to Flood Waters	97.XXX	Research Task Agreement Executed 8/26/14	590,552	—
United States Department of Homeland Security Total			4,578,889	506,987
National Aeronautics and Space Administration				
Knowledge Base for Designing Earth Science Distributed Missions	43.001	NNX17AE06G	22,329	—
Generalizing Distributed Missions Design using the Trade-Space Analysis Tool for Constellations (TAT-C) and Machine Learn	43.001	80NSSC17K0586	41,037	—
Pass-through from Columbia University:				
Vulnerability of the U.S. Atlantic Coast to Hazards Associated with Extreme Winter Storms	43.001	2(GG008944)	40,115	—
Pass-through from Rutgers University:				
New Jersey Space Grant Consortium Branch at Stevens	43.008	PO S2312550	41,216	—
Pass-through from Cal Tech Jet Propulsion Lab:				
High Precision Microwave Spectroscopy of Long-Lived Circular-State Rydberg Atoms in Microgravity	43.001	RSA No. 1584394	21,910	—
High Precision Microwave Spectroscopy of Long-Lived Circular-State Rydberg Atoms in Microgravity	43.001	RSA No. 1599853	49,435	—
National Aeronautics and Space Administration Total			216,042	—
U.S. Department of Defense:				
RT 145: ERS Tradespace Tools Research (Continuation of RT-120)	12.XXX	HQ0034-13-D-0004, Delivery Order 0045	8,907	—
RT 147: Modification and Application of Portfolio Management Analysis Techniques to Software-Heavy Systems of Systems	12.XXX	HQ0034-13-D-0004, Delivery Order 0047	975	—
RT 149: Leadership Development Program	12.XXX	HQ0034-13-D-0004, Delivery Order 0049	(475)	—
RT 150: SE Capstone Marketplace	12.XXX	HQ0034-13-D-0004, Delivery Order 0050	1,784	—
RT 151: RT Management Services	12.XXX	HQ0034-13-D-0004, Delivery Order 0051	2,947	—
RT 159: Agile Systems Engineering Management – Demonstration and Analysis Tool for Adaptive SE Management (DATASEM)	12.XXX	HQ0034-13-D-0004, Delivery Order 0059	(3,253)	—
RT 152: Electronic Product Data Management (ePDM) MPTs to Improve Design for Productibility, Reliability, Availability, Maintainability, and Sustainability	12.XXX	HQ0034-13-D-0004, Delivery Order 0052	(8,197)	—
RT 153: Systems Engineering Research Center (SERC) Program Management	12.XXX	HQ0034-13-D-0004, Delivery Order 0053	3,956	—
RT 156: Security Engineering – FY16 Systems Aware Cybersecurity	12.XXX	HQ0034-13-D-0004, Delivery Order 0056	2,137	—
RT 157: Transforming Systems Engineering through Model-Centric Engineering – Phase 4	12.XXX	HQ0034-13-D-0004, Delivery Order 0057	(560)	—
RT 160: System Qualities (SQs) Tradespace and Affordability – Phase 5	12.XXX	HQ0034-13-D-0004, Delivery Order 0060	3,317	(765)
RT 161: Enterprise Analysis – 2016	12.XXX	HQ0034-13-D-0004, Delivery Order 0061	2,243	—
RT 162: Interactive Model-Centric Systems Engineering (IMCSE) – 2016	12.XXX	HQ0034-13-D-0004, Delivery Order 0062	1,258	—
RT 163: Investigating Approaches to Achieve Modularity Benefits in the Acquisition Ecosystem	12.XXX	HQ0034-13-D-0004, Delivery Order 0063	19,159	10,468
RT 163: Investigating Approaches to Achieve Modularity Benefits in the Acquisition Ecosystem	12.XXX	HQ0034-13-D-0004, Delivery Order 0063	(11,100)	—
RT 164 Design and Development Tools for the Systems Engineering Experience Accelerator – Part 3	12.XXX	HQ0034-13-D-0004, Delivery Order 0064	(9,834)	—
RT 169: Systems Engineering Research Center (SERC) Program Management	12.XXX	HQ0034-13-D-0004, Delivery Order 0069	209,089	20,378
RT 158: Systems Engineering Research Ceneter (SERC) Research Task Management	12.XXX	HQ0034-13-D-0004, Delivery Order 0058	199,003	—
RT 171: Mission Engineering Competencies	12.XXX	HQ0034-13-D-0004, Delivery Order 0071	559,822	—
RT 173: Workforce Evaluation (Helix) – FY17	12.XXX	HQ0034-13-D-0004, Delivery Order 0073	197,762	—
RT 166: Formal methods in Resilient Systems Design Using a Flexible Contract Approach	12.XXX	HQ0034-13-D-0004, Delivery Order 0066	190,321	167,622
RT 165: Cybersecurity for System of Systems Architectures	12.XXX	HQ0034-13-D-0004, Delivery Order 0065	66,716	57,071
RT 172: Security Engineering – FY17 Systems Aware Cybersecurity	12.XXX	HQ0034-13-D-0004, Delivery Order 0072	282,104	253,376
RT 168: Transforming Systems Engineering Through Model-Centric Engineering	12.XXX	HQ0034-13-D-0004, Delivery Order 0068	1,632,430	104,474
RT 170: Transforming Systems Engineering Through Model Centric Engineering Phase 4.2	12.XXX	HQ0034-13-D-0004, Delivery Order 0070	390,410	158,595
RT 167: Systems Engineering Experience Accelerator (SEEA) – Increment 4	12.XXX	HQ0034-13-D-0004, Delivery Order 0067	91,980	67,972
RT 167: Systems Engineering Experience Accelerator (SEEA) – Increment 4	12.XXX	HQ0034-13-D-0004, Delivery Order 0067	(49,275)	—
RT 174: Systems Engineering Research Needs and Workforce Development Assessment	12.XXX	HQ0034-13-D-0004, Delivery Order 0074	245,451	67,674
RT 175: Human Capital Development – Resilient Cyber-Physical Systems	12.XXX	HQ0034-13-D-0004, Delivery Order 0075	129,284	123,726
RT 179: Missile Defense Agency (MDA) Research and Course Development – Verification, Validation, and Accreditation (VV&A) and Monte Carlo Simulation	12.XXX	HQ0034-13-D-0004, Delivery Order 0079	55,458	53,806
RT 177: Interactive Model-Centric Systems Engineering (IMCSE) Phase 5	12.XXX	HQ0034-13-D-0004, Delivery Order 0077	179,786	171,566
RT 178: System of Systems Analytic Workbench – 2017	12.XXX	HQ0034-13-D-0004, Delivery Order 0078	31,767	30,330
RT 127: Systems Engineering Export Knowledge (SEEK)	12.XXX	HQ0034-13-D-0004, Delivery Order 0027	762	—
RT 197: SE Capstone Marketplace	12.XXX	HQ0034-13-D-0004, DO HQ003418F0047	75,320	1,021
RT 193: Framework for Analyzing Versioning and Technical Debt	12.XXX	HQ0034-13-D-0004, DO HQ003418F0014	75,103	—
RT 195 Transforming Systems Engineering through Model-Centric Engineering – Phase 5	12.XXX	HQ0034-13-D-0004/ DO HQ003418F0089	163,522	69,127
RT 182: Enterprise Systems-of-Systems Model for Digital Thread Enabled Acquisition	12.XXX	HQ0034-13-D-0004, DO HQ003417F0300	214,806	195,292
RT 180: New Project Incubator	12.XXX	HQ0034-13-D-0004, DO HQ003417F0286	145,686	92,714
RT 188: Systems Engineering Research Center (SERC) Program Management	12.XXX	HQ0034-13-D-0004, DO HQ003417F0588	414,010	26,828
RT 189: Systems Engineering Research Center (SERC) Research Task Management	12.XXX	HQ0034-13-D-0004, DO HQ003417F0606	203,615	—
RT 181: System Qualities (SQs) Ontology, Tradespace and Affordability (SQOTA), Phase 6: 2017-2018	12.XXX	HQ0034-13-D-0004, DO HQ003417F0283	375,112	365,840
RT 187: PEO Missiles and Space Systems Engineering Methods	12.XXX	HQ0034-13-D-0004, DO HQ003417F0414	233,704	210,325
RT 185: Approaches to Achieve Benefits of Modularity in Defense Acquisition	12.XXX	HQ0034-13-D-0004, DO HQ003417F0432	243,677	226,588
RT 183: Next Generation Adaptive Cyber-Physical Human Systems	12.XXX	HQ0034-17-F-0430, DO HQ003417F0430	77,140	74,922
RT 186: Product Assurance for Electronics in Harsh Environments	12.XXX	HQ0034-13-D-0004, DO HQ003417F0387	16,420	16,110
RT 191: Security Engineering – Decision Support Tool Trials	12.XXX	HQ0034-13-D-0004, DO HQ003417F0538	126,140	114,531
RT 184: Electronic Component Survivability in Harsh Environments	12.XXX	HQ0034-13-D-0004, DO HQ003417F0449	11,150	10,874
RT 124: Agile SE Enablers and Quantification Project	12.XXX	HQ0034-13-D-0004, Delivery Order 0024	41	—
RT 107: Quantitative Risk	12.XXX	HQ0034-13-D-0004, Delivery Order 007	1,108	—
RT 129: Advanced Technical Leadership	12.XXX	HQ0034-13-D-0004, Delivery Order 0029	325	—
RT 141: Transforming Systems Engineering through Model-Centric Engineering	12.XXX	HQ0034-13-D-0004, Delivery Order 0041	1,179	—
RT 118: Transforming Systems Engineering through Model Based Systems Engineering	12.XXX	HQ0034-13-D-0004, Delivery Order 0018	906	—
RT 121: Army Systems Engineering Career Development Model	12.XXX	HQ0034-13-D-0004, Delivery Order 0021	483	—
RT 126: Agile Systems Engineering Kanban Scheduling	12.XXX	HQ0034-13-D-0004, Delivery Order 0026	2,054	—
RT 146: Experience Accelerator (Continuation of RT 123)	12.XXX	HQ0034-13-D-0004, Delivery Order 0046	(2,542)	—
RT 199: Interactive Model-Centric Systems Engineering (IMCSE) – Phase 6	12.XXX	HQ0034-13-D-0004, DO HQ003418F0097	49,739	45,145
RT 198: Helix – Organizational Effectiveness in Systems Engineering	12.XXX	HQ0034-13-D-0004, DO HQ003418F00124	71,006	—
RT 196: Security Engineering – 2018	12.XXX	HQ0034-13-D-0004, DO HQ003418F0094	23,873	23,873
RT 194: Design and Development Tools for the Systems Engineering Experience Accelerator – Part 4	12.XXX	HQ0034-13-D-0004, DO HQ003418F0046	21,759	—
RT 203: Meshing Capability and Threat-based Science and Technology (S&T) Resource Allocation	12.XXX	HQ0034-13-D-0004, DO HQ003418F0150	49,654	—
RT 202: Workshop and Research Roadmap for Sensemaking Technologies	12.XXX	HQ0034-13-D-0004, DO HQ003418F0097	20,196	—
RT 190: Reliability of Silver Wire Bonds in Harsh Environments	12.XXX	HQ0034-13-D-0004, DO HQ003417F0528	1,126	1,126
RT 144: Army Lethality	12.XXX	HQ0034-13-D-0004, Delivery Order 0044	3,028	—
Pass-through from Matrix Research, Inc.:				
Adaptive Signal Detection for Distributed MIMO Radar on Moving Platforms	12.800	CERFER Task Order Agreement: CRFR-019-Rel 1	32,502	—
Pass-through from Civil Military Innovation Institute:				
Environmental Acoustic Recognition System	12.XXX	Agreement signed 11/28/17	47,737	—
Pass-through from Leidos, Inc.:				
One-Step No-Waste Composition C4 Production	12.XXX	P010171667	9,176	—
U.S. Department of Defense Total			7,134,889	2,760,609

(Continued)

STEVENS INSTITUTE OF TECHNOLOGY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through entity number/ additional award number	Federal expenditures	Amounts passed-through to subrecipients
Research and Development Cluster, continued:				
United States Department of Commerce:				
New Jersey Sea Grant Consortium				
Sea Grant Coastal Process Extension Year 3	11.417	6607-0001	$ 63,999	—
A Green Technology for Nutrient and Metals Reduction in NJ Coastal Waters	11.417	NA 14OAR4170085	17,621	—
FY 2018 Summer Undergraduate Research Fellowship (SURF) Program – Gaithersburg Campus	11.620	70NANB18H106	5,600	—
Pass-through from Columbia University:				
Supporting Regional Implementation of Integrated Climate Resilience: Consortium for Climate Risk in the Urban Northeast (CCRUN) Phase II	11.431	2(GG012355)	141,507	—
Pass-through from Cary Institute of Ecosystem Studies:				
Assessing Ecological and Physical Performance of Sustainable Shoreline Structures	11.419	3292/200201804	33,672	—
Pass-through from Virginia Sea Grant:				
Evaluation and Forecasting of Storm Impacts Based on the Storm Erosion Index Along the Mid-Atlantic Coast	11.417	71858K-712684	1,962	—
Pass-through from RAND Corporation:				
Incorporating Interactive Visions and Bioeconomic Values of Ecosystem Services into Climate Adaptation: An Example from Jamaica Bay, Brooklyn/Queens, New York City	11.431	9920170013	47,456	—
Pass-through from NJ Sea Grant Consortium:				
Sea Grant Coastal Process Extension	11.417	6707-0001	33,923	—
United States Department of Commerce Total			345,740	—
Defense Advanced Research Projects Agency:				
Trails: Efficient Data-Flow Tracking Through HQ-Assisted Parallelization	12.910	FA8650-16-C-7662	221,692	—
Defense Advanced Research Projects Agency Total			221,692	—
United States Department of Energy:				
Pass-through from Brookhaven National Laboratory:				
Environmental Sciences and Dispersion Studies	81.XXX	328720	63,470	—
United States Department of Energy Total			63,470	—
United States Department of Transportation:				
Pass-through from New Jersey Transit:				
A High Fidelity Storm Surge Inundation Forecast and Warning System for the New Jersey Transit Hoboken Train Terminal	93.XXX	PO: L-97039, Agreement No. 15-010	258,206	—
United States Department of Transportation Total			258,206	—
United States Army Corps of Engineers:				
Pass-through from Portland State University:				
Planning for the Future by Understanding the Past	12.XXX	206TAL560	13,427	—
United States Army Corps of Engineers Total			13,427	—
U.S. Geological Survey:				
Pass-through from Rutgers University:				
Developing a Multitasking "Green" Technology for Removal of Wastewater Contaminants and Bioethanol Production	15.808	Agreement signed 6/16/2017	4,044	—
U.S. Geological Survey Total			4,044	—
U.S. Department of Health and Human Services:				
Pass-through from Hackensack University Medical Center:				
Ex Vivo Culture Platform Validation for Preservation of Patient-Derived Multiple Myeloma Cells	93.395	2017-R33CA	68,253	—
U.S. Department of Health and Human Services Total			68,253	—
United States Navy:				
Pass-through from ATR Corporation:				
CFD and Experimental Evaluation of Innovative Material Handling System Concept for ESB Class Ship	12.XXX	ATR-17-S-4746-010-01	37,472	—
United States Navy Total			37,472	—
United States Department of Housing and Urban Development:				
Pass-through from Michigan Technological University:				
A Novel Phytoremediation Method to Cleanup Lead-based Paint Contaminated Soils: Phase-III – Demonstration Study	14.906	Subaward No. 1705046Z1	16,631	—
United States Department of Housing and Urban Development Total			16,631	—
United States Air Force:				
Pass-through from Spectral Energies LLC:				
Non-intrusive Measurement of Density and Velocity Perturbations in Supersonic and Hypersonic Wind Tunnels	12.XXX	SB1711-001-1	46,342	—
United States Air Force Total			46,342	—
Total Research and Development Cluster			26,340,967	4,526,849
Student Financial Assistance Cluster:				
U.S. Department of Education:				
Federal Supplemental Educational Opportunity Grant	84.007		487,993	—
Federal Work Study Program, including administrative costs of $76,472	84.033		501,080	—
Federal Perkins Loan Program	84.038		6,385,331	—
Federal Pell Grant Program	84.063		2,170,284	—
Federal Direct Loan Program	84.268		23,715,536	—
Total Student Financial Assistance Cluster			33,260,224	—
Grand Total			$ 59,601,191	4,526,849

See accompanying notes to schedules of federal and State of New Jersey awards.

STEVENS INSTITUTE OF TECHNOLOGY

Schedule of Expenditures of State of New Jersey Awards

Year ended June 30, 2018

Cluster/state grantor/pass-through grantor/program or award name	Award number	Grant period From	Grant period To	Grant amount	State expenditures
Research and Development Cluster:					
New Jersey Department of Environmental Protection:					
NJDEP: Coastal Protection – Technical Assistance Service	Annual Legislation	7/1/2016	6/30/2018	$ 500,000	411,243
Pass-through from New Jersey Sea Grant Consortium:					
Building Ecological Solutions to Coastal Community Hazards	CP15-015	3/1/2015	3/1/2018	216,000	33,502
Bench-Scale (in Laboratory) Arsenic Treatability Study	WM18-003	1/31/2018	5/31/2019	96,000	11,890
Total New Jersey Department of Environmental Protection					456,635
New Jersey Department of Transportation:					
Keansburg and Fortescue Inlets Sediment Management Study	17-32666-Task Order No. 11	2/8/2017	2/7/2019	279,186	112,414
Detection of Damage Precursors in Steel Components for Life-Cycle Assessment	Task Order No. 13	1/17/2017	1/16/2019	251,587	136,187
Total New Jersey Department of Transportation					248,601
Total Research and Development Cluster					705,236
Student Financial Assistance Cluster:					
New Jersey Commission on Higher Education:					
Tuition Aid Grant	18-100-074-2405-007	7/1/2017	6/30/2018	2,862,810	2,862,810
Educational Opportunity Fund	18-100-074-2401-001	7/1/2017	6/30/2018	136,975	136,975
New Jersey Student Tution Assistance Reward Scholarship II (NJ STARS II) Program	18-100-074-2405-313	7/1/2017	6/30/2018	5,000	5,000
Edward J. Bloustein Distinguished Scholars Program	18-100-074-2405-278	7/1/2017	6/30/2018	7,000	7,000
Equal Opportunity Fund - Article III Ed Initials and Renewals (Bridge Program Summer 2017)	NA	6/1/2017	7/31/2018	82,591	78,747
Equal Opportunity Fund - Article III Ed Initials and Renewals (Bridge Program Summer 2018)	NA	6/1/2018	7/31/2019	91,767	4,749
Total New Jersey Commission on Higher Education					3,095,281
Total Student Financial Assistance Cluster					3,095,281
New Jersey Educational Facilities Authority:					
Higher Education Capital Improvement Fund:					
Academic Gateway Project	Grant Series 2016B	12/1/2016	8/15/2036	17,434,500	5,635,116
New Jersey Commission on Higher Education:					
Educational Opportunity Fund Article IV – Academic Year Support (FY 2017)	N/A	7/1/2016	7/31/2017	166,899	1,432
Educational Opportunity Fund Article IV – Academic Year Support (FY 2018)	N/A	7/1/2017	7/31/2018	171,061	155,531
Educational Opportunity Fund Article IV – Winter Session Support (FY 2018)	N/A	1/2/2018	1/16/2018	8,004	2,750
Mathematics Imersion Program (MIP) – Summer 2017	N/A	7/1/2017	7/31/2018	54,232	51,589
Mathematics Imersion Program (MIP) – Summer 2018	N/A	6/1/2018	7/31/2019	54,232	451
New Jersey Department of Education:					
Research Ambassadors Inspiring Science Education (NJ RAISE)	17E00043	7/1/2016	8/31/2017	379,999	(3,750)
Research Ambassadors Inspiring Science Education (NJ RAISE) – Year 2	18E00011	7/1/2017	6/30/2018	237,253	207,056
Department of Treasury:					
Aid to Independent Colleges and Universities	N/A	7/1/2017	6/30/2018	60,083	60,083
Total Other State of New Jersey assistance					6,110,258
Total Expenditures of State of New Jersey Awards					9,910,775

See accompanying notes to schedules of federal and State of New Jersey awards.

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) for the year ended June 30, 2018, has been prepared on the accrual basis of accounting in accordance with 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*. The accompanying Schedule of Expenditures of State of New Jersey Awards (the Schedule) for the year ended June 30, 2018, has been prepared on the accrual basis of accounting in accordance with the State of New Jersey Office of Management and Budget Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. The purpose of these schedules is to present a summary of those activities of Stevens Institute of Technology (the University) for the year ended June 30, 2018, which have been financed by the U.S. Government (Federal awards) and the State of New Jersey Government. For purposes of the schedules, awards include any assistance provided by a Federal or State of New Jersey agency directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations, and other noncash assistance. Because the schedules present only a selected portion of the activities of the University, it is not intended to, and does not, present either the financial position, changes in net assets or cash flows of the University and may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

The accounting principles followed by the University in preparing the accompanying Schedule follow:

- Expenditures for direct costs are recognized as incurred in accordance with Federal OMB Circular A-21, *Cost Principles for Educational Institutions* for Federal awards with terms and conditions based on the OMB Circular A-102 Common Rule, OMB Circular A-110, or the OMB Cost Principles Circulars. Expenditures for direct costs are recognized as incurred in accordance with Title 2 U.S. Code of Federal Regulation Part 200, Subpart E *Cost Principles* for Federal awards with terms and conditions based on the Federal Uniform Guidance. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
- The University has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance. Instead, the University elected to use its negotiated indirect cost rate. The University uses a facilities and administrative (F&A) rate, generally based upon the modified total direct cost base, to charge F&A costs to particular sponsored projects. The F&A rate, which is negotiated and subject to review by the Office of Naval Research (ONR), the University’s cognizant agency, is the result of cost allocation methodologies that the University uses to allocate its indirect costs to both sponsored and nonsponsored activities.
- During the year ended June 30, 2018, the University charged facilities and administrative costs using ONR-approved fixed rates, rates agreed to with other funding agencies, or State of New Jersey agreed-upon rates.

(Continued)

(2) Federal Perkins Loan Program

During the year ended June 30, 2018, the University processed $348 of new loans under the Federal Perkins Loan Program (Perkins Loans), which have been included in the accompanying schedule of expenditures of Federal awards. In fiscal 2018, there were no Federal capital contributions or matching contributions. At June 30, 2018, the total balance of Perkins Loans outstanding was $5,368.

(3) Federal Direct Loans

During the year ended June 30, 2018, the University processed $23,716 of new loans under the Federal Direct Loan Program, which have been included in the accompanying schedule of expenditures of Federal awards. The University is responsible only for the performance of certain administrative duties in connection with this loan program and, accordingly, the value of these loans is not reflected in the University's consolidated financial statements and it is not practical to determine the balance of loans outstanding to students of the University under this program.

(4) Subrecipients

The University passed through $4,527 of Federal awards to subrecipients during the year ended June 30, 2018. There were no amounts passed through for State of New Jersey awards during the year ended June 30, 2018.

KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

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
Stevens Institute of Technology:

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 consolidated financial statements of Stevens Institute of Technology and Subsidiary (the University), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated 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*.

KPMG

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

December 10, 2018

KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

Independent Auditors' Report on Compliance for Each Major Federal and State of New Jersey Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance and Report on Schedule of Expenditures of State of New Jersey Awards Required by New Jersey OMB Circular 15-08

The Board of Trustees
Stevens Institute of Technology:

Report on Compliance for Each Major Federal and State of New Jersey Program

We have audited Stevens Institute of Technology and Subsidiary's (the University) compliance with the types of compliance requirements described in the Federal *OMB Compliance Supplement* and New Jersey Office of Management and Budget (New Jersey OMB) *State Grant Compliance Supplement* (the Compliance Supplements) that could have a direct and material effect on each of the University's major Federal and State of New Jersey programs for the year ended June 30, 2018. The University's major Federal and State of New Jersey programs are 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 and State of New Jersey statutes, regulations, and the terms and conditions of its Federal and State of New Jersey awards applicable to its Federal and State of New Jersey programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major Federal and State of New Jersey programs 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; 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) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Uniform Guidance and New Jersey OMB Circular 15-08 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 or State of New Jersey 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 each major Federal and State of New Jersey program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal and State of New Jersey 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 each of its major Federal and State of New Jersey programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Federal Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002 and 2018-003. Our opinion on each major Federal and State of New Jersey program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal and State of New Jersey program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal and State of New Jersey program and to test and report on internal control over compliance in accordance with Federal Uniform Guidance and New Jersey OMB Circular 15-08, 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 or State of New Jersey 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 or State of New Jersey 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 or State of New Jersey 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002 and 2018-003 that we consider to be significant deficiencies.

The University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 Federal Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

KPMG

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and Report on Schedule of Expenditures of State of New Jersey Awards Required by New Jersey OMB Circular 15-08

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2018, and have issued our report thereon dated December 10, 2018, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by Uniform Guidance and the accompanying schedule of expenditures of State of New Jersey awards is presented for purposes of additional analysis as required by New Jersey OMB Circular 15-08 and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of Federal and State of New Jersey awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

February 12, 2019

STEVENS INSTITUTE OF TECHNOLOGY

Schedule of Findings and Questioned Costs

June 30, 2018

(1) Summary of Auditors' Results

(a) Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**

(b) Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:

- Material weaknesses: **No**
- Significant deficiencies: **None Reported**

(c) Noncompliance material to the consolidated financial statements: **No**

(d) Internal control deficiencies over major Federal and State of New Jersey programs disclosed by the audit:

- Material weaknesses: **No**
- Significant deficiencies: **Yes for Federal programs (2018-001, 2018-002 and 2018-003). None for State for New Jersey programs.**

(e) Type of report issued on compliance for major Federal and State of New Jersey programs: **Unmodified**

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a) or New Jersey OMB Circular 15-08: **Yes for Federal programs (2018-001, 2018-002 and 2018-003). None for State of New Jersey programs.**

(g) Major programs:

Federal

- Student Financial Assistance Cluster (CFDA numbers 84.007, 84.033, 84.038, 84.063, 84.268)
- Research and Development Cluster (various CFDA numbers)

State of New Jersey

- Student Financial Assistance Cluster (various grant numbers)

(h) Dollar threshold used to distinguish between Type A and Type B Federal programs: **$1,788,036**
Dollar threshold used to distinguish between Type A and Type B State of New Jersey programs: **$750,000**

(i) Auditee qualified as a low-risk auditee for both Federal and State of New Jersey awards: **No for Federal awards. Yes for State of New Jersey awards.**

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

None.

(Continued)

(3) Findings and Questioned Costs Related to Federal and State of New Jersey Awards

Federal Awards

Finding No. 2018-001

Federal Research and Development Cluster:

U.S. Department of Homeland Security:

Counter Unmanned Aerial Systems CFDA 97.XXX (award number HSHQDC-10-A-BOA35)

National Science Foundation:

CAREER: Synthetic Ultra-High Resolution Millimeter-Wave Imaging For Tissue Diagnostics CFDA 47.041 (award number 1554402)

Statistically valid sample: No and it was not intended to be.

Compliance Requirement – Procurement – Significant Deficiency and Noncompliance

Criteria

Institutions of higher education, hospitals, and other nonprofit organizations will use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110 (2 CFR part 215).

Circular A-110, subpart C.40 et al. requires all recipients establish written procurement procedures. In addition, it requires institutions of higher education to maintain procurement records and files for purchases in excess of the small purchase threshold that include the following at a minimum: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price.

Further, the non-Federal entity must establish and maintain an effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award (2 CFR 200.303).

Condition and Context

The University's procurement policy requires competitive bidding and documentation for every purchase over $10,000. Occasionally, a departmental buyer is unable to competitively bid goods or services (a sole source situation). In these situations, the buyer chooses a particular vendor based on technical requirements, past performance, or when no other vendor exists that is capable of fully meeting the requirements. When this arises, the buyer is required to complete an "Explanation of Sole Source Justification" form (the form), which includes the rationale for the sole source purchase. This form is required to be reviewed by various levels of the University to ensure proper adherence to the procurement policy.

We selected forty-five procurements, noting the following:

- For one selection, the form was not completed to support the sole source of a service.
- For one selection, the sole source documentation could not be provided.

A similar finding was included in the 2017 single audit report as item 2017-003.

Cause

Purchase orders are being approved without determining if documentation requirement relating to sole source procurements was properly adhered to.

Effect

The University is not in compliance with its procurement policy regarding the proper documentation of sole source procurements.

Questioned Costs

There were no questioned costs identified as the two items identified were allowable per the terms of the grant.

Recommendation

The University should continuously train buyers to understand the requirements of sole source purchases under the University's procurement policy in order to ensure adherence.

Views of Responsible Officials

Management agrees with the recommendation. The Director of Procurement is responsible for ensuring that the Explanation of Sole Source Justification Form (the Form) is completed. The University has replaced the Director of Procurement position. One of the two exceptions identified occurred under the prior Director of Procurement. The current Interim Director of Procurement ensures that the Form is completed as required. The second exception related to specialized consulting services performed on a research project. Due to the specialized nature of the work, the Form was not completed. The current Interim Director of Procurement will ensure that the Form is completed as required for these type of services to comply with University policy.

(Continued)

Finding No. 2018-002

Federal Research and Development Cluster:

U.S. Department of Defense:

RT-170: Transforming Systems Engineering Through Model Centric Engineering Phase 4.2 CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0070)

RT-172: Security Engineering – FY17 Systems Aware Cybersecurity CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0072)

Statistically valid sample: No and it was not intended to be.

Compliance Requirement – Subrecipient Monitoring – Significant Deficiency and Noncompliance

Criteria

Per guidance included in 2 CFR part 200.331, a pass-through entity is responsible for:

Award Identification – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.

Further, the non-Federal entity must establish and maintain an effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award (2 CFR 200.303).

Condition and Context

The University requires that a subrecipient agreement is signed by a representative of the subrecipient and by the University. This agreement contains the information for the grant, including grant name, grant term, purpose of the grant, grant amount and federal requirements. The purpose of this agreement is to make the subrecipient aware of the rules and responsibilities associated with the funds. It was noted in past audits that the University did not communicate CFDA numbers when the suffix was unknown on the grant they've received. Due to past findings, the University sent modifications to all active subrecipients at the beginning of fiscal year 2018, however, did not send modifications for any inactive subrecipients that had remaining budget to be spent.

As such, for the thirteen subrecipients selected, the University did not communicate the CFDA number to four inactive subrecipients in the award documentation provided by the University to the subrecipient.

A similar finding was included in the 2017 and 2016 single audit reports as items 2017-004 and 2016-005, respectively.

Cause

To correct the prior year finding, the University modified active subcontracts during fiscal year 2018 to communicate the CFDA number; however, they did not modify inactive contracts issued in earlier fiscal years for which there was a remaining budget to be spent.

(Continued)

Effect

Subrecipients are not receiving all of the required information, and therefore may be unable to determine the compliance requirements that are applicable to the grant and therefore, unable to maintain compliance.

Questioned Costs

None, as all transactions tested were allowable.

Recommendation

The University should enhance review procedures surrounding subrecipient awards, including a review of all agreements by an individual other than the individual who signs the agreement.

Views of Responsible Officials

Management agrees with the recommendation. The Executive Director for Sponsored Programs did communicate CFDA numbers to subrecipients when the awards have CFDA numbers. For awards received through the SERC program where there are no CFDA numbers provided, the University did provide the agency number followed by xxx to designate that it is a contract. This process was followed for all active awards and was initiated in fiscal year 2018. However, the University did not follow this process for awards that were inactive at the time. Some of these inactive awards did have activity in fiscal year 2018 and therefore CFDA numbers should have been provided. The Executive Director of Sponsored Programs has established a process to communicate CFDA numbers to subrecipients for all active and future awards.

Finding No. 2018-003

Federal Student Financial Aid Cluster:

U.S. Department of Education:

Federal Pell Grant CFDA 84.063

Federal Direct Loan Program CFDA 84.268

Statistically valid sample: No and it was not intended to be.

Compliance Requirement – Special Tests and Provisions – Enrollment Reporting – Significant Deficiency and Noncompliance

Criteria

Per guidance included in 34 CFR Section 685.309 and 690.83, under the Pell grant and ED loan programs, institutions must complete and return within 15 days the Enrollment Reporting roster file [formerly the Student Status Confirmation Report (SSCR)] placed in their Student Aid Internet Gateway (SAIG) mailboxes sent by ED via National Student Loan Data System (NSLDS). The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days.

A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to FFEL Program loan holders by ED. Enrollment Reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.

Further, the non-Federal entity must establish and maintain an effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award (2 CFR 200.303).

Condition and Context

We selected sixty-five students who received a Direct Loan or Pell Grant and whose enrollment status had changed during the year and noted the following exceptions:

- The effective date of the status change between the University's records and the date reported to NSLDS is different for two students. For one of the students, the change status was reported 32 days late. This is in addition to the twenty-two students reported below.
- The status change for twenty-two students was reported between 46 and 212 days late.

A similar finding was included in the 2017 and 2016 single audit reports as items 2017-007 and 2016-008, respectively.

Cause

The University has a procedure for the transmission of enrollment data monthly and graduation data after each graduation date. However, the University is not properly reporting effective dates nor are they reporting status changes on a timely basis.

Effect

Enrollment changes not reported accurately or in a timely manner could impact the timeliness of student's repayment status.

Questioned Costs

There are no known questioned costs.

Recommendation

We recommend that the University improve policies and procedures to ensure that students whose enrollment status changes during the year are accurately reported to NSLDS within sixty days. The University should provide training to the departments who are responsible for the accuracy and timeliness of this reporting.

Views of Responsible Officials

Management agrees with the recommendation above. The following is our response to the two exceptions:

- The effective date of the status change between the University's records and the date reported to NSLDS is different for two students.
    - Management reports that the data inconsistencies reported were due to the two databases compared: the NSLDS database and Stevens' student information system (SIS). Unfortunately, the SIS does not provide a full historical record when a student has multiple withdrawals or leaves. As a result, paper documentation is maintained in the Office of the Registrar to complete the record in these cases. Management found the data in NSLDS to be consistent with the paper records.
- The status change for twenty-four students was reported between 32 and 212 days late.
    - Management reports that the status change data was provided in a timely fashion to the third-party servicer used to update NSLDS. A process failure by the third-party servicer caused the delay.

State of New Jersey Awards

None.