STEVENS INSTITUTE OF TECHNOLOGY

Consolidated Financial Statements and Supplementary Schedule

June 30, 2022
(with summarized comparative financial information as of June 30, 2021)

(With Independent Auditors' Report Thereon)

STEVENS INSTITUTE OF TECHNOLOGY

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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:

Opinion

We have audited the consolidated financial statements of Stevens Institute of Technology and its subsidiary (the University), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of financial responsibility data is presented for purposes of additional analysis and is 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the University's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

Short Hills, New Jersey
December 2, 2022

STEVENS INSTITUTE OF TECHNOLOGY

Consolidated Statement of Financial Position

June 30, 2022
(with comparative financial information as of June 30, 2021)

(Dollars in thousands)

Assets		**2022**	**2021**
Cash (note 4)	$	107,533	74,171
Deposits with bond trustees (notes 4 and 10)		9,337	22,260
Student, sponsor and other receivables, net (note 5)		20,543	17,753
Contributions receivable, net (note 6)		11,300	17,500
Prepaid expenses and other assets (note 2(f))		19,392	17,204
Investments (notes 4 and 7)		274,099	281,921
Trusts held by others (note 7)		6,146	7,293
Land, buildings and equipment, net (note 8)		520,415	467,649
Right-of-use assets – operating leases (note 18)		1,956	4,409
Total assets	$	970,721	910,160
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	40,383	30,167
Deferred revenue (note 9)		20,917	17,652
Lease obligations (note 18)		1,832	4,757
Annuities payable		1,512	2,030
Post-retirement and pension obligations (notes 11 and 12)		5,064	6,451
Conditional asset retirement obligations (note 13)		4,608	4,708
Long-term debt, net (note 10)		358,679	336,898
Refundable advances (note 5)		1,514	2,119
Total liabilities		434,509	404,782
Net assets (notes 16 and 17):			
Without donor restrictions		268,400	228,314
With donor restrictions		267,812	277,064
Total net assets		536,212	505,378
Total liabilities and net assets	$	970,721	910,160

See accompanying notes to consolidated financial statements.

STEVENS INSTITUTE OF TECHNOLOGY

Consolidated Statement of Activities

Year ended June 30, 2022
(with summarized financial information for the year ended June 30, 2021)

(Dollars in thousands)

	2022			2021
	Without donor restrictions	**With donor restrictions**	**Total**	**Total**
Operating activities:				
Revenues and other support:				
Tuition and fees (net of student aid of $118,864 in 2022 and $100,866 in 2021) (note 14)	$ 230,468	—	230,468	193,788
Sponsored activity revenues (note 14):				
Federal	41,579	—	41,579	35,007
State	923	—	923	757
Private/other	4,528	—	4,528	2,826
Total sponsored activity revenues	47,030	—	47,030	38,590
Grants	10,479	—	10,479	9,709
Contributions	963	2,764	3,727	6,794
Other revenues	1,777	—	1,777	879
Auxiliary enterprises (note 14)	23,251	—	23,251	9,927
Investment return in support of operations (notes 7 and 17)	1,273	7,358	8,631	7,745
Net assets released from restrictions	9,530	(9,530)	—	—
Total operating revenues and other support	324,771	592	325,363	267,432
Expenses (note 15):				
Salaries and benefits	172,545	—	172,545	157,550
Purchased services	52,665	—	52,665	29,392
Maintenance, rents and utilities	18,058	—	18,058	17,177
Supplies and other	28,463	—	28,463	22,410
Interest expense (note 10)	4,837	—	4,837	3,729
Depreciation and amortization	20,424	—	20,424	17,956
Total operating expenses	296,992	—	296,992	248,214
Operating surplus before gain on sale of property	27,779	592	28,371	19,218
Gain on sale of property	—	—	—	1,925
Operating surplus	27,779	592	28,371	21,143
Nonoperating activities:				
Investment return (loss), net of amounts in support of operations (note 7)	6,145	(17,195)	(11,050)	42,532
Contributions	—	11,015	11,015	6,475
Other revenue	1,764	—	1,764	1,022
Post-retirement benefit changes other than service cost (note 11)	1,027	—	1,027	12
Change in value of split-interest agreements	—	(401)	(401)	889
Change in allowance and uncollectible contributions	—	108	108	(238)
Net assets released from restrictions	3,371	(3,371)	—	—
Total nonoperating activities	12,307	(9,844)	2,463	50,692
Changes in net assets	40,086	(9,252)	30,834	71,835
Net assets, beginning of year	228,314	277,064	505,378	433,543
Net assets, end of year	$ 268,400	267,812	536,212	505,378

See accompanying notes to consolidated financial statements.

STEVENS INSTITUTE OF TECHNOLOGY

Consolidated Statement of Cash Flows

Year ended June 30, 2022
(with comparative financial information for the year ended June 30, 2021)

(Dollars in thousands)

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	30,834	71,835
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Accretion of bond premium		(1,620)	(1,617)
Accretion of interest on conditional asset retirement obligations		220	242
Amortization of bond issuance costs		69	68
Amortization of cloud computing arrangements		1,073	343
Depreciation		20,204	17,829
Loss (gain) on disposal of property		617	(1,857)
Net losses (gains) on investments		9,028	(46,022)
Loss for uncollectible contributions		108	238
Post-retirement benefit changes other than net periodic benefit costs		(1,383)	(329)
Change in value of split-interest agreements		401	(889)
Present value adjustment on contribution receivable		(61)	(182)
Change in allowance for doubtful accounts – contributions receivable		(162)	214
Change in allowance for doubtful accounts – student, sponsor, loans and other receivables		1,691	59
Contributions and grants restricted for capital and endowment		(11,015)	(6,475)
Gain on insurance reimbursement		—	(908)
Decrease (increase) in operating assets:			
Student, sponsor and other receivables		(4,839)	(2,524)
Contributions receivable		877	(1,006)
Prepaid expenses and other assets		(3,261)	(2,813)
Trusts held by others		135	(94)
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses		3,414	(55)
Deferred revenue		3,265	5,507
Lease obligation		(472)	348
Annuities payable		(314)	596
Post-retirement and pension obligations		(4)	41
Conditional asset retirement obligations		(320)	(263)
Net cash provided by operating activities		48,485	32,286
Cash flows from investing activities:			
Proceeds from sale of property		—	1,925
Proceeds from insurance recoveries		—	908
Proceeds from sales of investments		69,879	96,507
Purchase of investments		(81,055)	(106,535)
Purchases of land, buildings and equipment		(66,785)	(144,081)
Decrease in accounts payable for capital		—	(9,981)
Withdrawals from deposits with bond trustee		6,600	71,193
Additions to deposits with bond trustees		(51)	—
New loans to students		(55)	(64)
Collection of student loans		413	653
Net cash used in investing activities		(71,054)	(89,475)
Cash flows from financing activities:			
Receipts of contributions and grants restricted for capital and endowment		16,453	9,987
Payments to annuitants		(188)	(210)
Refundable advances for student loans		(605)	(1,046)
Repayments of capital lease obligations		—	(893)
Proceeds from issuance of long-term debt		26,485	—
Repayments of long-term debt		(3,153)	(3,128)
Net cash provided by financing activities		38,992	4,710
Net increase (decrease) in cash, cash equivalents and restricted cash		16,423	(52,479)
Cash, cash equivalents and restricted cash, beginning of year		102,981	155,460
Cash, cash equivalents and restricted cash, end of year	$	119,404	102,981
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	13,716	12,123
Increase in amounts accrued for purchase of land, buildings and equipment		6,802	—

See accompanying notes to consolidated financial statements.

(1) Organization

Stevens Institute of Technology and its wholly owned subsidiary, Castle Point Holdings, Inc. (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 8,300 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.

Current Environment

The impact of the COVID-19 pandemic has been diminished during the year ended June 30, 2022. The University saw an increase in students returning to campus as shown through the increase in auxiliary revenues, indicating that operations are returning closer to pre-pandemic levels. In fiscal 2021, the University continued to experience a loss of revenue from cancelled facility rentals, limited auxiliary services and pre-college programs. The total negative impact was offset by savings due to less spending and receipt of various COVID-19 grant funds to assist with pandemic-related expenses and lost revenues.

On March 27, 2020, Congress passed the Coronavirus Aid, Relief and Economic Security Act (CARES Act) allotting $2.2 trillion to provide fast and direct economic aid to the American people negatively impacted by the COVID-19 pandemic. Of those funds, approximately $14 billion was given to the Office of Postsecondary Education as the Higher Education Emergency Relief Fund (HEERF I). The University was awarded $3.1 million of funding from HEERF I, of which $1.56 million was used for financial aid grants to assist students with financial challenges that resulted from the COVID-19 pandemic. The remaining $1.56 million was used to aid the institution with pandemic-related expenses. In the year ended June 30, 2021, $1.6 million of HEERF I revenue was recognized.

On December 27, 2020, Congress passed The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) providing roughly $23 billion to institutions of higher education. The University was allotted $4.5 million through the CRRSA Act, of which $1.6 million was used to provide emergency financial aid grants to assist eligible students with financial challenges that resulted from the COVID-19 pandemic. The remainder of the allocation was allocated to aid the institution with pandemic-related expenses. The full $4.5 million was recognized in the year ended June 30, 2021. The University also received $1.7 million of Coronavirus Relief Funds (CRF) allocated through the State of New Jersey’s Office of the Secretary of Higher Education (OSHE), which was recognized in the year ended June 30, 2021.

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On March 11, 2021, Congress passed the American Rescue Plan (ARP) which included additional COVID-19 relief for institutions of higher education. This COVID stimulus bill included $40 billion, for higher education institutions and students. The University received $8.2 million under the ARP (HEERF III), of which $4.1 million was used to provide emergency financial aid grants to assist eligible students with financial challenges that resulted from the COVID-19 pandemic. The remaining $4.1 million was used to aid the institution with pandemic-related expenses. The full $8.2 million was recognized in the year ended June 30, 2022.

For the year ended June 30, 2022, the University also received and recognized $1.3 million from the Federal Emergency Management Agency (FEMA) for reimbursement of COVID-19-related expenditures, specifically personal protective equipment (PPE) and COVID-19 testing costs for students, faculty, and staff.

(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:

Net Assets with Donor Restrictions

Included in these net assets are 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. Also included are net assets subject to donor-imposed restrictions that will be satisfied either by actions of the University or the passage of time.

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions, and therefore are expendable for operating purposes. Net assets without donor restrictions may be designated for specific purposes by the University's Board of Trustees.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. 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 net assets without donor restrictions 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.

(c) Cash and Cash Equivalents

Cash and cash equivalents are recorded at fair value and comprises highly liquid financial instruments with original maturities of three months or less at time of purchase. Short-term highly liquid investments are not considered cash and cash equivalents if purchased with resources from a donor-restricted endowment fund or other resources limited to long-term investment. At June 30, 2022 and 2021, there were no cash equivalents within the cash balances presented in the accompanying consolidated statement of financial position.

(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) Prepaid Expenses and Other Assets

Prepaid expenses and other assets represent goods or services paid for in advance that the University will benefit from in future periods. Included in prepaid expenses and other assets are the design and implementation costs of the Workday Student system (the System) totaling $16,397 and $15,288 at June 30, 2022 and 2021, respectively. The System is a cloud computing arrangement (CCA) and the deferred costs are being recognized as expense over the term of the CCA once the System is placed into service, which occurred in March 2021 and are being amortized over the 15-year service contract. Amortization of the implementation costs totaled $1,073 and $343 for the years ended June 30, 2022 and 2021, respectively, which were recognized in purchased services in the accompanying consolidated statement of activities.

(g) Investments

The fair value of investments, which consist of fixed income and equity securities, is based on quoted market prices or published net asset values (NAV) at June 30th. Investments in pooled private equity and other alternative investment funds are stated at estimated fair value based on the 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.

(h) 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. Accounting Standards Codification (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.

(i) 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/annuitants who reside in various states including New Jersey, New York, Connecticut, Florida, Kentucky, Maine, New Hampshire and Pennsylvania. 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)

(Dollars in thousands)

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.

(j) Land, Buildings and Equipment

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

Depreciation for all assets, except new construction greater than $50,000, is calculated using the straight-line method and half-year convention over the following estimated useful lives:

Buildings	40 to 50 years
Building improvements	20 years
Furniture, fixtures and equipment	4 to 15 years

Depreciation for new construction greater than $50,000 is calculated using the straight-line method based on the in-service date over a 50-year estimated useful life.

(k) Leases

The University has a variety of operating leases for office space and student housing. The obligations associated with these leases have been recognized as a liability in the consolidated statement of financial position based on future lease payments, discounted by the risk-free borrowing rate. The University has elected to use the practical expedient for the short-term lease exemption, allowing leases that are for a period of 12 months or less, or contain renewals for periods of 12 months or less, to be excluded from right-of-use assets and lease liabilities on the statement of financial position. The University has elected the practical expedient to not separate lease and non-lease components. Lease terms may include options to extend or terminate certain leases. The value of options to extend or terminate are reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease.

(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 to be held in perpetuity or for purchases of capital assets and the related release of contributions restricted for capital purposes; present value adjustments of annuities payable; and other activities considered to be a more unusual or nonrecurring nature, if any.

(m) Revenue Recognition

(i) Tuition and Fee Revenue

The University recognizes revenue from student tuition and fees within the fiscal year in which educational services are provided. Institutional aid, in the form of scholarships and grants-in-aid, includes amounts funded by the endowment, research funds, and gifts, and reduces the published price of tuition for students receiving such aid. As such, institutional aid is referred to as a tuition discount and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student.

Two summer terms are offered: Summer I from mid-May to the beginning of July and Summer II from early July to mid-August. Web-campus courses run from mid-May through the end of August. Revenue from tuition and fees for all of the summer terms is recognized as performance obligations are met.

(ii) Sponsored Activity

The University receives sponsored program funding from various governmental and corporate sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the University, the funding organization's mission, or the public at large.

Revenues from nonexchange transactions (contributions) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional nonexchange transactions are recognized when the barrier is satisfied, which in some cases are as related costs are incurred. In addition, the University has elected the simultaneous release option for conditional contributions that are also subject to purpose restrictions. Under this option, net assets without donor restrictions will include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized.

(iii) Auxiliary Enterprises

Auxiliary enterprises exist to furnish goods or services to students, faculty, staff, or incidentally to the general public, and the University charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity.

Performance obligations for housing and dining services are delivered over the academic terms. Consequently, revenue from housing and dining services is recognized ratably as services are rendered.

Parking service revenue is recorded ratably over the period for which the parking permits have been sold.

(iv) Contributions

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, 2022 and 2021, conditional contributions, including advised bequests, totaled $63,268 and $60,780, 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. Net assets without donor restrictions resulting from certain large contributions may be designated by the University's Board of Trustees for capital or long-term investment.

(n) 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 as well as an excise tax on certain excess compensation.

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.

(o) Related Party Transactions

The 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.

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, 2022 and 2021, contributions receivable included $5,195 and $6,844, respectively, from members of the Board of Trustees.

(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. 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 2021 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, 2021, from which it was derived.

(r) Reclassifications

Certain amounts in the fiscal year 2021 consolidated financial statements have been reclassified to conform to the current year presentation.

(Dollars in thousands)

(3) Financial Assets and Liquidity Resources

As of June 30, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt and contributions, were as follows:

		2022	2021
Financial assets available within one year:			
Cash	$	97,575	63,905
Accounts receivable, net		19,396	16,268
Contributions receivable available for operations		1,628	1,651
Investments appropriated for spending in following year		9,533	8,548
Total financial assets available within one year		128,132	90,372
Liquidity resources:			
Bank line of credit		35,000	35,000
Total liquidity resources		35,000	35,000
Total financial assets and liquidity resources	$	163,132	125,372

The University's cash flows have seasonal variations during the year attributable to timing of tuition billing and to a lesser extent a concentration of contributions received at calendar and fiscal year-end. To manage liquidity, the University has a short-term investment strategy for excess working capital. It is intended to be used for operating cash management purposes within one year and allows the University to align cash inflows with anticipated cash outflows, in accordance with policies approved by the Finance Committee of the Board.

As further described in Note 10, the University may draw upon a line of credit to manage cash flows, however the main purpose of that line of credit is to interim fund capital spending until permanent funding is secured.

In addition to financial assets available to meet general expenditures over the next year, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows, which identifies the sources and uses of the University's cash and shows positive cash generated by operations for fiscal years 2022 and 2021.

The University also has $24,584 in board-designated endowments at June 30, 2022, which are available for general expenditure with Board approval. The Board has approved fiscal year 2023 spending from the endowment estimated to be $9,533, which is included in the table above.

(Dollars in thousands)

(4) Cash and Cash Equivalents

Cash, cash equivalents, and restricted cash are included in the following lines of the consolidated statement of financial position, which sum to the total of the same such amounts shown in the consolidated statement of cash flows:

		2022	2021
Cash	$	107,533	74,171
Deposits with bond trustees		9,337	15,650
Investments		2,534	13,160
Total cash, cash equivalents, and restricted cash	$	119,404	102,981

Cash includes restricted cash of $9,958 and $10,266 at June 30, 2022 and 2021, respectively, that represents cash received with donor-imposed restrictions that limits the use of that cash for scholarships and fellowships; chairs, professorships and lectureships; academic support, including the library and the humanities; research; and buildings and grounds.

(5) Student, Sponsor and Other Receivables

Student, sponsor and other receivables, net, as of June 30, 2022 and 2021, consisted of the following:

		2022	2021
Student	$	9,111	7,311
Sponsored contracts and grants		13,360	11,049
Student loans		2,257	2,615
Other		3,152	2,424
		27,880	23,399
Less:			
Allowance for doubtful student accounts		(2,390)	(2,891)
Allowance for doubtful sponsor accounts		(2,567)	(341)
Allowance for doubtful student loan accounts		(1,110)	(1,130)
Allowance for doubtful other accounts		(1,270)	(1,284)
		(7,337)	(5,646)
Student, sponsor and other receivables, net	$	20,543	17,753

(Dollars in thousands)

A majority of the student loans outstanding are associated with the Federal Perkins Loan Program. Funds advanced by the Federal Government of $1,514 and $2,119 at June 30, 2022 and 2021, 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 decrease in the liability to the U.S. Government.

At June 30, 2022 and 2021, 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:							
2022	$	938	37	2	13	1,149	2,139
2021		1,301	45	3	5	1,197	2,551

Also included in student loan receivables are private student loan and direct lending receivables totaling $118 and $64 in fiscal years 2022 and 2021, 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.

(6) Contributions Receivable

Contributions receivable, net, as of June 30, 2022 and 2021, consisted of the following:

		2022	2021
Amounts due in:			
Less than one year	$	4,182	7,505
One to five years		7,891	10,937
Greater than five years		440	494
		12,513	18,936
Less discount to present value		(501)	(562)
		12,012	18,374
Less allowance for doubtful contributions		(712)	(874)
Contributions receivable, net	$	11,300	17,500

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 0.30% to 3.25%.

(Dollars in thousands)

At June 30, 2022 and 2021, approximately 53% and 58%, respectively, of gross contributions receivable is due from five donors, respectively. For the years ended June 30, 2022 and 2021, approximately 62% and 24% of contribution revenue was received from five donors, respectively.

(7) Investment and Trusts Held by Others

Investment valuations are established and classified based on a variety of inputs. The fair value of investments and trusts held by others and the input classifications or levels, by investment category, at June 30, 2022 and 2021 are shown in the following tables:

2022	Total	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	$ 2,534	2,534	—	—
Mutual funds	186,356	186,356	—	—
U.S. equities	8,180	8,180	—	—
Split-interest agreements	2,294	2,294	—	—
	199,364	$ 199,364	—	—
Investments reported at NAV or its equivalent:				
Pooled private equity	57,482			
Pooled alternative investments	17,253			
Total investments	$ 274,099			
Trusts held by others	$ 6,146	—	—	6,146

2021	Total	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	$ 13,160	13,160	—	—
Mutual funds	192,060	192,060	—	—
U.S. treasuries	850	850	—	—
U.S. equities	407	407	—	—
Certificates of deposit	992	—	992	—
Commercial paper	3,054	—	3,054	—
Corporate bonds	574	—	574	—
Split-interest agreements	3,227	3,227	—	—
	214,324	$ 209,704	4,620	—

(Continued)

(Dollars in thousands)

2021		Total	Level 1	Level 2	Level 3
Investments reported at NAV or its equivalent:					
Pooled private equity	$	40,574			
Pooled alternative investments		27,023			
Total investments	$	281,921			
Trusts held by others	$	7,293	—	—	7,293

There were no transfers in or out of Levels 1, 2 or 3 within the fair value hierarchy during the years ended June 30, 2022 and 2021.

The following table summarizes the changes in value of the Level 3 investments for the fiscal year ended June 30, 2022:

		Trust held by others
Balance as of June 30, 2020	$	6,093
New trusts, net		70
Total investment return, net		1,130
Balance as of June 30, 2021		7,293
Trust distributions, net		(171)
Total investment loss, net		(976)
Balance as of June 30, 2022	$	6,146

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.

(Dollars in thousands)

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, 2022, are as follows:

	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period (days)
Pooled alternatives:				
Multi-strategy (a)	$ 17,253	—	Quarterly	91 days
	17,253	—		
Pooled private equity:				
Real estate fund (b)	156	784	Not eligible	
Private equity (c)	57,326	53,711	Not eligible	
	57,482	54,495		
Total investments reported at NAV	$ 74,735	54,495		

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 terminations. Upon termination of the partnership, investments in the funds are liquidated and distributed.

(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 17% in Natural Resources, 24% in U.S. Private Equities, and 59% in Global Private Equities. 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

(Continued)

(Dollars in thousands)

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 (loss) return for the years ended June 30, 2022 and 2021 are as follows:

		2022	2021
Dividends and interest	$	7,500	4,738
Net realized gain		9,972	241
Net unrealized (depreciation) appreciation		(19,000)	45,781
Investment management fees		(1,130)	(758)
Total investment return		(2,658)	50,002
Endowment distribution		8,392	7,470
Net investment (loss) return	$	(11,050)	42,532

In addition to the gross endowment distribution, net non-endowment investment return totaling $239 and $275 in fiscal 2022 and 2021, respectively, was included in the investment return in support of operations on the accompanying consolidated statement of activities.

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.

(8) Land, Buildings and Equipment, Net

At June 30, 2022 and 2021, property, plant and equipment, net consisted of the following:

		2022	2021
Land	$	1,692	1,692
Buildings and improvements		631,447	373,124
Furniture, fixtures and equipment		85,774	77,050
Construction in progress		16,943	218,180
		735,856	670,046
Less accumulated depreciation and amortization		(215,441)	(202,397)
Total land, buildings and equipment, net	$	520,415	467,649

(Dollars in thousands)

Depreciation and amortization expense, excluding accretion, totaled $20,204 and $17,829 for the years ended June 30, 2022 and 2021, respectively. Construction in progress includes costs associated with the University Center Complex, costs associated with the campus plan, and various other campus improvements. The commitments to complete these projects at June 30, 2022 are approximately $18,933.

(9) 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 amounts received as part of the Compass One dining contract, which will be recognized over the contract term. 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.

		Summer tuition	Sponsored contracts (exchange)	Other deferred revenues	Total
Balance at June 30, 2020	$	2,759	2,463	6,923	12,145
Revenue recognized		(2,759)	(1,158)	(5,615)	(9,532)
Payments received for future performance obligations		4,029	4,208	6,802	15,039
Balance at June 30, 2021		4,029	5,513	8,110	17,652
Revenue recognized		(4,029)	(4,650)	(4,715)	(13,394)
Payments received for future performance obligations		6,294	3,749	6,616	16,659
Balance at June 30, 2022	$	6,294	4,612	10,011	20,917

(10) Long-Term Debt and Line of Credit

Long-term debt at June 30, 2022 and 2021 consisted of the following:

		2022	2021	Maturity date	Interest rate range
Bond issue:					
(a) 2014 Higher Education Equipment Leasing Fund	$	59	199	6/1/2023	5.00 %
(b) 2016 Higher Education Capital Improvement Fund Series B		7,160	7,478	9/1/2036	3.00%–5.00%

(Dollars in thousands)

	2022	2021	Maturity date	Interest rate range
(c) 2017 Revenue Bonds Series A	$ 109,425	112,120	7/1/2047	4.00%–5.00%
(d) 2020 Revenue Bonds Series A	174,315	174,315	7/1/2050	3.00%–5.00%
(e) 2020 Revenue Bonds Series B (Taxable)	26,485	—	7/1/2031	2.48%
Long-term debt, net	317,444	294,112		
Plus unamortized bond premium	43,059	44,679		
Less unamortized bond issuance costs	(1,824)	(1,893)		
	$ 358,679	336,898		

(a) 2014 Higher Education 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 New Jersey Educational Facilities Authority (the Authority). In January 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. In fiscal 2017, the Virtual Learning Environment and the Unified Communication and Collaboration Environment projects were placed in service and the entire principal balance of $987 has been capitalized.

(b) 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. In December 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 required the University to establish and maintain all original funds as deposits with trustee in an account, whereby the trustee, as evidenced by University payments, releases funds during construction. In fiscal 2020, the Gateway Academic Center has been placed in service and the entire principal balance of $8,523 has been capitalized.

(c) 2017 Revenue Bonds Series A

In April 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 $10,000 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, 2022 and 2021, such deposits amounted to $5,487 and $5,424, respectively. As of June 30, 2022, a majority of the bond-funded projects were placed in service and the principal balance of $70,705 has been capitalized.

(d) 2020 Revenue Bonds Series A

In March 2020, the University entered into a loan agreement with the Authority for green bonds with principal of $174,315 to i) finance the construction, renovation and equipping of the new University Center Complex; ii) finance capital projects for construction, renovation, expansion and equipping of certain additional university research and education buildings; and iii) fund capitalized interest for the 2020 Series A bonds. 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 $10,000 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 2020 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, 2022 and 2021, such deposits amounted to $3,850 and $16,836, respectively. As of June 30, 2022, the majority of the bond-funded projects were placed in service and the principal balance of $174,315 has been capitalized.

(e) 2020 Revenue Bonds Series B

In February 2020, the University entered into a bond agreement with the Authority and PNC Bank NA, as purchaser, for a taxable draw down bond in the maximum principal amount of $26,485 to finance a portion of the construction, renovation and equipping of the new University Center Complex. 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 $10,000 shall be pledged upon four certain campus buildings unless a provision is made to secure the bonds equally and ratably with such liens. The 2020 Series B bond bore interest at a variable rate during the drawdown period, which expired February 12, 2022. Following the end of the draw down period, the interest rate on the 2020 Series B Bond converted to a fixed rate of interest. The entire amount has been drawn on the 2020 Series B Bond as of June 30, 2022. As of June 30, 2022, the majority of the bond-funded projects were placed into service and the principal balance of $26,485 has been capitalized.

(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:				
2023	$	3,218	13,885	17,103
2024		5,786	13,765	19,551
2025		6,018	13,536	19,554
2026		6,257	13,296	19,553
2027		6,503	13,047	19,550
Thereafter		289,662	176,018	465,680
Total	$	317,444	243,547	560,991

Interest expense related to long-term debt is $13,641 and $13,548 for the years ended June 30, 2022 and 2021, respectively, of which $7,253 and $8,297 has been capitalized, respectively.

Deposits with Trustees

Deposits with bond trustees represent funds held by the trustee, as required by bond indentures, and consisted of the following:

2022		Total	Level 1	Level 2
Deposits with trustees:				
Cash and cash equivalents	$	9,337	9,337	—
	$	9,337	9,337	—

2021		Total	Level 1	Level 2
Deposits with trustees:				
Cash and cash equivalents	$	15,650	15,650	—
U.S Treasuries		3,224	3,224	—
Federal agency obligations		3,386	—	3,386
	$	22,260	18,874	3,386

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.

(Dollars in thousands)

Line of Credit

At both June 30, 2022 and 2021, the University has a $35,000 line of credit, respectively, with TD Bank for general corporate purposes, which may include the temporary financing of capital projects. This facility bears interest at seventy-five (75) basis points above the LIBOR one-month rate and has an unused fee of fifteen (15) basis points. This line of credit became effective May 20, 2016 and expires on August 31, 2022. 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. Management believes the University is in compliance with the debt covenant. The interest rates for the line of credit were 2.375% and 0.875% at June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, no amounts were outstanding under the TD Bank line of credit. There is no interest expense recognized related to the line of credit for the year ended June 30, 2022.

(11) 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.

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

		2022	2021
Change in benefit obligation:			
Benefit obligation at beginning of year	$	6,176	6,342
Service cost		165	174
Interest cost		158	150
Plan participants’ contributions		14	15
Actuarial (gain) loss		(1,185)	(162)
Benefits paid		(364)	(343)
Benefit obligation at end of year	$	4,964	6,176

The discount rates used to determine benefit obligations for the years ended June 30, 2022 and 2021 were 4.38% and 2.6%, respectively.

(Dollars in thousands)

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

		2022	2021
Change in plan assets:			
Fair value of plan assets at beginning of year	$	—	—
Contributions (employer and plan participants)		364	343
Benefits paid		(364)	(343)
Fair value of plan assets at end of year	$	—	—
Components of accrued benefit cost:			
Funded status	$	(4,966)	(6,176)
Unamortized prior service credit (cost)		218	255
Unamortized actuarial net loss		1,212	2,557
Accrued benefit cost	$	(3,536)	(3,364)
Components of net periodic benefit cost:			
Service cost	$	165	174
Interest cost		158	150
Amortization of unrecognized prior service cost (credit)		38	(23)
Amortization of net loss		160	190
Net periodic benefit cost	$	521	491

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

	2022	2021
Discount rate	2.60 %	2.42 %
Assumed pre-65 medical trend rates at June 30:		
Healthcare cost trend rate assumed	4.40	4.40
Prescription drug cost trend rate assumed	6.75	6.75
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.78	3.78
Fiscal year that the rate reaches the ultimate trend rate	2075	2075

		2022	2021
Post-retirement benefit changes other than net periodic costs:			
Change in unamortized items:			
Actuarial gain	$	(1,185)	(162)
Amortization of:			
Actuarial loss		(160)	(190)
Unrecognized prior service credit		(38)	23
Total benefit changes other than net periodic costs		(1,383)	(329)
Components of net periodic costs, other than service cost		356	317
Post-retirement benefit changes and components of net periodic costs, other than service cost	$	(1,027)	(12)

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:		
2023	$	348
2024		336
2025		330
2026		323
2027		318
2028 to 2032		1,540

Amounts that have not been recognized as components of net periodic benefit cost but are included in net assets without donor restriction are as follows:

		2022	2021
Prior service credit	$	218	256
Net loss		1,212	2,557
	$	1,430	2,813

(12) Retirement 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, 2022 and 2021 totaled approximately $7,060 and $7,007, respectively.

The Non-Academic Staff Employees' Pension Plan was established in 1973 as a 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, 2022 and June 30, 2021, the Non-Academic Staff Employees' Pension Plan had a pension obligation of $160 and $315, respectively.

The Local 660 Pension Plan was established in 1973 as a noncontributory defined benefit plan 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, 2022 and June 30, 2021, the Local 660 Pension Plan had a pension asset of $60 and $40, respectively.

(13) 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 $220 and $242 for the years ended June 30, 2022 and 2021, respectively, were presented as a component of depreciation and amortization expense.

(Dollars in thousands)

(14) Revenue

(a) Tuition and Fees

The University's tuition and fee revenue is disaggregated as follows:

		2022	2021
Undergraduate tuition and fee revenue	$	220,951	202,595
Undergraduate student aid		(103,158)	(94,225)
Undergraduate tuition and fee revenue, net		117,793	108,370
Graduate tuition and fee revenue		127,176	91,755
Graduate student aid		(15,606)	(6,608)
Graduate tuition and fee revenue, net		111,570	85,147
Pre-college tuition and fee revenue		1,205	304
Pre-college student aid		(100)	(33)
Pre-college tuition and fee revenue, net		1,105	271
Tuition and fee revenue, net	$	230,468	193,788

(b) Sponsored Activities

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. 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 (ONR). The University's facilities and administrative cost reimbursements starting with fiscal year 2014 are 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 ONR negotiating responsibility. The University has final audited rates through fiscal year 2022. The audit to establish rates for fiscal years 2022 and 2023 is complete and sent to ONR for negotiations.

(Dollars in thousands)

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.

		2022	2021
Sponsored activity revenues:			
Direct cost recoveries	$	35,393	29,044
Indirect cost recoveries		11,637	9,546
Total sponsored activity revenues	$	47,030	38,590

(c) Auxiliary

Auxiliary enterprises revenue includes revenues from contracts with customers to provide student housing and dining facilities, parking services, and other miscellaneous activities, and is disaggregated as follows:

		2022	2021
Housing	$	14,300	5,798
Dining		8,444	3,976
Other		507	153
Total auxiliary enterprises revenue	$	23,251	9,927

(15) Functional Classification of Expenses

The consolidated statement of activities presents operating expenses based upon their natural classification. For the years ended June 30, 2022 and 2021, operating expenses presented by their functional category with the allocation of depreciation and amortization, interest, and operations and maintenance of plant to reflect the full cost of those activities were as follows:

		Program services				Support	
2022		Education	Student services	Research and public services	Auxiliary	Management and general	Total operating expenses
Salaries and benefits	$	107,434	17,555	22,766	2,569	22,221	172,545
Purchased services		18,697	7,181	11,339	7,726	7,722	52,665
Maintenance, rents and utilities		5,601	2,266	1,520	6,286	2,385	18,058
Supplies and other		13,013	6,407	4,818	119	4,106	28,463
Interest expense		2,103	707	632	1,178	217	4,837
Depreciation and amortization		8,878	2,986	2,669	4,975	916	20,424
Total	$	155,726	37,102	43,744	22,853	37,567	296,992

(Continued)

(Dollars in thousands)

	Program services				Support	
2021	**Education**	**Student services**	**Research and public services**	**Auxiliary**	**Management and general**	**Total operating expenses**
Salaries and benefits	$ 98,185	16,035	20,220	2,391	20,719	157,550
Purchased services	7,012	4,558	8,198	4,968	4,656	29,392
Maintenance, rents and utilities	5,027	1,542	1,367	7,284	1,957	17,177
Supplies and other	10,922	2,509	1,626	671	6,682	22,410
Interest expense	1,615	544	489	914	167	3,729
Depreciation and amortization	7,775	2,622	2,352	4,399	808	17,956
Total	$ 130,536	27,810	34,252	20,627	34,989	248,214

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 management and general and totaled $5,742 and $4,501 for the years ended June 30, 2022 and 2021, respectively. Also included in management and general are advertising costs, which are expensed as incurred. Advertising costs totaled $8,289 and $5,854 for the years ended June 30, 2022 and 2021, respectively.

(16) Net Assets

At June 30, 2022 and 2021, net assets consisted of the following:

	2022	2021
Without donor restrictions:		
Undesignated	$ 92,718	67,007
Net investment in plant	150,657	138,495
Endowment	24,584	22,255
Institutional portion of Federal Perkins Loans Program	441	557
Total net assets without donor restrictions	268,400	228,314
With donor restrictions:		
Restricted for time or purpose:		
Education and research programs	14,554	15,856
Capital projects	1,556	2,086
Annuity and life income funds	2,987	3,884
Endowment	113,230	129,653
Total net assets restricted for time or purpose	132,327	151,479

(Dollars in thousands)

		2022	2021
To be held in perpetuity:			
Endowment	$	131,460	120,979
Annuity and life income funds		4,025	4,606
Total net assets to be held in perpetuity		135,485	125,585
Total net assets with donor restrictions		267,812	277,064
Total net assets	$	536,212	505,378

(17) Endowment

The University's endowment fund consists of 410 and 403 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, 2022 and 2021, 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 net assets with donor restrictions (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 are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University, in a manner consistent with the standard of prudence prescribed by UPMIFA.

(Dollars in thousands)

Endowment net assets consisted of the following at June 30, 2022:

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$	—	244,690	244,690
Board-designated endowment funds		24,584	—	24,584
Total endowment net assets	$	24,584	244,690	269,274

Endowment net assets consisted of the following at June 30, 2021:

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$	—	250,632	250,632
Board-designated endowment funds		22,255	—	22,255
Total endowment net assets	$	22,255	250,632	272,887

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2021	$	22,255	250,632	272,887
Investment return, net		(1,047)	(8,859)	(9,906)
Contributions		—	10,453	10,453
Appropriation for expenditure		(615)	(7,777)	(8,392)
Distributions returned to endowment		—	213	213
Reclassification of net assets[1]		3,991	28	4,019
Endowment net assets, June 30, 2022	$	24,584	244,690	269,274

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2020	$	17,575	207,434	225,009
Investment return, net		4,222	46,003	50,225
Contributions		—	3,685	3,685
Appropriation for expenditure		(548)	(6,922)	(7,470)
Distributions returned to endowment		—	116	116
Reclassification of net assets[1]		1,006	316	1,322
Endowment net assets, June 30, 2021	$	22,255	250,632	272,887

[1] Amounts included in reclassification of net assets without donor restrictions represent board designated net assets that were added to the endowment in 2022 and 2021.

(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, 2022 and 2021, 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, on a two-year lag. Endowment funds for which the total return is restricted in perpetuity by donors, if any, are excluded from the spending rate. If the market value of an endowment fund is below the fund's historic gift value as of June 30, the University will not distribute endowment return to operations for spending purposes and will be reinvested in the endowment in accordance with the investment policy.

(Dollars in thousands)

(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. When deficiencies occur, they primarily result from unfavorable market fluctuations that occur shortly after the investment of new donor 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 net assets with donor restriction. At June 30, 2022, there were 9 endowment funds with deficiencies of this nature within net assets with donor restrictions totaling $55. The corpus of those 9 endowment funds was $1,621. At June 30, 2021, there were no such deficiencies of this nature.

(18) Operating Leases

The University is party to various operating lease agreements, expiring through 2027, for office space and student housing. The leases generally contain renewal options. The obligations associated with these leases have been recognized as a liability in the consolidated statement of financial position based on future lease payments, discounted by the risk-free borrowing rate, which ranges from 0.04% to 0.64%. Certain leases have an escalating fee schedule.

Rent expense for the years ended June 30, 2022 and 2021, totaled $3,737 and $5,048, respectively.

Minimum lease payments due under these agreements are as follows:

Fiscal year ending June 30:		
2023	$	449
2024		364
2025		371
2026		349
2027		356
Less present value discount		(57)
Total	$	1,832

(19) Commitments and Contingent Liabilities

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.

(Dollars in thousands)

(20) Subsequent Events

The University has performed an evaluation of subsequent events through December 2, 2022, the date the consolidated financial statements were issued and has determined that there are no subsequent events for disclosure other than the matter identified above.

(21) Financial Responsibility Standards

The University participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR Subpart 668.171. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR Subpart 668.172, using audited financial statements submitted through ED's eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary Reserve, Equity, and Net Income. Certain inputs to these ratios as of and for the year ended June 30, 2022 are bolded below and include (a) elements directly from the accompanying consolidated financial statements and related other notes to the consolidated financial statements, as well as (b) certain other financial data. Additional financial information, which is not bolded, has also been presented to facilitate understanding and reconciliation of such data elements to the accompanying financial statements and related other notes.

Data element	Direct input to ratio	Amount
(a) Land, buildings and equipment, net: pre-implementation	Primary reserve	$ 133,630
Land, buildings and equipment, net: post-implementation	Primary reserve	386,785
Total land, buildings and equipment, net: post-implementation		$ 520,415
(b) Long-term debt, net: pre-implementation:		
2014 Higher Education Equipment Leasing Fund, capitalized and outstanding	N/A	$ 59
2016 Higher Education Capital Improvement Fund Series B, capitalized and outstanding	N/A	7,160
2017 Revenue Bonds Series A, capitalized and outstanding	N/A	64,561
Long-term debt, net: pre-implementation	Primary reserve	71,780
Long-term debt, net: post-implementation:		
2020 Revenue Bonds Series A, capitalized and outstanding	N/A	174,315
2020 Revenue Bonds Series B, capitalized and outstanding		26,485
Long-term debt, net: post-implementation	Primary reserve	200,800
Bond proceeds not spent on capitalized projects, and unamortized bond premiums and issuance costs	N/A	86,099
Total long-term debt, net (statement of financial position)	N/A	$ 358,679

STEVENS INSTITUTE OF TECHNOLOGY

Supplementary Schedule of Financial Responsibility Data

As of and for the year ended June 30, 2022

(In thousands of dollars)

Data element	Source of data element in financial statements or related notes to financial statements	Amount used as ratio input
Primary reserve ratio:		
Numerator: expendable net assets:		
Net assets without donor restrictions	Statement of financial position	$ 268,400
Net assets with donor restrictions	Statement of financial position	267,812
Net assets with donor restrictions: restricted in perpetuity	Note 16	135,485
Annuity and life income funds	Note 16	2,987
Land, buildings and equipment, net: pre-implementation	Note 21	133,630
Land, buildings and equipment, net: post-implementation	Note 21	386,785
Right-of-use assets – operating leases	Statement of financial position	1,956
Long-term debt, net: pre-implementation	Note 21	71,780
Long-term debt, net: post-implementation	Note 21	200,800
Lease obligations	Statement of financial position	1,832
Post-retirement and pension obligations	Statement of financial position	5,064
Denominator: total expenses and losses without donor restrictions:		
Total expenses	Statement of activities	296,992
Post-retirement and pension non-operating expenses	Note 11	356
Equity ratio:		
Numerator: modified net assets:		
Net assets without donor restrictions	Statement of financial position	268,400
Net assets with donor restrictions	Statement of financial position	267,812
Denominator: modified assets:		
Total assets	Statement of financial position	970,721
Net income ratio:		
Numerator: change in net assets without donor restrictions:		
Change in net assets without donor restrictions	Statement of activities	40,086
Denominator: total revenue and gains without donor restrictions:		
Total operating revenues and other support	Statement of activities	324,771
Nonoperating activities: Net investment return	Statement of activities	6,145
Nonoperating activities: Other revenue	Statement of activities	1,764
Nonoperating activities: Net assets released from restriction	Statement of activities	3,371
Post-retirement benefit changes other than net periodic costs	Note 11	1,383

See accompanying independent auditors’ report.