



STEVENS INSTITUTE OF TECHNOLOGY

Consolidated Financial Statements

June 30, 2021

(with summarized comparative financial information as of June 30, 2020)

(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:

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, 2021, 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. 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 financial position of Stevens Institute of Technology and Subsidiary as of June 30, 2021, 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 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

December 3, 2021

STEVENS INSTITUTE OF TECHNOLOGY

Consolidated Statement of Financial Position

June 30, 2021

(with comparative financial information as of June 30, 2020)

(Dollars in thousands)

Assets	2021	2020
Cash (note 4)	\$ 74,171	75,803
Student, sponsor and other receivables, net (note 5)	17,753	15,877
Contributions receivable, net (note 6)	17,500	20,276
Prepaid expenses and other assets (note 2(f))	17,204	14,734
Deposits with bond trustees (notes 4 and 10)	22,260	157,630
Investments (notes 4 and 7)	281,921	213,226
Trusts held by others (note 7)	7,293	6,093
Land, buildings and equipment, net (note 8)	467,649	341,465
Right-of-use assets – operating leases (note 18)	4,409	—
Total assets	\$ 910,160	845,104
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 30,167	40,203
Deferred revenue (note 9)	17,652	12,145
Lease obligations (note 18)	4,757	893
Annuities payable	2,030	2,112
Post-retirement and pension obligations (notes 11 and 12)	6,451	6,739
Conditional asset retirement obligations (note 13)	4,708	4,729
Long-term debt, net (note 10)	336,898	341,575
Refundable advances (note 5)	2,119	3,165
Total liabilities	404,782	411,561
Net assets (notes 16 and 17):		
Without donor restrictions	228,314	201,917
With donor restrictions	277,064	231,626
Total net assets	505,378	433,543
Total liabilities and net assets	\$ 910,160	845,104

See accompanying notes to consolidated financial statements.

STEVENS INSTITUTE OF TECHNOLOGY

Consolidated Statement of Activities

Year ended June 30, 2021

(with summarized financial information for the year ended June 30, 2020)

(Dollars in thousands)

	2021			2020 Total
	Without donor restrictions	With donor restrictions	Total	
Operating activities:				
Revenues and other support:				
Tuition and fees (net of student aid of \$100,866 in 2021 and \$91,518 in 2020) (note 14)	\$ 193,788	—	193,788	197,705
Sponsored activity revenues (note 14):				
Federal	35,007	—	35,007	33,106
State	757	—	757	1,042
Private/other	2,826	—	2,826	3,091
Total sponsored activity revenues	38,590	—	38,590	37,239
Grants	9,709	—	9,709	2,757
Contributions	703	6,091	6,794	4,790
Other revenues	879	—	879	2,997
Auxiliary enterprises (note 14)	9,927	—	9,927	23,861
Investment return in support of operations (notes 7 and 17)	1,266	6,479	7,745	7,951
Net assets released from restrictions	10,036	(10,036)	—	—
Total operating revenues and other support	264,898	2,534	267,432	277,300
Expenses (note 15):				
Salaries and benefits	157,550	—	157,550	161,616
Purchased services	29,392	—	29,392	31,902
Maintenance, rents and utilities	17,177	—	17,177	20,502
Supplies and other	22,410	—	22,410	28,241
Interest expense (note 10)	3,729	—	3,729	4,028
Depreciation and amortization	17,956	—	17,956	15,409
Total operating expenses	248,214	—	248,214	261,698
Operating surplus before gain on sale of property	16,684	2,534	19,218	15,602
Gain on sale of property	1,925	—	1,925	8,275
Operating surplus	18,609	2,534	21,143	23,877
Nonoperating activities:				
Investment return (loss), net of amounts in support of operations (note 7)	2,743	39,789	42,532	(2,162)
Contributions	—	6,475	6,475	4,746
Other revenue	1,022	—	1,022	664
Post-retirement benefit changes other than service cost (note 11)	12	—	12	(837)
Change in value of split-interest agreements	—	889	889	(356)
Uncollectible contributions	—	(238)	(238)	(229)
Net assets released from restrictions	4,011	(4,011)	—	—
Total nonoperating activities	7,788	42,904	50,692	1,826
Changes in net assets	26,397	45,438	71,835	25,703
Net assets, beginning of year	201,917	231,626	433,543	407,840
Net assets, end of year	\$ 228,314	277,064	505,378	433,543

See accompanying notes to consolidated financial statements.

STEVENS INSTITUTE OF TECHNOLOGY

Consolidated Statement of Cash Flows

Year ended June 30, 2021

(with comparative financial information for the year ended June 30, 2020)

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 71,835	25,703
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Accretion of bond premium	(1,617)	(832)
Accretion of interest on conditional asset retirement obligations	242	279
Amortization of bond issuance costs	68	43
Amortization of cloud computing arrangements	343	—
Depreciation	17,829	16,520
(Gain) loss on disposal of property	(1,857)	(7,299)
Net (gains) losses on investments	(46,022)	901
Loss for uncollectible contributions	238	229
Post-retirement benefit changes other than net periodic benefit costs	(329)	543
Present value adjustment on annuities payable	(889)	356
Present value adjustment on contribution receivable	(182)	(358)
Change in allowance for doubtful accounts – contributions receivable	214	(179)
Change in allowance for doubtful accounts – student, sponsor, loans and other receivables	59	1,024
Contributions and grants restricted for capital and endowment	(6,475)	(4,746)
Gain on insurance reimbursement	(908)	—
Decrease (increase) in operating assets:		
Student, sponsor and other receivables	(2,524)	359
Contributions receivable	(1,006)	2,431
Prepaid expenses and other assets	(2,813)	(5,313)
Trusts held by others	(94)	(171)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(55)	7,307
Deferred revenue	5,507	783
Lease obligation	348	—
Annuities payable	596	17
Post-retirement and pension obligations	41	108
Conditional asset retirement obligations	(263)	(1,511)
Net cash provided by operating activities	<u>32,286</u>	<u>36,194</u>
Cash flows from investing activities:		
Proceeds from sale of property	1,925	8,275
Proceeds from insurance recoveries	908	—
Proceeds from sales of investments	96,507	66,202
Purchase of investments	(106,535)	(71,011)
Purchases of land, buildings and equipment	(144,081)	(99,498)
Changes in accounts payable for capital	(9,981)	—
Withdrawals from deposits with bond trustee	71,193	7,485
Additions to deposits with bond trustees	—	(80,177)
New loans to students	(64)	—
Collection of student loans	653	1,136
Net cash used in investing activities	<u>(89,475)</u>	<u>(167,588)</u>
Cash flows from financing activities:		
Receipts of contributions and grants restricted for capital and endowment	9,987	6,956
Proceeds from borrowing on line of credit	—	32,700
Repayments of line of credit	—	(38,600)
Payments to annuitants	(210)	(193)
Refundable advances for student loans	(1,046)	(1,566)
Repayments of capital lease obligations	(893)	(988)
Proceeds from issuance of long-term debt	—	209,648
Repayments of long-term debt	(3,128)	(2,977)
Payments of bond issuance costs	—	(1,174)
Net cash provided by financing activities	<u>4,710</u>	<u>203,806</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	(52,479)	72,412
Cash, cash equivalents and restricted cash, beginning of year	<u>155,460</u>	<u>83,048</u>
Cash, cash equivalents and restricted cash, end of year	\$ <u>102,981</u>	\$ <u>155,460</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 12,123	6,070
Increase in amounts accrued for purchase of land, buildings and equipment	—	4,785

See accompanying notes to consolidated financial statements.

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(Dollars in thousands)

(1) Organization

Stevens Institute of Technology (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 7,250 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 COVID-19 pandemic continues to have a significant impact on University operations. The campus closed to students on March 27, 2020 and refunds were made to students pro rata for the Spring 2020 term for housing fees, meal plans, and parking. 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.

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 to be 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 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).

On March 11, 2021, Congress passed the American Rescue Plan (ARP) which included additional COVID-19 relief for institutions of higher education. This new COVID stimulus bill included \$40 billion, for higher education institutions and students. On May 24, 2021, the University received \$8.2 million under the

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ARP (HEERF III), including \$4.1 million allocable to student aid and is currently developing a plan to disburse that funding.

(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. (collectively, the University). 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, 2021 and 2020, there were no cash equivalents within the cash balances presented in the accompanying consolidated statement of financial position.

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(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 \$15,288 and \$11,031 at June 30, 2021 and 2020, respectively. The System is a cloud computing arrangement (CCA) and the deferred costs will be recognized as expense over the term of the CCA once the System is placed into service, which occurred in March 2021 and will be amortized over the 15-year service contract. Amortization of the implementation costs totaled \$343 for the year ended June 30, 2021, 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 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.

(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

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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.

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

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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 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,

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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 A from mid-May to the beginning of July and Summer B 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

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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, 2021 and 2020, conditional contributions, including advised bequests, totaled \$60,780 and \$52,736, 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) 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.

(p) 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 2020 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, 2020, from which it was derived.

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(q) New Accounting Pronouncements

The FASB issued Accounting Standards Updates (ASU) No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize most leases on the statement of financial position, increasing their reported assets and liabilities. This update was developed to provide financial statement users with more information about an entity's leasing activities. The guidance is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures surrounding the amount, timing and uncertainty of cash flows arising from leases. Effective July 1, 2020, the University adopted ASU No. 2016-02. The University elected the effective date transition method and the package of practical expedients that permits no reassessment of whether any expired or existing contracts are or contain a lease, the lease classification for any expired or existing leases, and any initial direct costs for any existing leases as of the effective date. The University's right-of-use assets – operating leases and lease obligations at adoption were \$5,129.

(3) Financial Assets and Liquidity Resources

As of June 30, 2021 and 2020, 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:

	2021	2020
Financial assets available within one year:		
Cash	\$ 63,905	64,679
Accounts receivable, net	16,268	13,798
Contributions receivable available for operations	1,651	1,370
Investments appropriated for spending in following year	8,548	7,938
Total financial assets available within one year	90,372	87,785
Liquidity resources:		
Bank line of credit	35,000	35,000
Total liquidity resources	35,000	35,000
Total financial assets and liquidity resources	\$ 125,372	122,785

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.

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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 2021 and 2020.

The University also has \$22,255 in board-designated endowments, which are available for general expenditure with Board approval. The Board has approved fiscal year 2022 spending from the endowment estimated to be \$8,548, which is included in the table above.

(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:

	<u>2021</u>	<u>2020</u>
Cash	\$ 74,171	75,803
Deposits with bond trustees	15,650	78,913
Investments	<u>13,160</u>	<u>744</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 102,981</u>	<u>155,460</u>

Cash includes restricted cash of \$10,266 and \$11,124 at June 30, 2021 and 2020, 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.

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(5) Student, Sponsor and Other Receivables

Student, sponsor and other receivables, net, as of June 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Student	\$ 7,311	7,936
Sponsored contracts and grants	11,049	8,193
Student loans	2,615	3,205
Other	<u>2,424</u>	<u>2,130</u>
	<u>23,399</u>	<u>21,464</u>
Less:		
Allowance for doubtful student accounts	(2,891)	(3,079)
Allowance for doubtful sponsor accounts	(341)	(336)
Allowance for doubtful student loan accounts	(1,130)	(1,126)
Allowance for doubtful other accounts	<u>(1,284)</u>	<u>(1,046)</u>
	<u>(5,646)</u>	<u>(5,587)</u>
Student, sponsor and other receivables, net	\$ <u>17,753</u>	<u>15,877</u>

A majority of the student loans outstanding are associated with the Federal Perkins Loan Program. Funds advanced by the Federal Government of \$2,119 and \$3,165 at June 30, 2021 and 2020, 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, 2021 and 2020, the following amounts were outstanding receivables under the Federal Perkins Loan Program:

	<u>Less than 30 days</u>	<u>Less than 90 days</u>	<u>Less than 180 days</u>	<u>Less than 360 days</u>	<u>Greater than 360 days</u>	<u>Total</u>
June 30:						
2021	\$ 1,301	45	3	5	1,197	2,551
2020	1,878	91	5	21	1,210	3,205

Also included in student loan receivables are private student loan and direct lending receivables totaling \$64 in fiscal year 2021. 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.

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(6) Contributions Receivable

Contributions receivable, net, as of June 30, 2021 and 2020, consisted of the following:

	2021	2020
Amounts due in:		
Less than one year	\$ 7,505	6,972
One to five years	10,937	13,344
Greater than five years	494	1,364
	18,936	21,680
Less discount to present value	(562)	(744)
	18,374	20,936
Less allowance for doubtful contributions	(874)	(660)
Contributions receivable, net	\$ 17,500	20,276

A discount for contributions receivable to be received over periods longer than 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%.

At June 30, 2021 and 2020, approximately 58% and 71%, respectively, of gross contributions receivable is due from five donors, respectively. For the years ended June 30, 2021 and 2020, approximately 24% and 29% of contribution revenue was received from five donors, respectively.

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, 2021 and 2020, contributions receivable included \$6,844 and \$7,182, respectively, from members of the Board of Trustees.

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(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, 2021 and 2020 are shown in the following tables:

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	—
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

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2020	Total	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	\$ 744	744	—	—
Mutual funds	170,856	170,856	—	—
U.S. equities	479	479	—	—
Split-interest agreements	2,713	2,713	—	—
	174,792	\$ 174,792	—	—
Investments reported at NAV or its equivalent:				
Pooled private equity	28,047			
Pooled alternative investments	10,387			
Total investments	\$ 213,226			
Trusts held by others	\$ 6,093	—	—	6,093

There were no transfers in or out of Levels 1, 2 or 3 within the fair value hierarchy during the years ended June 30, 2021 and 2020.

The following table summarizes the changes in value of the Level 3 investments for the fiscal year ended June 30, 2021:

	Trust held by others
Balance as of June 30, 2019	\$ 5,996
New trusts, net	301
Total investment return, net	(204)
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

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.

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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, 2021, are as follows:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period (days)</u>
Pooled alternatives:				
Multi-strategy (a)	\$ 27,023	—	Quarterly	60–91 days
	<u>27,023</u>	<u>—</u>		
Pooled private equity:				
Real estate fund (b)	260	820	Not eligible	
Private equity (c)	<u>40,314</u>	<u>28,608</u>	Not eligible	
	<u>40,574</u>	<u>29,428</u>		
Total investments reported at NAV \$	<u><u>67,597</u></u>	<u><u>29,428</u></u>		

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. Investments representing 57% of the value in this class will terminate on August 30, 2021 and 43% have terminated as of December 31, 2020.
- (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 13% in Natural Resources, 26% in U.S. Private Equities, and 61% 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

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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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 4,738	6,104
Net realized gain	241	940
Net unrealized (depreciation) appreciation	45,781	(1,841)
Investment management fees	<u>(758)</u>	<u>(727)</u>
Total investment return	50,002	4,476
Endowment distribution	<u>(7,470)</u>	<u>(6,638)</u>
Net investment (loss) return	\$ <u>42,532</u>	<u>(2,162)</u>

In addition to the gross endowment distribution, net non-endowment investment return totaling \$275 and \$1,313 in fiscal 2021 and 2020, 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, 2021 and 2020, property, plant and equipment, net consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,692	1,721
Buildings and improvements	373,124	361,592
Furniture, fixtures and equipment	77,050	67,467
Construction in progress	<u>218,180</u>	<u>95,604</u>
	670,046	526,384
Less accumulated depreciation and amortization	<u>(202,397)</u>	<u>(184,919)</u>
Total land, buildings and equipment, net	\$ <u>467,649</u>	<u>341,465</u>

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Depreciation and amortization expense, excluding accretion, totaled \$17,829 and \$16,520 for the years ended June 30, 2021 and 2020, 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, 2021 are approximately \$52,756.

(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, 2019	\$	3,164	4,135	4,063	11,362
Revenue recognized		(3,164)	(4,280)	(2,924)	(10,368)
Payments received for future performance obligations		<u>2,759</u>	<u>2,608</u>	<u>5,784</u>	<u>11,151</u>
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		<u>4,029</u>	<u>4,208</u>	<u>6,802</u>	<u>15,039</u>
Balance at June 30, 2021	\$	<u><u>4,029</u></u>	<u><u>5,513</u></u>	<u><u>8,110</u></u>	<u><u>17,652</u></u>

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(10) Long-Term Debt and Line of Credit

Long-term debt at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>Maturity date</u>	<u>Interest rate range</u>
Bond issue:				
(a) 2014 Higher Education Equipment Leasing Fund	\$ 199	330	6/1/2023	5.00 %
(b) 2016 Higher Education Capital Improvement Fund Series A	—	129	9/1/2020	1.48%–2.66%
(c) 2016 Higher Education Capital Improvement Fund Series B	7,478	7,781	9/1/2036	3.00%–5.00%
(d) 2017 Revenue Bonds Series A	112,120	114,685	7/1/2047	4.00%–5.00%
(e) 2020 Revenue Bonds Series A	174,315	174,315	7/1/2050	3.00%–5.00%
(f) 2020 Revenue Bonds Series B (Taxable)	—	—	7/1/2031	Variable
Long-term debt, net	<u>294,112</u>	<u>297,240</u>		
Plus unamortized bond premium	44,679	46,296		
Less unamortized bond issuance costs	<u>(1,893)</u>	<u>(1,961)</u>		
	<u>\$ 336,898</u>	<u>341,575</u>		

(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.

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

In July 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, of which all of the proceeds were capitalized.

(c) 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.

(d) 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, 2021 and 2020, such deposits amounted to \$5,424 and \$12,282, respectively. As of June 30, 2021, a majority of the bond-funded projects were placed in service and the principal balance of \$70,705 has been capitalized.

(e) 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

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in a separate account. At June 30, 2021 and 2020, such deposits amounted to \$16,836 and \$145,348, respectively. At June 30, 2021, the project was in progress, with an expected completion date of Spring 2022. The entire principal balance of \$174,315 has been capitalized.

(f) 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 Student Housing and University Center. 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 bears interest at a variable rate during the drawdown period expiring February 12, 2022. Following the end of the draw down period, the interest rate on the 2020 Series B Bond will convert to a fixed rate of interest. No amount has been drawn on the 2020 Series B Bond as of June 30, 2021.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30:			
2022	\$ 3,153	13,464	16,617
2023	3,218	13,303	16,521
2024	3,316	13,138	16,454
2025	3,488	12,970	16,458
2026	3,657	12,795	16,452
Thereafter	<u>277,280</u>	<u>187,561</u>	<u>464,841</u>
Total	<u>\$ 294,112</u>	<u>253,231</u>	<u>547,343</u>

Interest expense related to long-term debt is \$13,548 and \$8,354 for the years ended June 30, 2021 and 2020, respectively, of which \$8,297 and \$3,597 has been capitalized, respectively.

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Deposits with Trustees

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

<u>2021</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
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
	<u>\$ 22,260</u>	<u>18,874</u>	<u>3,386</u>
<u>2020</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Deposits with trustees:			
Cash and cash equivalents	\$ 78,913	78,913	—
U.S Treasuries	49,450	49,450	—
Federal agency obligations	29,267	—	29,267
	<u>\$ 157,630</u>	<u>128,363</u>	<u>29,267</u>

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.

Line of Credit

At both June 30, 2021 and 2020, 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 May 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 0.875% and 1.00% at June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, 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, 2021. Interest expense related to the line of credit is \$383 for the year ended June 30, 2020.

(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.

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

	<u>2021</u>	<u>2020</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 6,342	5,724
Service cost	174	127
Interest cost	150	177
Plan participants' contributions	15	9
Actuarial (gain) loss	(162)	660
Benefits paid	<u>(343)</u>	<u>(355)</u>
Benefit obligation at end of year	\$ <u>6,176</u>	<u>6,342</u>

The discount rates used to determine benefit obligations for the years ended June 30, 2021 and 2020 were 2.6% and 2.42%, 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:

	<u>One percentage point increase</u>	<u>One percentage point decrease</u>
Effect on post-retirement benefit obligation	\$ 46	(42)
Effect on total of service and interest cost components	1	(1)

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

	<u>2021</u>	<u>2020</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ —	—
Contributions (employer and plan participants)	343	355
Benefits paid	<u>(343)</u>	<u>(355)</u>
Fair value of plan assets at end of year	\$ <u>—</u>	<u>—</u>

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	<u>2021</u>	<u>2020</u>
Components of accrued benefit cost:		
Funded status	\$ (6,176)	(6,342)
Unamortized prior service credit (cost)	255	233
Unamortized actuarial net loss	<u>2,557</u>	<u>2,910</u>
Accrued benefit cost	\$ <u><u>(3,364)</u></u>	<u><u>(3,199)</u></u>
Components of net periodic benefit cost:		
Service cost	\$ 174	127
Interest cost	150	177
Amortization of unrecognized prior service cost (credit)	(23)	(23)
Amortization of net loss	<u>190</u>	<u>140</u>
Net periodic benefit cost	\$ <u><u>491</u></u>	<u><u>421</u></u>

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

	<u>2021</u>	<u>2020</u>
Discount rate	2.42 %	3.27 %
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

	<u>2021</u>	<u>2020</u>
Post-retirement benefit changes other than net periodic costs:		
Change in unamortized items:		
Prior service cost	\$ —	—
Actuarial (loss) gain	(162)	660
Amortization of:		
Actuarial loss	(190)	(140)
Unrecognized prior service credit	<u>23</u>	<u>23</u>
Total benefit changes other than periodic cost	(329)	543
Components of net periodic benefit cost, other than service cost	<u>317</u>	<u>294</u>
Post-retirement benefit changes other than service cost	\$ <u><u>(12)</u></u>	<u><u>837</u></u>

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Expected Future Benefit Payments

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

	<u>Employer contributions</u>
Year ending June 30:	
2022	\$ 330
2023	332
2024	323
2025	319
2026	315
2027 to 2031	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:

	<u>2021</u>	<u>2020</u>
Prior service credit	\$ 256	233
Net loss	<u>2,557</u>	<u>2,910</u>
	<u>\$ 2,813</u>	<u>3,143</u>

Amounts in net assets without donor restriction expected to be recognized as components of net periodic benefit cost during fiscal year 2022 are as follows:

Prior service credit	\$ 38
Net loss	160

(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.

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Retirement costs related to these plans for the years ended June 30, 2021 and 2020 totaled approximately \$7,007 and \$7,060, 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, 2021 and June 30, 2020, the Non-Academic Staff Employees' Pension Plan had a pension obligation of \$315 and \$322, 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, 2021 and June 30, 2020, the Local 660 Pension Plan had a pension (asset) obligation of \$(40) and \$75, 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 \$242 and \$279 for the years ended June 30, 2021 and 2020, respectively, were presented as a component of depreciation and amortization expense.

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(14) Revenue

(a) Tuition and Fees

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

	<u>2021</u>	<u>2020</u>
Undergraduate tuition and fee revenue	\$ 202,595	187,030
Undergraduate student aid	<u>(94,225)</u>	<u>(82,274)</u>
Undergraduate tuition and fee revenue, net	<u>108,370</u>	<u>104,756</u>
Graduate tuition and fee revenue	91,755	100,711
Graduate student aid	<u>(6,608)</u>	<u>(8,951)</u>
Graduate tuition and fee revenue, net	<u>85,147</u>	<u>91,760</u>
Pre-college tuition and fee revenue	304	1,482
Pre-college student aid	<u>(33)</u>	<u>(293)</u>
Pre-college tuition and fee revenue, net	<u>271</u>	<u>1,189</u>
Tuition and fee revenue, net	\$ <u><u>193,788</u></u>	<u><u>197,705</u></u>

(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 2021. The audit to establish rates for fiscal years 2022 and 2023 is complete and sent to ONR for negotiations.

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.

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	<u>2021</u>	<u>2020</u>
Sponsored activity revenues:		
Direct cost recoveries	\$ 29,044	27,906
Indirect cost recoveries	9,546	9,333
Total sponsored activity revenues	<u>38,590</u>	<u>37,239</u>

(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:

	<u>2021</u>	<u>2020</u>
Housing	\$ 5,798	16,043
Dining	3,976	7,459
Other	153	359
Total auxiliary enterprises revenue	<u>\$ 9,927</u>	<u>23,861</u>

(15) Functional Classification of Expenses

The consolidated statement of activities presents operating expenses based upon their natural classification. For the years ended June 30, 2021 and 2020, 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:

<u>2021</u>	<u>Program services</u>				<u>Support</u>	<u>Total operating expenses</u>
	<u>Education</u>	<u>Student services</u>	<u>Research and public services</u>	<u>Auxiliary</u>	<u>Management and general</u>	
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	<u>\$ 130,536</u>	<u>27,810</u>	<u>34,252</u>	<u>20,627</u>	<u>34,989</u>	<u>248,214</u>

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2020	Program services				Support Management and general	Total operating expenses
	Education	Student services	Research and public services	Auxiliary		
Salaries and benefits	\$ 100,042	16,526	19,250	2,415	23,383	161,616
Purchased services	5,623	4,355	7,494	6,338	8,092	31,902
Maintenance, rents and utilities	5,281	1,735	1,385	10,655	1,446	20,502
Supplies and other	11,645	6,577	1,740	1,037	7,242	28,241
Interest expense	1,650	626	551	1,010	191	4,028
Depreciation and amortization	6,311	2,394	2,108	3,866	730	15,409
Total	\$ 130,552	32,213	32,528	25,321	41,084	261,698

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 \$4,501 and \$4,851 for the years ended June 30, 2021 and 2020, respectively. Also included in management and general are advertising costs, which are expensed as incurred. Amounts totaled \$5,854 and \$1,570 for the years ended June 30, 2021 and 2020, respectively.

(16) Net Assets

At June 30, 2021 and 2020, net assets consisted of the following:

	2021	2020
Without donor restrictions:		
Undesignated	\$ 67,007	51,110
Net investment in plant	138,495	132,396
Endowment	22,255	17,575
Institutional portion of Federal Perkins Loans Program	557	836
Total net assets without donor restrictions	228,314	201,917
With donor restrictions:		
Restricted for time or purpose:		
Education and research programs	15,856	15,457
Capital projects	2,086	2,041
Annuity and life income funds	3,884	3,280
Endowment	129,653	90,561
Total net assets restricted for time or purpose	151,479	111,339

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	2021	2020
To be held in perpetuity:		
Endowment	\$ 120,979	116,873
Annuity and life income funds	4,606	3,414
Total net assets to be held in perpetuity	125,585	120,287
Total net assets with donor restrictions	277,064	231,626
Total net assets	\$ 505,378	433,543

(17) Endowment

The University's endowment fund consists of 403 and 395 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, 2021 and 2020, 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.

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

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

Endowment net assets consisted of the following at June 30, 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	207,434	207,434
Board-designated endowment funds	<u>17,575</u>	<u>—</u>	<u>17,575</u>
Total endowment net assets	\$ <u>17,575</u>	<u>207,434</u>	<u>225,009</u>

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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	<u>1,006</u>	<u>316</u>	<u>1,322</u>
Endowment net assets, June 30, 2021	\$ <u>22,255</u>	<u>250,632</u>	<u>272,887</u>

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Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2019	\$ 17,267	207,037	224,304
Investment return, net	374	3,729	4,103
Contributions	—	2,437	2,437
Appropriation for expenditure	(354)	(6,284)	(6,638)
Distributions returned to endowment	—	384	384
Reclassification of net assets ¹	288	131	419
Endowment net assets, June 30, 2020	<u>\$ 17,575</u>	<u>207,434</u>	<u>225,009</u>

¹ Amounts included in reclassification of net assets without donor restrictions represent board designated net assets that were added to the endowment in 2021 and 2020.

(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, 2021 and 2020, 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

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distribute endowment return to operations for spending purposes and will be reinvested in the endowment in accordance with the investment policy.

(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, 2021, there were no deficiencies of this nature reported within net assets with donor restriction. At June 30, 2020, there were 4 deficiencies of this nature reported within net assets with donor restriction totaling \$4 and a historical gift totaling \$254.

(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, 2021 and 2020, totaled \$5,048 and \$8,163, respectively.

Minimum lease payments due under these agreements are as follows:

Fiscal year ending June 30:		
2022	\$	3,065
2023		413
2024		336
2025		343
2026		349
2027		356
Less present value discount		<u>(105)</u>
Total	\$	<u><u>4,757</u></u>

(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.

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(20) Subsequent Events

The University has performed an evaluation of subsequent events through December 3, 2021, 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.