



BRANDEIS UNIVERSITY

Independent Auditors' Reports as Required by Office of
Management and Budget (OMB) Circular A-133 and
Government Auditing Standards and Related Information

Year ended June 30, 2015

BRANDEIS UNIVERSITY

Independent Auditors' Reports as Required by Office of
Management and Budget (OMB) Circular A-133 and
Government Auditing Standards and Related Information

Year ended June 30, 2015

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

Independent Auditors' Report

The Board of Trustees
Brandeis University:

Report on the Financial Statements

We have audited the accompanying financial statements of Brandeis University (the University), which comprise the balance sheet as of June 30, 2015, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brandeis University as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Report on Summarized Comparative Information

We have previously audited the University’s 2014 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 31, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015 on our consideration of the University’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University’s internal control over financial reporting and compliance.

KPMG LLP

October 27, 2015, except as to the
supplementary schedule of
expenditures of federal awards,
for which the date is February 19, 2016

BRANDEIS UNIVERSITY

Balance Sheet

June 30, 2015

(with comparative information as of June 30, 2014)

(In thousands of dollars)

Assets	2015	2014
Cash and cash equivalents	\$ 54,299	42,392
Short-term investments	2,068	2,113
Accounts receivable, net	13,052	14,844
Notes receivable, net	14,571	14,761
Contributions receivable, net	31,401	32,485
Long-term investments	940,138	887,722
Funds held in trust by others and other assets	16,702	26,798
Property, plant and equipment, net	344,357	341,789
Total assets	<u>\$ 1,416,588</u>	<u>1,362,904</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 31,562	30,920
Sponsored program advances and deferred revenue	25,872	25,454
Other long-term liabilities	29,174	28,422
Long-term debt, net	252,746	261,610
Total liabilities	<u>339,354</u>	<u>346,406</u>
Net assets:		
Unrestricted	195,491	159,610
Temporarily restricted	298,587	296,809
Permanently restricted	583,156	560,079
Total net assets	<u>1,077,234</u>	<u>1,016,498</u>
Total liabilities and net assets	<u>\$ 1,416,588</u>	<u>1,362,904</u>

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Statement of Activities

Year ended June 30, 2015

(with summarized comparative information for the year ended June 30, 2014)

(In thousands of dollars)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2015</u>	<u>2014</u>
Operating revenues and other support:					
Tuition and fees	\$ 242,046	—	—	242,046	228,754
Residence hall and dining	35,883	—	—	35,883	33,829
Less scholarships and financial aid	(96,420)	—	—	(96,420)	(89,110)
Net tuition, fees, residence hall and dining revenues	181,509	—	—	181,509	173,473
Contributions	18,611	—	—	18,611	14,204
Net assets released from restrictions	9,288	—	—	9,288	11,956
Sponsored programs – direct	49,070	—	—	49,070	47,386
Sponsored programs – indirect	14,714	—	—	14,714	14,158
Other investment income	1,080	—	—	1,080	1,650
Investment income from funds held in trust by others	314	—	—	314	283
Endowment return utilized	42,482	—	—	42,482	40,022
Other auxiliary enterprises	3,898	—	—	3,898	3,061
Other sources	9,266	—	—	9,266	7,775
Total operating revenues and other support	330,232	—	—	330,232	313,968
Operating expenses:					
Instruction	115,155	—	—	115,155	110,379
Sponsored programs	54,758	—	—	54,758	52,790
Academic support	43,455	—	—	43,455	39,965
Student services	32,506	—	—	32,506	30,969
Institutional support	46,294	—	—	46,294	47,060
Auxiliary enterprises	35,440	—	—	35,440	33,914
Total operating expenses	327,608	—	—	327,608	315,077
Change in net assets from operating activities	2,624	—	—	2,624	(1,109)
Nonoperating activities:					
Net investment return	6,329	43,697	79	50,105	130,000
Endowment return utilized in operations	(10,880)	(31,602)	—	(42,482)	(40,022)
Net assets released from restrictions	6,968	(16,256)	—	(9,288)	(11,956)
Contributions	—	6,667	23,085	29,752	26,884
Loss on refinancing	—	—	—	—	(712)
Net gain on disposals and retirement of property, plant and equipment	30,927	—	—	30,927	—
Other changes, net	(87)	(728)	(87)	(902)	(8,465)
Change in net assets from nonoperating activities	33,257	1,778	23,077	58,112	95,729
Change in net assets	35,881	1,778	23,077	60,736	94,620
Net assets at beginning of year	159,610	296,809	560,079	1,016,498	921,878
Net assets at end of year	\$ 195,491	298,587	583,156	1,077,234	1,016,498

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2015

(with comparative information for the year ended June 30, 2014)

(In thousands of dollars)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 60,736	94,620
Adjustments to reconcile change in net cash used in operating activities:		
Depreciation and amortization, net	25,267	24,171
Net realized and unrealized investment gains	(48,672)	(130,944)
Net change from funds held in trust by others	115	(784)
Net gain on disposals and retirement of property, plant and equipment	(30,927)	—
Contributions restricted for long-term investment	(22,695)	(18,477)
Loss on refinancing	—	712
Change in operating assets, net	3,445	(4,044)
Change in operating liabilities, net	3,253	14,495
Net cash used in operating activities	<u>(9,478)</u>	<u>(20,251)</u>
Cash flows from investing activities:		
Acquisition and construction of property, plant and equipment	(30,399)	(20,893)
Purchases of investments	(357,303)	(209,219)
Proceeds from sale of property	31,241	—
Proceeds from sales and maturities of investments	337,071	228,268
Notes receivable issued	(2,039)	(2,761)
Notes receivable repaid	2,229	2,317
Net cash used in investing activities	<u>(19,200)</u>	<u>(2,288)</u>
Cash flows from financing activities:		
Repayments of bonds, notes and leases	(8,055)	(29,306)
Proceeds from issuance of bonds and notes	—	36,500
Cost of issuance of bonds and notes	—	(188)
Advances from line of credit	—	20,000
Payments on line of credit	—	(20,000)
Change in funds held by bond trustee	9,412	(8,205)
Proceeds from sale of donated securities	16,533	21,620
Contributions restricted for long-term investment	22,695	18,477
Net cash provided by financing activities	<u>40,585</u>	<u>38,898</u>
Change in cash and cash equivalents	11,907	16,359
Cash and cash equivalents, beginning of year	<u>42,392</u>	<u>26,033</u>
Cash and cash equivalents, end of year	\$ <u>54,299</u>	<u>42,392</u>
Supplemental data:		
Interest paid	\$ 11,685	12,064
(Decrease) increase in accrued liabilities attributable to property, plant, and equipment	(1,441)	927

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

(1) Organization

Brandeis University (the University) is a private, not-for-profit, nonsectarian, co-educational institution of higher education with approximately 5,500 full-time undergraduate and graduate students. Established in 1948, the University offers educational programs for undergraduates in liberal arts and sciences, and graduate education and training in the arts and sciences, business, social policy and management.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The University's financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) and have been prepared to focus on the University as a whole and to present balances and transactions based on the existence or absence of donor-imposed restrictions, as follows:

Unrestricted – Net assets not subject to donor-imposed restrictions and available for the general operations of the University. Such net assets may be designated by the Board of Trustees for specific purposes, including to function as endowment.

Temporarily restricted – Net assets subject to donor-imposed or legal stipulations as to the timing of their availability or use for a particular purpose. These net assets are released from restrictions when the specified time elapses or actions have been taken to meet the restrictions. As further described in note 11, the University is subject to the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA), under which donor-restricted endowment funds may be appropriated for expenditure by the Board of Trustees of the University in accordance with the standard of prudence prescribed by UPMIFA. Net assets of such funds in excess of their historic dollar value are classified as temporarily restricted until appropriated by the Board and spent on their intended purpose. Life income trusts and pledges receivable for which the ultimate use is not permanently restricted are also reported as temporarily restricted net assets.

Permanently restricted – Net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the University. These primarily consist of the historic dollar value of contributions to donor-restricted endowment funds.

For comparison purposes, the 2015 statement of activities has been presented with 2014 summarized comparative information in total but not by net asset class. This summarized 2014 information is not intended to and does not include sufficient detail to constitute a complete presentation of changes in net assets in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

(b) Nonoperating Activities

Nonoperating activities reflect transactions of a long-term investment or capital nature, including contributions to be invested by the University to generate a return that will support future operations;

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

contributions scheduled to be received in the future; contributions to be used for and net assets released from restrictions for capitalized property and equipment; investment return net of appropriations for current operational support in accordance with the University's endowment spending policy; and other net asset changes resulting from transactions that do not arise from or currently affect operations.

(c) Revenue Recognition

Revenues are reported as an increase in unrestricted net assets, unless their use is limited by donor-imposed restrictions in which case they are reported as increases in temporarily or permanently restricted net assets. Expirations of temporary restrictions are reflected in the statement of activities as net assets released from restrictions. Net realized gains (losses) from the sale or other disposition of investments and the change in unrealized appreciation (depreciation) of investments are reported as revenue in unrestricted net assets, unless use of these gains is restricted by donor-imposed stipulations.

Revenues associated with sponsored research and other grants and contracts are recognized when the related allowable expenditures are incurred or other contractual provisions have been met. Indirect cost recovery by the University on federal grants and contracts is based upon a predetermined negotiated rate and is recorded as unrestricted revenue as direct costs are incurred. All funds expended in connection with government grants and contracts are subject to audit by granting agencies. In the opinion of management, any potential liability resulting from these audits will not have a material effect on the University's financial position.

Tuition and fees are reported at established rates. Student deposits and advance payments for tuition, room, and board for fall and certain summer sessions are deferred and recorded as revenues in the year in which the sessions are provided. Auxiliary enterprise revenues are recognized at the time the goods or services are provided.

(d) Contributions

Contributions are unconditional transfers of assets or cancellations of liabilities. Contributions without donor-imposed restrictions or with donor-imposed restrictions met by the University in the same year as received are recorded as unrestricted revenue. Contributions received with donor-imposed restrictions are reported as increases in temporarily restricted or permanently restricted net assets based on donors' restrictions. Contributions of noncash assets are recorded at fair value on the date of the contribution.

Unconditional promises (contributions receivable) are recognized at fair value, considering the time value of money and collectability, as temporarily or permanently restricted revenues in the year promised. Thereafter, contributions receivable are reported at the present value of expected cash flows using the same discount rates as initially applied net of an allowance for uncollectable contributions based upon historical collection experience and other relevant factors. Conditional contributions are not recognized until the stated conditions are met.

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Notes to Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

(e) Fundraising Expense

Fundraising expense was \$10,816 and \$11,658 for the years ended June 30, 2015 and 2014, respectively, and is classified as institutional support in the statement of activities.

(f) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents, except those held as short-term investments or in the long-term investment portfolio, consist of money market funds and investments with original maturities of three months or less and are carried at cost, which approximates fair value.

(g) Short-Term Investments

Short-term investments consist of operating funds deposited in cash management accounts with maturities at the time of purchase of less than one year, and are carried at fair value.

(h) Fair Value

Investments and funds held in trust by others are reported at fair value in the University's financial statements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and
- Level 3 – unobservable inputs are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The estimated fair values of the University's financial instruments not measured at fair value, including cash and cash equivalents, receivables, accounts payable, accrued liabilities and deposits approximated their carrying values based on the generally shorter-term nature of these items as of June 30, 2015 and 2014. Notes receivable consist primarily of loans to students that have significant restrictions and long maturities, and it is not practicable to estimate their fair value. Utilizing available pricing information provided by a third party and other inputs that would be classified in Level 2 of the fair value hierarchy, management determined that the estimated fair value of the University's long-term debt was \$271,087 and \$279,982 as of June 30, 2015 and 2014, respectively.

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

(i) Funds Held in Trust by Others and Other Assets

Funds held in trust by others (FHITBO) are held in perpetuity by external trustees, as specified by the donors, and are reported by the University at fair value. Trust income is distributed at least annually to the University in accordance with the terms of the trusts and is recorded as investment income. Changes in the fair value of the trusts are recorded as increases or decreases to permanently restricted net assets. The University had \$10,062 and \$10,176 of FHITBO as of June 30, 2015 and June 30, 2014, respectively. These are all classified in Level 3 in the fair value hierarchy because they are held by the trustees in perpetuity. Other assets include funds held by bond trustee; prepayments; and inventories.

(j) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of land improvements (18 years), buildings (60 years), building systems and improvements (18–25 years), equipment and furnishings (5–15 years), and software (5 years).

Expenses for the repair and maintenance of facilities are recognized during the period incurred. Betterments, which add to the value of the related assets or materially extend the lives of the assets, are capitalized. The University recognizes the estimated fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred. When the liability is initially recorded, the University capitalizes the cost of the obligation by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the asset's useful life. Payments to settle the obligation are charged against the liability, and any difference between the actual settlement cost and the related estimated liability recorded is recognized as a gain or loss in the statement of activities.

(k) Other Long-Term Liabilities

The University is bound by trust agreements that include gift annuities and charitable remainder trusts. These funds are held for one or more beneficiaries and generally pay lifetime income to those beneficiaries, after which the principal is made available to the University in accordance with donor intentions. The assets are presented within long-term investments, and liabilities are recorded to recognize the present value of estimated future payments due to beneficiaries. The liabilities are \$13,322 and \$13,689 as of June 30, 2015 and 2014, respectively. The University also has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities, primarily asbestos removal, at or prior to disposal of certain property. As of June 30, 2015 and 2014, the estimated liabilities were \$6,134 and \$6,458, respectively. In addition, the University carries a liability related to refundable advances received under the Federal Perkins Loan Program as discussed in note 4. As of June 30, 2015 and 2014, those liabilities were \$6,047 and \$6,082, respectively.

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

(l) Collections

Collections at Brandeis University are protected and preserved for public exhibition, education, research and the furtherance of public service. Collections are not capitalized; sales and purchases of collection items are reported as nonoperating revenue and expenses in the University's financial statements in the period in which the items are sold or acquired, respectively.

(m) Income Taxes

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the Code), and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The University is required to assess uncertain tax positions and has determined that there were no such positions that are material to the financial statements.

(n) Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates, and the differences may be material. Significant estimates recorded in these financial statements at June 30, 2015 and 2014 include the valuation of certain investments, accrued expenses, receivables, asset retirement obligations, and split-interest agreements; and determination of the useful lives of property and equipment.

(o) Allocation of Expenses

The statement of activities presents expenses by functional classification. Depreciation, amortization, interest, and operation of plant expenses are allocated to functional expense categories on the basis of square feet utilized.

(p) Recently Issued Accounting Standards

Effective in 2015, the University retrospectively adopted the provisions of ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Accordingly, bonds, loans and notes payable originally stated at \$263,677 in the June 30, 2014 balance sheet have been restated to \$261,610 to reflect \$2,067 of unamortized issuance costs previously included in funds held in trust by others and other assets. The adoption of ASU 2015-03 did not affect the University's net assets, statement of activities, or cash flows for the fiscal years ended June 30, 2015 and 2014. Unamortized issuance costs are presented in note 8 to the financial statements.

Effective in 2015, the University retrospectively adopted the provisions of ASU No. 2015-07, *Fair Value Measurement: Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* (ASU 2015-07). Among other things, ASU 2015-07 removes the

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Notes to Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

requirement to classify within the fair value hierarchy table in Levels 2 or 3 investments in certain funds measured at net asset value (NAV) as a practical expedient to estimate fair value. The ASU also requires that any NAV-measured investments excluded from the fair value hierarchy table be summarized as an adjustment to the table so that total investments can be reconciled to the balance sheet. The adoption resulted only in changes to the University's investment disclosures. As a result of the adoption, the June 30, 2014 fair value hierarchy table was restated to reflect the removal of NAV-measured investments aggregating \$172,548 in Level 2 and \$570,980 in Level 3. In addition, the June 30, 2013 opening balance in the Level 3 roll forward has been restated to reflect the removal of NAV-measured investments aggregating \$552,812.

(q) Reclassifications

Certain 2014 information has been reclassified to conform to the 2015 presentation.

(3) Accounts Receivable

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

	<u>2015</u>	<u>2014</u>
Student receivables	\$ 1,046	2,141
Sponsored program receivables	8,770	11,045
Other	4,123	2,596
	<u>13,939</u>	<u>15,782</u>
Less allowance for doubtful accounts	<u>(887)</u>	<u>(938)</u>
Accounts receivable, net	<u>\$ 13,052</u>	<u>14,844</u>

(4) Notes Receivable

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

	<u>2015</u>	<u>2014</u>
Federal Perkins loan program	\$ 7,384	7,612
University student loan programs	10,583	10,384
	<u>17,967</u>	<u>17,996</u>
Less allowance for doubtful loans	<u>(3,396)</u>	<u>(3,235)</u>
Notes receivable, net	<u>\$ 14,571</u>	<u>14,761</u>

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

Notes receivable under the Federal Perkins Loan Program (the Program) are subject to significant restrictions. Such funds are reloaned by the University after collection, but in the event that the University no longer participates in the Program, the amounts are generally refundable to the U.S. government.

(5) Contributions Receivable

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

	<u>2015</u>	<u>2014</u>
Amounts due in:		
Less than one year	\$ 15,086	18,570
Between one and five years	22,903	19,812
More than five years	<u>184</u>	<u>611</u>
Gross contributions receivable	38,173	38,993
Less:		
Allowance for unfulfilled contributions	(6,054)	(5,715)
Discount, at rates from 0.72% to 6.0%	<u>(718)</u>	<u>(793)</u>
Contributions receivable, net	<u>\$ 31,401</u>	<u>32,485</u>

(6) Long-term Investments

The investment objective of the University is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The University diversifies its investments among asset classes by incorporating several strategies and managers. Major investment decisions are authorized by the University's Trustee Investment Committee that oversees the University's investments.

In addition to equity and fixed income investments, the University may also hold shares or units in institutional funds and alternative investment funds involving hedged and private equity strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds and securities sold short and often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Long-term investments also include assets associated with gift annuities and charitable remainder trusts.

Investments are reported at estimated fair value. If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as the reported fair

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Notes to Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

value. Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds are generally reported at net asset values (NAV) reported by fund managers, which are used as a practical expedient to estimate the fair value of the University's interests therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2015 and 2014, the University had no plans or intentions to sell investments at amounts different from NAV.

Registered mutual funds are classified in Level 1 of the fair value hierarchy. The University's fixed income strategy includes directly held U.S. corporate bonds, which although readily marketable are valued using matrix pricing and are classified in Level 1.

The University's long-term investments at June 30, 2015 are summarized in the following table by strategy and, as applicable their fair value hierarchy classification:

	Investments measured at NAV	Investments classified in fair value hierarchy			Total
		Level 1	Level 2	Level 3	
Endowment investments:					
Global equity	\$ 170,796	21	—	—	170,817
Non-U.S. equity	73,845	106	—	—	73,951
Private equity	75,692	—	—	—	75,692
Hedge fund/credit:					
Credit – private	12,514	—	—	—	12,514
Hedge funds – long/short	159,293	—	—	—	159,293
Hedge funds – multi strategy	214,244	—	—	—	214,244
Real assets	53,683	—	—	134	53,817
Cash and cash equivalents	—	2,311	—	—	2,311
Treasuries and fixed income	28,209	98,514	—	—	126,723
Receivable for investments sold	—	25,725	—	—	25,725
	<u>788,276</u>	<u>126,677</u>	<u>—</u>	<u>134</u>	<u>915,087</u>
Other investments:					
Equities	—	28	135	—	163
Cash and cash equivalents	—	50	—	—	50
Fixed income	—	—	156	—	156
Mutual funds	—	24,682	—	—	24,682
	<u>—</u>	<u>24,760</u>	<u>291</u>	<u>—</u>	<u>25,051</u>
Total long-term investments	\$ <u>788,276</u>	<u>151,437</u>	<u>291</u>	<u>134</u>	<u>940,138</u>

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

The University's long-term investments at June 30, 2014 are summarized in the following table by strategy and their fair value hierarchy classification:

	Investments measured at NAV	Investments classified in fair value hierarchy			Total
		Level 1	Level 2	Level 3	
Endowment investments:					
Global equity	\$ 139,142	21	—	—	139,163
Non-U.S.equity	100,051	102	—	—	100,153
Private equity	71,561	—	—	—	71,561
Hedge fund/credit:					
Credit – private	30,436	—	—	—	30,436
Hedge funds – long/short	119,188	—	—	—	119,188
Hedge funds – multi strategy	190,578	—	—	—	190,578
Real assets	64,684	1,582	15,316	1,102	82,684
Cash and cash equivalents	—	1,062	—	—	1,062
Treasuries and fixed income	27,768	43,721	—	—	71,489
Receivable for investments sold	—	54,838	—	—	54,838
Total endowment investments	<u>743,408</u>	<u>101,326</u>	<u>15,316</u>	<u>1,102</u>	<u>861,152</u>
Other investments:					
Equities	—	50	135	—	185
Hedge funds – multi strategy	120	—	—	—	120
Cash and cash equivalents	—	140	—	—	140
Fixed income	—	—	154	—	154
Mutual funds	—	25,971	—	—	25,971
Total other investments	<u>120</u>	<u>26,161</u>	<u>289</u>	<u>—</u>	<u>26,570</u>
Total long-term investments	<u>\$ 743,528</u>	<u>127,487</u>	<u>15,605</u>	<u>1,102</u>	<u>887,722</u>

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Notes to Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

The following tables present activity for the fiscal years ended June 30, 2015 and 2014 for long-term investments classified in Level 3 of the fair value hierarchy:

	Real assets	
	2015	2014
Beginning balance	\$ 1,102	34,090
Acquisitions	—	—
Dispositions	—	(21,620)
Transfers out	(968)	(16,897)
Realized gain	—	2,122
Unrealized gain	—	3,407
Ending balance	\$ 134	1,102

Transfers out of Level 3 for the year ended June 30, 2015 include \$968 of conversion of real estate assets to marketable securities. Transfers out of Level 3 for the year ended June 30, 2014 include \$15,314 of conversion of real estate assets to marketable securities. In addition, \$1,582 was transferred from Level 3 due to an option being exercised on a real estate asset. For the years ended June 30, 2015 and 2014, there were no transfers between Levels 1 and 2.

(a) Commitments

Private credit, private equity, and real asset investments are generally made through limited partnerships. Under the terms of these agreements, the University is obligated to remit additional funding periodically as capital are exercised by the manager. These partnerships have a limited existence, generally between ten and fifteen years, and provide for annual one year extensions for the purpose of disposing portfolio positions and returning capital to the investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend or reduce the term of a fund from that which was originally anticipated. As a result, the timing and amount of future capital calls expected to be exercised in any particular future year is uncertain. The aggregate amount of unfunded commitments associated with global equities, private credit, private equity, and real asset investments as of June 30, 2015 was \$7,147, \$11,111, \$94,955, and \$92,236, respectively.

(b) Liquidity

Hedge funds, global equity, and fixed income investments are redeemable at NAV under the terms of subscription agreements and/or partnership agreements. Investments with daily liquidity generally do not require any notice prior to withdrawal. Investments with monthly, quarterly or annual redemption frequency typically require notice periods ranging from 30 to 180 days. The following table presents

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

the University's long-term investments by their availability for the next twelve months following June 30, 2015 and June 30, 2014:

	June 30, 2015				
	Daily	Quarterly	Annual	Illiquid	Total
Cash equivalents	\$ 2,361	—	—		2,361
Receivable from investments sold	—	6,351	—	19,374	25,725
Fixed income	121,553	14,105		15,903	151,561
Equities	156	100,563	55,574	164,330	320,623
Hedge funds	—	72,698	183,916	129,437	386,051
Real assets	—	—	—	53,817	53,817
Total	\$ 124,070	193,717	239,490	382,861	940,138

	June 30, 2014					
	Daily	Monthly	Quarterly	Annual	Illiquid	Total
Cash equivalents	\$ 1,201	—	—	—	—	1,201
Receivable from investments sold	54,839	—	—	—	—	54,839
Fixed income	68,203	—	13,884	—	15,527	97,614
Equities	173	44,575	78,706	—	187,608	311,062
Hedge funds	—	—	46,823	146,670	146,829	340,322
Real assets	1,582	—	15,316	—	65,786	82,684
Total	\$ 125,998	44,575	154,729	146,670	415,750	887,722

Investments categorized as illiquid include lock ups with definite expiration dates, restricted shares, side pockets, or private equity and real asset funds where the University has no liquidity.

The University has certain investments with a fair value of \$260,059 at June 30, 2015 that have restricted redemptions for lock-up periods. Some of the investments with redemption restrictions allow

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Notes to Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

earlier redemption for specified fees. The expiration of redemption lock-up period amounts are summarized in the table below:

	<u>Amount</u>
Fiscal year:	
2016	\$ 105,078
2017	99,124
2018	29,708
2019	20,549
2020	2,800
Thereafter	<u>2,800</u>
Total	<u>\$ 260,059</u>

The following summarizes the investment return for all investments for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Investment income	\$ 7,492	5,137
Net realized gains	67,358	64,498
Net change in unrealized appreciation	<u>(18,686)</u>	<u>66,446</u>
	56,164	136,081
Less management fees	<u>(4,665)</u>	<u>(4,148)</u>
Total investment return	<u>\$ 51,499</u>	<u>131,933</u>

The following is a reconciliation of amounts presented in the statement of activities to total investment return for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Operating revenues – investment income	\$ 1,394	1,933
Operating revenues – endowment return utilized	42,482	40,022
Nonoperating revenues – investment return, net of endowment return utilized	<u>7,623</u>	<u>89,978</u>
Total investment return	<u>\$ 51,499</u>	<u>131,933</u>

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June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

(7) Property, Plant and Equipment

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

	<u>2015</u>	<u>2014</u>
Land and land improvements	\$ 44,099	44,032
Buildings	184,884	181,434
Building systems and improvements	355,202	336,457
Equipment, furnishings, and software	100,414	96,264
Construction in progress	8,713	10,246
	<u>693,312</u>	<u>668,433</u>
Less accumulated depreciation	<u>(348,955)</u>	<u>(326,644)</u>
Property, plant and equipment, net	<u>\$ 344,357</u>	<u>341,789</u>

Depreciation expense amounted to \$26,076 in 2015 and \$25,006 in 2014. Operation and maintenance expenses amounted to \$30,532 in 2015 and \$29,139 in 2014.

(8) Long-Term Debt

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

	<u>2015</u>	<u>2014</u>
Commonwealth of Massachusetts Development Finance Agency (MDFA) Revenue Bonds, Brandeis University Issue 2010 Series O-2, at interest rates from 3.0% to 5.0%, maturing in annual installments from October 1, 2012 through October 1, 2028	\$ 83,235	87,420
MDFA Revenue Bonds, Brandeis University Issue 2010 Series O-1, at interest rates from 3.0% to 5.0%, maturing in annual installments from October 1, 2013 through October 1, 2040	79,300	80,835
MDFA Revenue Bonds, Brandeis University Issue 2008 Series N, at interest rates from 3.25% to 5.0%, maturing in annual installments from October 1, 2012 through October 1, 2039	44,900	45,795
MDFA Revenue Bonds, Brandeis University Issue 2013 Series P-1, at interest rates of 3.48%, maturing in annual installments from October 1, 2017 through April 1, 2043	15,205	15,205

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Notes to Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

	<u>2015</u>	<u>2014</u>
M DFA Revenue Bonds, Brandeis University		
Issue 2013 Series P-2, at interest rates of 3.04%, maturing in annual installments from October 1, 2013 through July 1, 2033	\$ 21,180	21,190
M DFA Brandeis University Issue Master Lease, at an interest rate of 2.62%, principal and interest payable through May 10, 2018	4,391	5,820
Total	248,211	256,265
Unamortized premium, net	6,494	7,412
Unamortized issuance costs	(1,959)	(2,067)
Long-term debt, net	\$ <u>252,746</u>	<u>261,610</u>

The University's principal payment obligations as of June 30, 2015 are as follows:

Year ending June 30:	
2016	\$ 8,408
2017	9,532
2018	10,134
2019	9,118
2020	9,555
Thereafter	201,464
	\$ <u>248,211</u>

Interest expense, net of amounts capitalized, for the years ended June 30, 2015 and 2014 was \$10,534 and \$10,641, respectively. Interest costs incurred and capitalized during 2015 and 2014 were \$178 and \$483, respectively.

(9) Line of Credit

The University has a \$50,000 line of credit with JPMorgan Chase Bank, N.A. at an interest rate of LIBOR plus 55 basis points. As of June 30, 2015, the interest rate was 0.74%. There is an annual commitment fee of 0.1% based on the daily average unused portion of the loan commitment, which is paid quarterly. The maturity date of the credit agreement is March 30, 2016. As of June 30, 2015 and 2014, there were no outstanding borrowings against this line of credit.

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Notes to Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

(10) Net Assets

(a) Temporarily Restricted Net Assets

The composition of temporarily restricted net assets as of June 30 is as follows:

	<u>2015</u>	<u>2014</u>
Restricted contributions	\$ 30,700	27,516
Unspent net endowment return and term endowments	245,603	237,870
Student loan funds	421	456
Life income and annuity funds	6,387	6,830
Contributions receivable, net	15,343	20,656
Physical plant and other	133	3,481
Total temporarily restricted net assets	<u>\$ 298,587</u>	<u>296,809</u>

Restricted contributions include gifts received for scholarships, academic support and auxiliary programs. Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes including scholarships, instruction, research, and other operational purposes or by the occurrence of events specified by the donors or the passage of time and amounted to \$9,288 and \$11,956 for the years ended June 30, 2015 and 2014, respectively.

(b) Permanently Restricted Net Assets

The composition of permanently restricted net assets as of June 30 is as follows:

	<u>2015</u>	<u>2014</u>
Donor-restricted endowment funds	\$ 550,228	530,830
Student loan funds	2,924	2,929
Life income and annuity funds	3,884	4,315
Contributions receivable, net	16,058	11,829
Funds held in trust by others	10,062	10,176
Total permanently restricted net assets	<u>\$ 583,156</u>	<u>560,079</u>

(11) Endowments

The University's endowment is pooled for investment purposes and consists of approximately 1,900 individual funds established for a variety of purposes. The endowment consists of both donor-restricted funds managed in accordance with applicable law and donor intent, as well as funds designated by the University's Board to operate as endowment (quasi-endowment).

If an individual donor restricted endowment fund balance falls below its original fair value, that fund is considered to be "underwater." The aggregate fair value of underwater endowment funds was less than their original corpus by \$60 and \$96 as of June 30, 2015 and 2014, respectively.

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Notes to Financial Statements

June 30, 2015

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(In thousands of dollars)

The University follows the provisions of UPMIFA. State law allows the Board of Trustees to appropriate so much of the endowment fund as is prudent considering the University's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

Endowment return utilized in operations in 2015 and 2014 amounted to \$42,482 and \$40,022, respectively. The funds are utilized principally for student financial aid and support of faculty chairs.

The endowment investment objectives are to maximize risk-adjusted returns over a long-term horizon and to achieve its objectives by having a strategy of investing in multiple asset classes. In order to meet the primary investment goals for endowment funds, the average annual net total return over an extended period, after adjusting for inflation, is deemed sufficient to support the spending rate as determined by the University's Board of Trustees. To have a reasonable probability of achieving the Fund's primary investment goal at an acceptable risk level, the University's Trustees Investment Committee has adopted a long-term asset allocation policy.

The University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. Donor-restricted amounts reported below include term endowments and appreciation, net of underwater funds, which are reported as unrestricted net assets.

Endowment and quasi-endowment funds consist of the following at June 30, 2015 and 2014:

	2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$ (60)	237,408	550,228	787,576
Quasi (Board-designated)	119,316	8,195	—	127,511
Total	<u>\$ 119,256</u>	<u>245,603</u>	<u>550,228</u>	<u>915,087</u>

	2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$ (96)	229,675	530,830	760,409
Quasi (Board-designated)	92,548	8,195	—	100,743
Total	<u>\$ 92,452</u>	<u>237,870</u>	<u>530,830</u>	<u>861,152</u>

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Notes to Financial Statements

June 30, 2015

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(In thousands of dollars)

Changes in endowment and quasi-endowment funds for the year ended June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets at June 30, 2014	\$ 92,452	237,870	530,830	861,152
Net investment return	6,531	39,335	231	46,097
Contributions	16	—	18,871	18,887
Utilized in operations	(10,880)	(31,602)	—	(42,482)
Transfers	31,137	—	296	31,433
Net assets at June 30, 2015	\$ <u>119,256</u>	<u>245,603</u>	<u>550,228</u>	<u>915,087</u>

Changes in endowment and quasi-endowment funds for the year ended June 30, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets at June 30, 2013	\$ 86,006	162,139	518,060	766,205
Net investment return	18,983	106,139	—	125,122
Contributions	3	—	14,167	14,170
Utilized in operations	(11,184)	(28,838)	—	(40,022)
Transfers	(1,356)	(1,570)	(1,397)	(4,323)
Net assets at June 30, 2014	\$ <u>92,452</u>	<u>237,870</u>	<u>530,830</u>	<u>861,152</u>

(12) Retirement Plans

The University participates in defined contribution plans providing retirement benefits for substantially all full-time and regular part-time employees. Under the programs, the University makes monthly contributions, currently 6% – 10% of the annual eligible wages of participants, up to defined limits. Voluntary contributions by participants are made subject to statutory limits. The University’s contribution to the plans totaled \$9,358 in 2015 and \$9,220 in 2014.

(13) Related Party Transactions

A trustee whose term on the University’s Board ended in June 2014 is a managing member and general partner of one of the University’s investments in a limited partnership that had a fair value of \$21,960 as of June 30, 2014. The University Investment Committee approved and monitored this investment during the Trustee’s term. There were no new related party transactions in 2015.

(14) Contingencies

The University is involved in legal cases that have arisen in the normal course of its operations. The University believes that the outcome of these cases will not have a material adverse effect on the financial position of the University.

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Notes to Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

(15) Subsequent Events

The University evaluated subsequent events for potential recognition or disclosure through October 27, 2015, the date on which the financial statements were issued.

BRANDEIS UNIVERSITY
 Supplementary Schedule of Expenditures of Federal Awards
 Year ended June 30, 2015

Federal grantor/ pass-through grantor/program title	Pass-through Entity Award Number	CFDA number	Federal expenditures
Student Financial Assistance Cluster:			
U.S. Department of Education:			
Office of Student Financial Assistance Programs:			
Federal Pell Grant Program		84.063	\$ 3,251,544
Federal Supplemental Educational Opportunity Grants		84.007	652,123
Federal Work-Study Program		84.033	581,871
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)		84.379	5,570
Federal Perkins Loan Program (Note 2)		84.038	8,643,522
Federal Direct Student Loans (Note 3)		84.268	26,958,739
Total Student Financial Assistance Cluster			<u>40,093,369</u>
Research and Development Cluster:			
Direct Awards:			
Department of Health and Human Services (DHHS):			
National Institutes of Health (NIH):			
Aging Research		93.866	1,299,520
Alcohol Research Programs		93.273	569,805
Allergy, Immunology and Transplantation Research		93.855	1,276,062
Arthritis, Musculoskeletal and Skin Diseases Research		93.846	32,183
Biomedical Research and Research Training		93.859	10,282,380
Cancer Treatment Research		93.395	72,141
Child Health and Human Development Extramural Research		93.865	145,830
Discovery and Applied Research for Technical Innovations to Improve Human Health		93.286	250,082
Drug Abuse and Addiction Research Programs		93.279	2,847,467
Extramural Research Programs in the Neurosciences and Neurological Disorders		93.853	3,796,597
Heart and Vascular Diseases Research		93.837	149,126
Maternal and Child Health Federal Consolidated Programs		93.110	115,000
Mental Health National Research Service Awards for Research Training		93.282	355,920
Mental Health Research Grants		93.242	2,990,115
Research and Training in Complementary and Alternative Medicine		93.213	328,670
Research Related to Deafness and Communication Disorders		93.173	925,810
Trans-NIH Research Support		93.310	40,781
Vision Research		93.867	1,605,833
Total NIH Direct Awards			<u>27,083,322</u>
Administration for Children and Families:			
Child Care and Development Block Grant		93.575	285,218
Social Services Research and Demonstration		93.647	251,084
Agency for Healthcare Research and Quality:			
National Research Service Awards Health Services Research Training		93.226	366,963
Research on Healthcare Costs, Quality and Outcomes		93.225	201,348
Total DHHS Direct Awards			<u>28,187,935</u>
Department of Defense:			
Department of the Air Force, Materiel Command:			
Air Force Defense Research Sciences Program		12.800	293,574
Mathematical Sciences Grants Program:			
Basic Scientific Research		12.901	5,719
Office of the Secretary of Defense:			
Basic, Applied, and Advanced Research in Science and Engineering		12.630	6,530
U.S. Army Materiel Command:			
Basic Scientific Research		12.431	60,739
Department of Energy:			
Office of Science Financial Assistance Program		81.049	1,457,937
Environmental Protection Agency:			
Science To Achieve Results (STAR) Research Program		66.509	(1)
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies		66.716	27,379
National Endowment for the Humanities:			
Promotion of the Humanities_Digital Humanities Initiative		45.169	46,765
National Science Foundation:			
Biological Sciences		47.074	703,427
Computer and Information Science and Engineering		47.070	308,791
Education and Human Resources		47.076	46,667
Engineering Grants		47.041	207,236
Mathematical and Physical Sciences		47.049	3,201,113
Office of Cyberinfrastructure		47.080	507,898
Social, Behavioral, and Economic Sciences		47.075	312,357
Dept. of Housing & Urban Development:			
Doctoral Dissertation Research Grants		14.516	(25,000)
Total Research and Development Cluster Direct Awards			<u>35,349,066</u>
Research and Development Cluster:			
Pass-through Awards:			
Department of Health and Human Services (DHHS):			
National Institutes of Health (NIH):			
Aging Research:			
University of Pennsylvania	2910366	93.866	111,604
University of Wisconsin-Madison	398K580	93.866	129,491
Allergy, Immunology and Transplantation Research:			
Children's Hospital	0000479721	93.855	118,437
University of Houston	R-15-0004	93.855	85,054
Biomedical Research and Research Training:			
Boston University	9500301540	93.859	24,213
Harvard Medical School	152463.5064757.1304	93.859	231,585
Harvard Medical School	152463.5064757.1306	93.859	414,065
University of Massachusetts	WA00228621RFS2015072	93.859	14,589
University of Vermont	26835SUB51330	93.859	34,922
Child Health and Human Development Extramural Research:			
University of Massachusetts Medical School		93.865	36,262
Drug Abuse and Addiction Research Programs:			
Mississippi State University	190300.362838.02	93.279	185
Mississippi State University	190300.362838.04	93.279	46,814
Drug Free Communities Support Program Grants:			
The Waltham Partnership for Youth	2R01DAO12256-07A2	93.276	5,437
Extramural Research Programs in the Neurosciences and Neurological Disorders:			
Trustees of Columbia University New York	GG006553	93.853	20,667
University Of California, Irvine	2014-3141- NS090583	93.853	70,032
University of Massachusetts	WA00188809RFS2014138	93.853	88,533
University of Massachusetts – Worcester	WA00233529RFS2015079	93.853	35,820

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 Supplementary Schedule of Expenditures of Federal Awards
 Year ended June 30, 2015

Federal grantor/ pass-through grantor/program title	Pass-through Entity Award Number	CFDA number	Federal expenditures
Heart and Vascular Diseases Research: University of Florida	UF Jax 10952	93.837	\$ (1)
Human Genome Research: Mass General Hosp/Partners	219514	93.172	(2,849)
Mental Health Research Grants: Brown University	P276269	93.242	28,497
Children's Hospital		93.242	29,094
National Center for Advancing Translational Sciences: Tufts University	UL1TR001064	93.350	80,569
Administration for Children and Families: Promoting Safe and Stable Families: Commonwealth of Massachusetts	HHS-ACF-ACCYF-CU2002	93.556	107,821
Affordable Care Act (ACA) Personal Responsibility Education Program: Oasis Center Inc		93.092	91,308
Agency for Healthcare Research and Quality: Research on Healthcare Costs, Quality and Outcomes: Ascension Health	702653	93.226	18,868
Health Resources and Services Administration: Nurse Education, Practice and Retention Grants: University of N. Carolina-Chapel Hill	5-38951	93.359	18,643
University of Washington	761929	93.359	36,311
Office of the Secretary: Public Awareness Campaigns on Embryo Adoption: Boston IVF	EAAPA111016-01-02	93.007	5,617
Substance Abuse and Mental Health Services Administration: Substance Abuse and Mental Health Services_Projects of Regional and National Significance: Advocates, Inc.	H79T1024162	93.243	47,102
Commonwealth of Massachusetts	INTF2400H78500224232	93.243	51,639
Commonwealth of Massachusetts	INTF2400HH2W30615190	93.243	121,906
Roca, Inc.	SP015130	93.243	24,867
Wayside Youth & Family Support Network		93.243	20,955
Wayside Youth & Family Support Network		93.243	8,736
Substance Abuse and Mental Health Services-Access to Recovery: Commonwealth of Massachusetts	INTF2400HH2W02214118	93.275	49,185
Total Research and Development Cluster Pass-through Awards from DHHS			<u>2,205,978</u>
Corporation for National and Community Service: AmeriCorps: YouthBuild USA		94.006	47,862
Department of Defense: Advanced Research Projects Agency: Research and Technology Development: IBM	4913014943	12.910	152,215
Smart Information Flow Technologies	R3E-BU-01	12.910	101,219
University of Pennsylvania	560460/2929271	12.910	361,907
Department of the Navy, Office of the Chief of Naval Research: Basic and Applied Scientific Research: Smart Information Flow Technologies	C3-Brandeis-01	12.300	191,581
Department of Energy: Office of Science Financial Assistance Program: Brookhaven National Labs	259979	81.049	200,286
Office of Science Financial Assistance Program: Brookhaven National Labs	292884	81.049	40,654
Department of Education: National Institute on Disability and Rehabilitation Research: University of Illinois at Chicago		84.133	40,695
National Aeronautics and Space Administration: Science Smithsonian Astrophysical Observatory	GO4-15040B	43.001	4,788
National Science Foundation: Engineering Grants: Iowa State University	420-72-24	47.041	4,385
Mathematical and Physical Sciences: Trustees of Columbia University New York	3 (GG006141)	47.049	341,881
Social, Behavioral, and Economic Sciences: Boston University	4500000382	47.075	183,139
Social, Behavioral, and Economic Sciences: Vassar College	BCS-0753069	47.075	(6,221)
Total Research and Development Cluster Pass-through Awards			<u>3,870,369</u>
Total Research and Development Cluster			<u>39,219,435</u>
Other Sponsored Programs: Direct Awards: Department of Education: Graduate Assistance in Areas of National Need		84.200	235,654
TRIO_Student Support Services		84.042	284,013
Department of Justice: Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program		16.580	(6,661)
Harold Rogers Prescription Drug Monitoring Program		16.754	1,581,522
National Institute of Justice Research, Evaluation, and Development Project Grants		16.560	182,584
National Science Foundation: Mathematical and Physical Sciences		47.049	109,537
Social, Behavioral, and Economic Sciences		47.075	14,933
Office of Personnel Management: Intergovernmental Personnel Act (IPA) Mobility Program: Centers for Disease Control & Prevention		27.011	187,035
USAID Bureau of Global Health		27.011	267,800
Total Other Sponsored Programs Direct Awards			<u>2,856,417</u>

BRANDEIS UNIVERSITY
 Supplementary Schedule of Expenditures of Federal Awards
 Year ended June 30, 2015

Federal grantor/ pass-through grantor/program title	Award Number	CFDA number	Federal expenditures
Other Sponsored Programs:			
Pass-through Awards:			
Department of Health and Human Services			
Centers for Disease Control and Prevention:			
Centers for Disease Control and Prevention, Investigations and Technical Assistance	16013-6-55	93.283	\$ 5
Association of State and Territorial Health Officials			
Centers for Medicare and Medicaid Services	1H79T1024162-01	93.610	358,024
Massachusetts Behavioral Health Partners	1C1CMS331336-01-00	93.610	64,658
Health Care Innovation Awards (HCIA)			
Total Other Sponsored Programs Pass-through Awards from DHHS			<u>422,687</u>
Corporation for National and Community Service:			
Social Innovation Fund:			
Green Light Fund		94.019	182,973
YouthBuild USA		94.019	153,173
Department of Commerce:			
NOAA Mission-Related Education Awards			
Earth Force, Inc.	NA12SEC08007	11.008	13,089
Department of Justice:			
Harold Rogers Prescription Drug Monitoring Program:			
Commonwealth of Massachusetts	INTF7311HH4300522020	16.754	42,932
Second Chance Act Prisoner Reentry Initiative:			
Worcester County Sheriff's Office	WCISO-2015-002	16.812	26,488
Total Other Sponsored Programs Pass-through Awards			<u>841,342</u>
Total Other Sponsored Programs			<u>3,697,759</u>
Total Expenditures of Federal Awards			<u>\$ 83,010,563</u>

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

BRANDEIS UNIVERSITY

Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

(1) Basis of Presentation

The accompanying supplementary schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Brandeis University (the University) and is presented on the accrual basis of accounting.

The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amount presented in, or used in the preparation of, the financial statements.

(2) Federal Perkins Loan Program (CFDA 84.038)

The University administers the Federal Perkins Loan Program. The outstanding balance as of June 30, 2015 was \$7,383,989. Expenditures under the Federal Perkins Loan Program for the year ended June 30, 2015 included \$888,443 of loans to students and \$143,257 of administrative expenses.

(3) Federal Direct Student Loans (CFDA 84.268)

The University made \$26,958,739 of loans under the Federal Direct Student Loan program, which includes Direct Subsidized and Unsubsidized Loans, and Direct Parent Loans for Undergraduate Students. It is not practical to determine the balance of loans outstanding to students of the University under this program as of June 30, 2015. The University is responsible only for the performance of certain administrative duties and, accordingly, these loans are not included in the University's financial statements.

(4) Subrecipients

Of the federal expenditures presented in the schedule, the University provided federal awards to subrecipients as follows:

<u>CFDA No.</u>	<u>Program name</u>	<u>Amount provided to subrecipients</u>
Various	Research and Development Cluster	\$ 3,563,857
16.754	Harold Rogers Prescription Drug Monitoring Program	186,582



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

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

The Board of Trustees
Brandeis University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Brandeis University (the University), which comprise the balance sheet as of June 30, 2015, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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



Purpose of this Report

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

KPMG LLP

October 27, 2015



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

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Board of Trustees
Brandeis University:

Report on Compliance for Major Federal Program

We have audited Brandeis University's (the University's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the University's major federal program for the year ended June 30, 2015. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the University's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

Opinion on Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002. Our opinion on the University's major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on the University's major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002, that we consider to be significant deficiencies.

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



Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

February 19, 2016

BRANDEIS UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to the financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no

Identification of Major Programs

Name of federal program or cluster	CFDA numbers
Student Financial Assistance Cluster	Various

Dollar threshold used to distinguish between type A and type B programs: \$2,490,317

Auditee qualified as low-risk auditee? yes no

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

None.

BRANDEIS UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

(3) Findings and Questioned Costs Relating to Federal Awards

Reference Number 2015-001: Special Tests and Provisions – Enrollment Reporting
Federal Agency: Department of Education
Program: Student Financial Assistance Cluster: Federal Direct Student Loans
CFDA Number: 84.268
Award Year: July 1, 2014 through June 30, 2015

Criteria

According to 34 CFR Section 685.309, institutions must complete and return within 30 days the Enrollment Reporting File (formerly the Student Status Confirmation Report) once placed in their Student Aid Internet Gateway (SSAIG) mailboxes sent by the Department of Education (ED) via the National Student Loan Data System (NSLDS). The institution must update for changes in student status, reporting the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS web site. Unless the institution expects to complete its next roster within 60 days, the institution must notify the lender or the guaranty agency within 30 days if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half time basis.

Condition

We noted reporting of enrollment changes for three out of 40 students selected for testing was not received by the NSLDS timely. Reporting for these students was two, 40 and 88 days late, respectively.

Cause and Effect

The timing of NSLDS’s receipt of the changes in these students’ status was influenced by the timing of the National Clearinghouse’s reporting. The potential effect of late reporting is that the NSLDS doesn’t receive enrollment status changes timely, which is needed to ensure that repayment status is triggered timely.

Questioned Costs

None.

Recommendation

We recommend the University review its policies and procedures, including coordination with the Clearinghouse, to ensure all students with status changes are submitted to the NSLDS within the required timeframe.

Views of Management

The University concurs and continues to monitor our policies and procedures to ensure that all student status changes are reported timely to NSLDS. The issue experienced within the audited year was caused by a delayed submission of data by the University’s vendor, Clearinghouse, to NSLDS. The University fully acknowledges responsibility of the service that our vendor provides and has coordinated with Clearinghouse on steps to prevent the issue to occur in the future.

BRANDEIS UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Reference Number 2015-002: Special Tests and Provisions – Disbursement Notification
Federal Agency: Department of Education
Program: Student Financial Assistance Cluster: Federal Direct Student Loans, Federal Perkins Loan Program
CFDA Number: 84.268, 84.038
Award Year: July 1, 2014 through June 30, 2015

Criteria

34 CFR Section 688.165 Parts (2), (3) and (6) discuss disbursement notification requirements. Paragraph (2) states that if an institution credits a student’s account at the institution with Direct Loan, Federal Perkins Loan, or TEACH Grant Program funds, the institution must notify the student or parent of:

- (i) The anticipated date and amount of the disbursement;
- (ii) The student’s right or parent’s right to cancel all or a portion of that loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement and have the loan proceeds returned to the holder of that loan, the TEACH Grant proceeds returned to the Secretary; and
- (iii) The procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement.

Paragraph (3)(ii) requires that the institution must provide the notice described in paragraph (a)(2) of this section in writing, no earlier than 30 days before, and no later than seven days after, crediting the student account at the institution does not obtain affirmative confirmation from the student under paragraph (a)(6)(i) of this section.

Paragraph (6) notes that for purposes of this section, affirmative confirmation is a process under which an institution obtains written confirmation of the types and amounts of Title IV loans that a student wants for an award year before the institution credits the student’s account with those loan funds.

Condition

KPMG selected 40 students with disbursements during the fiscal year for testing. Of these, we noted that notifications for two students were sent after the seven-day deadline. These notifications were one day and four days late, respectively.

Cause and Effect

These two late disbursements appear to have been caused by administrative error. The effect is that students receive notification later than the requirement and thus potentially have less time to cancel their loans, if desired.

Questioned Costs

None.

BRANDEIS UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Views of Management

The University concurs and has already made modifications to the FY16 disbursement notification process by sending notices at least twice a week. In addition, a custom report will be built within PowerFAIDS, our financial aid software, to find disbursed loans that did not receive a notice. This report will be generated every time the disbursement notification process runs to find any students that were not picked up by the process in PowerFAIDS.