



**Finance & Investment Committee
Board of Trustees**

Office of Finance

FY 2006 Financial Statements

The Finance & Investment Committee of the Stevens Institute of Technology Board of Trustees and the Stevens Office of Finance are pleased to present the Stevens Consolidated Financial Statements for the year ended June 30, 2006 with summarized comparative information for 2005. We also would like to provide certain highlights from this fiscal year along with comments on the budget process which has undergone a substantial change this year as part of our multi-year enhancement in the financial management of the Institute.

The financial position of Stevens was enhanced in Fiscal 2006 in spite of an operating deficit. Net assets increased by \$4.5 million before the effect of a change in an accounting principle mandated for colleges and universities by the Financial Accounting Standards Board in 2005 for effect beginning in FY 2006 (Note 7). Investment return, net of distribution to operations, totaled \$13.3 million, up from \$9.4 million in the prior year (Note 3). The policy to reduce the spending rate for operations by 0.10% annually continued with the rate dropped to 5.3% from 5.4%.

Long term debt was reduced by \$2.1 million and short term borrowings at the year end were reduced by \$1.1 million with less usage of bank lines during the year due to improved cash management processes (Note 10). Interest expense including capitalized interest was down from the prior year.

The operating deficit before depreciation expense was \$4.6 million as gross tuition and fees grew at a slower pace than Stevens-provided financial aid. The increase in financial aid was within budget, but there were no major unrestricted bequests received during the year to offset this increase in financial aid.

A timing difference on a few specific large research grants that were awarded late in the fiscal year, had expenditures occur in FY 2006 that will match to revenue to be recognized in FY 2007. The change in accounting principle noted earlier had a charge recognized in FY 2006. All other major expense categories were controlled within the limits of revenue growth.

Stevens implemented a mid-year budget review and reaction as a part of the improved financial controls and processes than were initiated two years ago. At the January 2007 review of budget vs. actual reports, a significant amount of expense reduction was effected which, in turn, will serve as the reduced base for the budget for FY 2008.

While the principal reason for the reinstatement of the Office of the Provost was to improve the management and planning of the academic operations of Stevens, the Provost also is the chairperson of the Institute Budget Committee with the Chief Financial Officer serving as the vice chairperson. This structure has greatly enhanced the budget process by including the academic departments of the Institute at an earlier stage in the development of the budget, thereby providing greater transparency and effectiveness to the effort. The current timetable will have the FY 2008 budget prepared for review and action at the May 2007 meeting of the Board of Trustees, including for the first time at Stevens, a multi-year capital expenditure budget.

It is the policy of the Board to continue to effect policies of financial management and control to support the growth and operations of Stevens. This requires a careful balance between prudent expenditures of financial resources and the near and long term growth requirements of the Institute. It is our expressed intention to eliminate the operating deficit before depreciation in the FY 2008 budget and work toward a near term goal of operating at a net surplus after depreciation expense.

March 13, 2007