STEVENS INSTITUTE OF TECHNOLOGY
Consolidated Financial Statements and Supplementary Schedules of Federal and State of New Jersey Awards
June 30, 2017
(With Independent Auditors’ Report Thereon)
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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, 2017, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 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, 2017, 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 the Stevens Institute of Technology and Subsidiary’s 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 2, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2017 on our consideration of the University’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the University’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University’s internal control over financial reporting and compliance.

KPMG LLP

December 8, 2017
STEVENS INSTITUTE OF TECHNOLOGY

Consolidated Statement of Financial Position

June 30, 2017
(with comparative financial information as of June 30, 2016)
(Dollars in thousands)

<table>
<thead>
<tr>
<th>Assets</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$45,673</td>
<td>27,975</td>
</tr>
<tr>
<td>Student, sponsor and other receivables, net (note 3)</td>
<td>19,969</td>
<td>22,906</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>2,361</td>
<td>1,837</td>
</tr>
<tr>
<td>Contributions receivable, net (notes 4 and 15)</td>
<td>29,163</td>
<td>20,230</td>
</tr>
<tr>
<td>Deposits with bond trustee (note 8)</td>
<td>80,797</td>
<td>6,789</td>
</tr>
<tr>
<td>Investments (note 5)</td>
<td>175,006</td>
<td>159,488</td>
</tr>
<tr>
<td>Trusts held by others (note 5)</td>
<td>4,361</td>
<td>3,650</td>
</tr>
<tr>
<td>Land, buildings and equipment, net (note 7)</td>
<td>168,833</td>
<td>150,854</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$526,163</strong></td>
<td><strong>393,729</strong></td>
</tr>
</tbody>
</table>

**Liabilities and Net Assets**

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$22,924</td>
<td>20,514</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>18,579</td>
<td>10,988</td>
</tr>
<tr>
<td>Line of credit (note 8)</td>
<td>—</td>
<td>2,100</td>
</tr>
<tr>
<td>Capital lease obligations (note 14)</td>
<td>4,059</td>
<td>5,526</td>
</tr>
<tr>
<td>Annuities payable</td>
<td>2,035</td>
<td>2,261</td>
</tr>
<tr>
<td>Post-retirement benefits (note 9)</td>
<td>6,008</td>
<td>6,176</td>
</tr>
<tr>
<td>Conditional asset retirement obligations (note 10)</td>
<td>6,149</td>
<td>6,263</td>
</tr>
<tr>
<td>Long-term debt, net (note 8)</td>
<td>141,406</td>
<td>65,996</td>
</tr>
<tr>
<td>Refundable advances (note 3)</td>
<td>5,836</td>
<td>5,358</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>206,996</strong></td>
<td><strong>125,182</strong></td>
</tr>
</tbody>
</table>

Net assets (notes 6 and 12):

| Unrestricted                              | 95,343   | 63,798   |
| Temporarily restricted                    | 125,632  | 114,191  |
| Permanently restricted                    | 98,192   | 90,558   |
| **Total net assets**                      | **319,167** | **268,547** |

**Total liabilities and net assets**

$526,163 | 393,729

See accompanying notes to consolidated financial statements.
## STEVENS INSTITUTE OF TECHNOLOGY  
### Consolidated Statement of Activities  
#### Year ended June 30, 2017  
(with summarized financial information for the year ended June 30, 2016)  
(Dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total 2017</th>
<th>Total 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenues and other support:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>$240,341</td>
<td>—</td>
<td>—</td>
<td>240,341</td>
<td>218,100</td>
</tr>
<tr>
<td>Less student aid</td>
<td>(72,219)</td>
<td>—</td>
<td>—</td>
<td>(72,219)</td>
<td>(67,675)</td>
</tr>
<tr>
<td><strong>Net tuition and fees</strong></td>
<td>$168,122</td>
<td>—</td>
<td>—</td>
<td>168,122</td>
<td>150,425</td>
</tr>
<tr>
<td><strong>Sponsored activity revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>26,928</td>
<td>—</td>
<td>—</td>
<td>26,928</td>
<td>28,715</td>
</tr>
<tr>
<td>State</td>
<td>1,326</td>
<td>—</td>
<td>—</td>
<td>1,326</td>
<td>998</td>
</tr>
<tr>
<td>Private/other</td>
<td>2,575</td>
<td>—</td>
<td>—</td>
<td>2,575</td>
<td>2,397</td>
</tr>
<tr>
<td><strong>Total sponsored activity revenues</strong></td>
<td>$30,829</td>
<td>—</td>
<td>—</td>
<td>30,829</td>
<td>32,110</td>
</tr>
<tr>
<td>Grants</td>
<td>833</td>
<td>—</td>
<td>—</td>
<td>833</td>
<td>852</td>
</tr>
<tr>
<td>Contributions</td>
<td>691</td>
<td>7,663</td>
<td>—</td>
<td>8,354</td>
<td>4,910</td>
</tr>
<tr>
<td>Other revenues</td>
<td>3,955</td>
<td>—</td>
<td>—</td>
<td>3,955</td>
<td>3,986</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>29,211</td>
<td>—</td>
<td>—</td>
<td>29,211</td>
<td>28,926</td>
</tr>
<tr>
<td>Investment return in support of operations (notes 5 and 6)</td>
<td>768</td>
<td>5,779</td>
<td>—</td>
<td>6,547</td>
<td>6,370</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td>$8,090</td>
<td>—</td>
<td>—</td>
<td>(8,090)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total operating revenues and other support</strong></td>
<td>$242,499</td>
<td>5,352</td>
<td>—</td>
<td>$247,851</td>
<td>$227,579</td>
</tr>
<tr>
<td><strong>Expenses (note 13):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>132,817</td>
<td>—</td>
<td>—</td>
<td>132,817</td>
<td>131,468</td>
</tr>
<tr>
<td>Purchased services</td>
<td>18,474</td>
<td>—</td>
<td>—</td>
<td>18,474</td>
<td>17,881</td>
</tr>
<tr>
<td>Sub-contracts</td>
<td>4,437</td>
<td>—</td>
<td>—</td>
<td>4,437</td>
<td>6,260</td>
</tr>
<tr>
<td>Maintenance, rents and utilities</td>
<td>21,834</td>
<td>—</td>
<td>—</td>
<td>21,834</td>
<td>21,673</td>
</tr>
<tr>
<td>Supplies and other</td>
<td>26,320</td>
<td>—</td>
<td>—</td>
<td>26,320</td>
<td>22,222</td>
</tr>
<tr>
<td>Interest expense (note 6)</td>
<td>3,344</td>
<td>—</td>
<td>—</td>
<td>3,344</td>
<td>3,765</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>12,067</td>
<td>—</td>
<td>—</td>
<td>12,067</td>
<td>10,798</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>$219,293</td>
<td>—</td>
<td>—</td>
<td>$219,293</td>
<td>$214,067</td>
</tr>
<tr>
<td><strong>Operating surplus</strong></td>
<td>$23,206</td>
<td>5,352</td>
<td>—</td>
<td>$28,558</td>
<td>$13,512</td>
</tr>
<tr>
<td><strong>Nonoperating activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment return (loss), net of amounts in support of operations (note 5)</td>
<td>674</td>
<td>8,252</td>
<td>—</td>
<td>8,926</td>
<td>(9,903)</td>
</tr>
<tr>
<td>Contributions</td>
<td>—</td>
<td>9,986</td>
<td>2,178</td>
<td>12,164</td>
<td>2,324</td>
</tr>
<tr>
<td>Grants</td>
<td>1,705</td>
<td>—</td>
<td>—</td>
<td>1,705</td>
<td>725</td>
</tr>
<tr>
<td>Post-retirement benefit changes other than net periodic costs (note 9)</td>
<td>309</td>
<td>—</td>
<td>—</td>
<td>309</td>
<td>(997)</td>
</tr>
<tr>
<td>Change in value of split-interest agreements</td>
<td>—</td>
<td>332</td>
<td>86</td>
<td>418</td>
<td>(712)</td>
</tr>
<tr>
<td>Loss on bond defeasance (1,162)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(1,162)</td>
<td>—</td>
</tr>
<tr>
<td>Uncollectible contributions</td>
<td>—</td>
<td>(244)</td>
<td>(54)</td>
<td>(298)</td>
<td>(111)</td>
</tr>
<tr>
<td>Loss on disposal of property</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(14)</td>
</tr>
<tr>
<td>Donor redesignations</td>
<td>(49)</td>
<td>(5,375)</td>
<td>5,424</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>6,862</td>
<td>(6,862)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total nonoperating activities</strong></td>
<td>$8,339</td>
<td>6,089</td>
<td>7,634</td>
<td>22,062</td>
<td>(8,688)</td>
</tr>
<tr>
<td><strong>Changes in net assets</strong></td>
<td>$31,545</td>
<td>11,441</td>
<td>7,634</td>
<td>50,620</td>
<td>4,824</td>
</tr>
<tr>
<td><strong>Net assets, beginning of year</strong></td>
<td>63,798</td>
<td>114,191</td>
<td>90,558</td>
<td>268,547</td>
<td>263,723</td>
</tr>
<tr>
<td><strong>Net assets, end of year</strong></td>
<td>$95,343</td>
<td>125,632</td>
<td>98,192</td>
<td>319,167</td>
<td>268,547</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
### Consolidated Statement of Cash Flows

Year ended June 30, 2017  
(with comparative financial information for the year ended June 30, 2016)  
(Dollars in thousands)

#### Cash flows from operating activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$50,620</td>
<td>4,824</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accretion of bond premium</td>
<td>(129)</td>
<td>(9)</td>
</tr>
<tr>
<td>Accretion of interest on conditional asset retirement obligations</td>
<td>293</td>
<td>231</td>
</tr>
<tr>
<td>Amortization of bond issuance costs</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>12,265</td>
<td>10,567</td>
</tr>
<tr>
<td>Loss of disposal of property</td>
<td>—</td>
<td>14</td>
</tr>
<tr>
<td>Loss of bond defeasance</td>
<td>1,162</td>
<td>—</td>
</tr>
<tr>
<td>Net (gains) losses on investments</td>
<td>(12,071)</td>
<td>6,135</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td>Post-retirement benefit changes other than net periodic benefit costs</td>
<td>(309)</td>
<td>997</td>
</tr>
<tr>
<td>Present value adjustment on annuities payable</td>
<td>(418)</td>
<td>712</td>
</tr>
<tr>
<td>Present value adjustment on contribution receivable</td>
<td>(45)</td>
<td>(260)</td>
</tr>
<tr>
<td>Change in allowance for doubtful accounts – contributions receivable</td>
<td>(168)</td>
<td>77</td>
</tr>
<tr>
<td>Change in allowance for doubtful accounts – student, sponsor and other receivables</td>
<td>506</td>
<td>(1,433)</td>
</tr>
<tr>
<td>Contributions and grants restricted for capital and endowment</td>
<td>(13,263)</td>
<td>(3,049)</td>
</tr>
<tr>
<td>Decrease (increase) in operating assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student, sponsor and other receivables</td>
<td>2,196</td>
<td>4,275</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>(1,606)</td>
<td>381</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(524)</td>
<td>72</td>
</tr>
<tr>
<td>Trusts held by others</td>
<td>(505)</td>
<td>175</td>
</tr>
<tr>
<td>Increase (decrease) in operating liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(431)</td>
<td>2,375</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>7,591</td>
<td>(964)</td>
</tr>
<tr>
<td>Annuities payable</td>
<td>398</td>
<td>174</td>
</tr>
<tr>
<td>Accrued post-retirement benefits</td>
<td>141</td>
<td>117</td>
</tr>
<tr>
<td>Conditional asset retirement obligations</td>
<td>(407)</td>
<td>—</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>45,348</td>
<td>25,464</td>
</tr>
</tbody>
</table>

#### Cash flows from investing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sales of investments</td>
<td>107,267</td>
<td>130,736</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(110,920)</td>
<td>(132,169)</td>
</tr>
<tr>
<td>Purchases of land, buildings and equipment</td>
<td>(27,403)</td>
<td>(15,620)</td>
</tr>
<tr>
<td>Decrease in accounts payable and accrued expenses for property, plant and equipment</td>
<td>—</td>
<td>(113)</td>
</tr>
<tr>
<td>Withdrawals from deposits with bond trustee</td>
<td>115,862</td>
<td>40,336</td>
</tr>
<tr>
<td>Additions to deposits with bond trustees</td>
<td>(189,870)</td>
<td>(39,365)</td>
</tr>
<tr>
<td>Loans issued to students</td>
<td>(1,278)</td>
<td>(773)</td>
</tr>
<tr>
<td>Collection of student loans</td>
<td>1,514</td>
<td>1,161</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(104,828)</td>
<td>(15,807)</td>
</tr>
</tbody>
</table>

#### Cash flows from financing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts of contributions and grants restricted for capital and endowment</td>
<td>6,149</td>
<td>4,427</td>
</tr>
<tr>
<td>Proceeds from borrowing on line of credit</td>
<td>(2,100)</td>
<td>—</td>
</tr>
<tr>
<td>Payment of line of credit</td>
<td>—</td>
<td>(2,100)</td>
</tr>
<tr>
<td>Change in annuity obligations</td>
<td>(206)</td>
<td>(256)</td>
</tr>
<tr>
<td>Refundable advances for student loans</td>
<td>478</td>
<td>148</td>
</tr>
<tr>
<td>Repayments of capital lease obligations</td>
<td>(1,467)</td>
<td>(1,006)</td>
</tr>
<tr>
<td>Proceeds from issuance of long-term debt</td>
<td>141,708</td>
<td>—</td>
</tr>
<tr>
<td>Refunding of long-term debt</td>
<td>(66,258)</td>
<td>—</td>
</tr>
<tr>
<td>Payment of bond issuance costs</td>
<td>(897)</td>
<td>(3,363)</td>
</tr>
<tr>
<td>Repayments of long-term debt</td>
<td>(229)</td>
<td>(3,363)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>77,178</td>
<td>20,050</td>
</tr>
</tbody>
</table>

#### Net increase in cash:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase in cash</td>
<td>17,698</td>
<td>11,707</td>
</tr>
</tbody>
</table>

#### Cash and cash equivalents, beginning of year:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>27,975</td>
<td>16,268</td>
</tr>
</tbody>
</table>

#### Supplemental disclosures of cash flow information:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid during the year for interest</td>
<td>$2,786</td>
<td>3,501</td>
</tr>
<tr>
<td>Land, buildings and equipment acquired through capital lease obligations</td>
<td>—</td>
<td>6,532</td>
</tr>
<tr>
<td>Increase in amounts accrued for purchase of land, buildings and equipment</td>
<td>2,841</td>
<td>—</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
(1) Organization

Stevens Institute of Technology and Subsidiary (collectively, the University), founded in 1870 and located in Hoboken, New Jersey, educates and inspires students to acquire knowledge needed to lead in the creation, application and management of technology and to excel in solving problems in any profession. The University serves approximately 6,800 students and is accredited by the Middle States Association of Colleges and Schools, the Accreditation Board of Engineering Technology (ABET), and the Association to Advance Collegiate Schools of Business (AACSB).

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

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

(2) Summary of Significant Accounting Policies

(a) Consolidation

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

(b) Basis of Presentation

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

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

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

Unrestricted: net assets that are not subject to donor-imposed restrictions, and therefore are expendable for operating purposes. Unrestricted net assets may be designated for specific purposes by the University’s Board of Trustees.
Revenues are reported as increases in unrestricted net assets unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Appreciation or depreciation in the fair value of investments and gains and losses on other assets or liabilities are reported as increases or decreases in unrestricted net assets unless otherwise restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unconditional promises to give are recorded at their net realizable value if they are expected to be collected within one year or at the present value of future cash flows if they are expected to be collected over periods longer than one year. The University has been notified of certain intentions to give under various wills and trusts, the realizable amounts of which are not presently determinable. The University’s share of such bequests is recorded when the University has an irrevocable right to the bequest and the proceeds are measurable. At June 30, 2017 and 2016, conditional contributions, including advised bequests, totaled $25,475 and $25,474, respectively. Contributions of assets other than cash are recorded at their estimated fair value at date of donation. Contributions to be received after one year are discounted using a risk-adjusted rate of return. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided based upon management’s judgment of prior collection history, type of contribution and nature of fundraising activity. Unrestricted net assets resulting from certain large contributions may be designated by the University’s Board of Trustees for capital or long-term investment.

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

(c) **Cash and Cash Equivalents**

Cash is recorded at fair value and comprises highly liquid financial instruments with original maturities of three months or less at time of purchase. At June 30, 2017 and 2016, there were no cash equivalents within the cash balances presented in the accompanying consolidated statement of financial position. Restricted cash was $18,893 and $22,782 at June 30, 2017 and 2016, respectively.

(d) **Concentrations of Credit Risk**

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

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

(f) **Investments**

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

(g) **Deposits with Bond Trustee**

Deposits with bond trustee represent funds held by the trustee, as required by bond indentures, and invested by the trustee in short-term marketable securities classified under Level 1 within the fair value hierarchy of the Accounting Standards Codification (ASC) 820, *Fair Value Measurement*. Such resources will be utilized to fund various construction projects or to satisfy certain debt service reserve requirements pursuant to the respective bond indenture agreements.

(h) **Split-Interest Agreements**

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

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

Perpetual trusts held by others, for the benefit of the University, 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 depreciable lives greater than one year, are stated at cost net of depreciation, or fair value at date of contribution, if donated. Upon disposal of fixed assets, the costs and accumulated depreciation are removed from the accounts, and the resulting gain or loss, if any, is included within nonoperating activities in the accompanying consolidated statement of activities.

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

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>40 years</td>
</tr>
<tr>
<td>Building improvements</td>
<td>20 years</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>4 to 15 years</td>
</tr>
</tbody>
</table>

(k) **Deferred Revenue**

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

(l) **Fair Value Measurement**

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

- **Level 1**: Quoted prices or published NAVs in active markets for identical assets or liabilities.
- **Level 2**: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3**: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.
Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets.

(m) Operating Measure

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

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

(n) Auxiliary Enterprises

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

(o) Sponsored Activities

The University receives sponsored program funding from various governmental sources. The University recognizes revenue associated with direct costs or sponsored programs as the related costs are incurred. Recovery of facilities and administrative (F&A) costs of federally sponsored programs are recorded at cost reimbursement rates negotiated with the University’s cognizant agency, the Office of Naval Research. In fiscal 2017, the revenue from sponsored activities comprised $23,686 associated with direct costs, and $7,143 associated with F&A recoveries from all sponsors, including the federal government. The corresponding amounts for fiscal 2016 were $25,264 and $6,846, respectively.

(p) Income Taxes

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

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

(q) **Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include valuation of alternative investments that do not have readily determinable fair values; actuarially determined costs associated with split-interest agreements and accrued post-retirement benefit obligations; conditional asset retirement obligations; and the recoverability of receivables. Actual results could differ from those estimates.

(r) **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 2016 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, 2016, from which it was derived.

(s) **Reclassifications**

Certain amounts in the fiscal year 2016 financial statements have been reclassified to conform to the current year presentation.
STEVENS INSTITUTE OF TECHNOLOGY
Notes to Consolidated Financial Statements
June 30, 2017
(with summarized comparative financial information as of
June 30, 2016)
(Dollars in thousands)

(3) Student, Sponsor and Other Receivables

Student, sponsor and other receivables, net, as of June 30, 2017 and 2016, consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student</td>
<td>6,995</td>
<td>7,908</td>
</tr>
<tr>
<td>Sponsored contracts and grants</td>
<td>8,864</td>
<td>9,562</td>
</tr>
<tr>
<td>Student loans</td>
<td>6,264</td>
<td>6,645</td>
</tr>
<tr>
<td>Other</td>
<td>2,430</td>
<td>2,869</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24,553</td>
<td>26,984</td>
</tr>
</tbody>
</table>

Less:
- Allowance for doubtful student accounts (2,174) (2,403)
- Allowance for doubtful sponsor accounts (560) (1,504)
- Allowance for doubtful student loan accounts (1,149) —
- Allowance for doubtful other accounts (701) (171)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>(4,584)</td>
<td>(4,078)</td>
</tr>
</tbody>
</table>

Student, sponsor and other receivables, net $19,969 $22,906

A majority of the student loans outstanding are associated with the Federal Perkins Loan Program. At June 30, 2017 and 2016, student loans represented 1% and 2% of total assets, respectively. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of $5,836 and $5,358 at June 30, 2017 and 2016, respectively, are ultimately refundable to the U.S. government and are classified as liabilities in the consolidated statement of financial position. Outstanding loans canceled under the program result in a reduction of the funds available for future loans and a decrease in the liability to the U.S. government.

At June 30, 2017 and 2016, the following amounts were outstanding receivables under the Federal Perkins Loan Program:

<table>
<thead>
<tr>
<th></th>
<th>Less than 30 days</th>
<th>Less than 90 days</th>
<th>Less than 180 days</th>
<th>Less than 360 days</th>
<th>Greater than 360 days</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$4,623</td>
<td>94</td>
<td>43</td>
<td>25</td>
<td>1,252</td>
<td>6,037</td>
</tr>
<tr>
<td>2016</td>
<td>5,042</td>
<td>140</td>
<td>22</td>
<td>61</td>
<td>1,008</td>
<td>6,273</td>
</tr>
</tbody>
</table>
Also included in student loan receivables are private student loan and direct lending receivables totaling $227 and $372 in fiscal year 2017 and 2016, respectively. Allowances for doubtful accounts are established based on prior collection experiences and current economic factors, which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms.

(4) Contributions Receivable

Contributions receivable, net, as of June 30, 2017 and 2016, consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts due in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than one year</td>
<td>$ 8,973</td>
<td>3,986</td>
</tr>
<tr>
<td>One to five years</td>
<td>18,592</td>
<td>13,659</td>
</tr>
<tr>
<td>Greater than five years</td>
<td>3,985</td>
<td>5,185</td>
</tr>
<tr>
<td></td>
<td>31,550</td>
<td>22,830</td>
</tr>
<tr>
<td>Less discount to present value</td>
<td>(1,450)</td>
<td>(1,495)</td>
</tr>
<tr>
<td></td>
<td>30,100</td>
<td>21,335</td>
</tr>
<tr>
<td>Less allowance for doubtful contributions</td>
<td>(937)</td>
<td>(1,105)</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>$ 29,163</td>
<td>20,230</td>
</tr>
</tbody>
</table>

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

At June 30, 2017 and 2016, approximately 67% and 59%, respectively, of gross contributions receivable is due from five donors. For the year ended June 30, 2017, approximately 49% of contributions revenue was received from a single donor.
(5) Investment and Trusts Held by Others

The fair value of investments and trusts held by others at June 30, 2017 and 2016 comprised the following:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,964</td>
<td>848</td>
</tr>
<tr>
<td>Mutual funds invested in equities</td>
<td>91,776</td>
<td>83,364</td>
</tr>
<tr>
<td>Mutual funds invested in fixed income</td>
<td>43,393</td>
<td>39,888</td>
</tr>
<tr>
<td>Pooled private equity</td>
<td>15,927</td>
<td>14,797</td>
</tr>
<tr>
<td>Pooled alternative investments</td>
<td>19,045</td>
<td>17,380</td>
</tr>
<tr>
<td>Other</td>
<td>111</td>
<td>157</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td><strong>172,216</strong></td>
<td><strong>156,434</strong></td>
</tr>
<tr>
<td>Trusts held by others</td>
<td>4,361</td>
<td>3,650</td>
</tr>
<tr>
<td><strong>Total investments and trusts held by others</strong></td>
<td><strong>179,367</strong></td>
<td><strong>163,138</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,964</td>
<td>1,964</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mutual funds invested in equities</td>
<td>91,776</td>
<td>91,776</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mutual funds invested in fixed income</td>
<td>43,393</td>
<td>43,393</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Split-interest agreements</td>
<td>2,790</td>
<td>2,790</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>111</td>
<td>48</td>
<td>—</td>
<td>63</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td><strong>140,034</strong></td>
<td><strong>139,971</strong></td>
<td>—</td>
<td><strong>63</strong></td>
</tr>
</tbody>
</table>

Investments reported at NAV or its equivalent:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pooled private equity</td>
<td>15,927</td>
<td></td>
<td>—</td>
<td>15,927</td>
</tr>
<tr>
<td>Pooled alternative investments</td>
<td>19,045</td>
<td></td>
<td>—</td>
<td>19,045</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td><strong>$175,006</strong></td>
<td></td>
<td>—</td>
<td><strong>$175,006</strong></td>
</tr>
</tbody>
</table>

Trusts held by others:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4,361</td>
<td></td>
<td></td>
<td>4,361</td>
</tr>
</tbody>
</table>

(Continued)
There were no transfers in or out of Levels 1, 2 or 3 within the fair value hierarchy during the years ended June 30, 2017 and 2016.

The following table summarizes the changes in value of the Level 3 investments for the fiscal year ended June 30, 2017:

<table>
<thead>
<tr>
<th></th>
<th>Other</th>
<th>Trust held by others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of June 30, 2016</td>
<td>$</td>
<td>3,650</td>
</tr>
<tr>
<td>(Distributions) new trusts</td>
<td>(6)</td>
<td>472</td>
</tr>
<tr>
<td>Unrealized (losses) gains</td>
<td>(3)</td>
<td>239</td>
</tr>
<tr>
<td>Balance as of June 30, 2017</td>
<td>$</td>
<td>4,361</td>
</tr>
</tbody>
</table>

The following table summarizes the changes in value of the Level 3 investments for the fiscal year ended June 30, 2016:

<table>
<thead>
<tr>
<th></th>
<th>Other</th>
<th>Trust held by others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of June 30, 2015</td>
<td>$</td>
<td>3,825</td>
</tr>
<tr>
<td>Unrealized losses</td>
<td>(3)</td>
<td>(175)</td>
</tr>
<tr>
<td>Balance as of June 30, 2016</td>
<td>$</td>
<td>3,650</td>
</tr>
</tbody>
</table>
The University diversifies its investments both by asset class and within asset classes. As a general practice, all investments of the University are managed by external investment management firms.

Investments reported at NAV as calculated by respective investment managers are subject to capital calls and specific redemption terms. Investments, valued using NAV at June 30, 2017, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fair value</th>
<th>Unfunded commitments</th>
<th>Redemptions frequency</th>
<th>Redemption notice period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pooled alternatives:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity long/short (a)</td>
<td>$2</td>
<td>2</td>
<td>Quarterly</td>
<td>45 days</td>
</tr>
<tr>
<td>Multi-strategy (b)</td>
<td>19,043</td>
<td></td>
<td>Quarterly</td>
<td>91 days</td>
</tr>
<tr>
<td></td>
<td>19,045</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pooled private equity:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate fund (c)</td>
<td>1,217</td>
<td>217</td>
<td>Not eligible</td>
<td></td>
</tr>
<tr>
<td>Private equity (d)</td>
<td>14,710</td>
<td>19,097</td>
<td>Not eligible</td>
<td></td>
</tr>
<tr>
<td></td>
<td>15,927</td>
<td>19,314</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total investments reported at NAV</strong></td>
<td>$34,972</td>
<td></td>
<td></td>
<td>19,314</td>
</tr>
</tbody>
</table>

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

a. Equity long/short includes investments in hedge funds that typically combine core long holdings of equities and some short sales of stock, stock index options, or other derivative securities. The portfolios generally have a net long position. The long positions are expected to appreciate. The short positions are expected to generate an ongoing positive return, as well as act as a hedge against adverse performance in the fund’s long portfolio. The fair values of the investments in this class have been estimated using the NAV per share of the investments.

b. 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.
c. 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 with strong real estate fundamentals. The fair values of the investments in this class have been estimated using the NAV of the University's ownership interest in partners' capital. Each investment has specific terms regarding redemptions and/or terminations. Upon termination of the partnership, investments in the funds are liquidated and distributed. Investments representing 69% of the value in this class will terminate on December 31, 2018 and 31% have been terminated and distributions are being made through the liquidation of the underlying assets. The distributions may take more than one year.

d. 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 43% in Natural Resources, 38% in U.S. Private Equities, 17% in International Private Equities, and 2% in Venture Capital. These investments cannot be redeemed. Upon termination of the partnership, distributions will be made through the liquidation of the underlying assets. The distributions may take more than one year after the partnership termination date. The fair values of the investments in this class have been estimated using the NAV of the University's ownership in partners' capital.

The components of investment return (loss) for the years ended June 30, 2017 and 2016 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends and interest</td>
<td>$ 4,070</td>
<td>3,335</td>
</tr>
<tr>
<td>Net realized gains</td>
<td>2,595</td>
<td>708</td>
</tr>
<tr>
<td>Net unrealized appreciation (depreciation)</td>
<td>9,476</td>
<td>(6,843)</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>(850)</td>
<td>(841)</td>
</tr>
<tr>
<td>Total investment return (loss)</td>
<td>15,291</td>
<td>(3,641)</td>
</tr>
<tr>
<td>Endowment distribution, net of amounts returned to endowment</td>
<td>(6,365)</td>
<td>(6,262)</td>
</tr>
<tr>
<td>Net investment return (loss)</td>
<td>$ 8,926</td>
<td>(9,903)</td>
</tr>
</tbody>
</table>

In addition to the gross endowment distribution, net noninvestment return totaling $182 and $108 in fiscal 2017 and 2016, 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.

(6) Endowment

The University’s endowment fund consists of 378 and 374 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, 2017 and 2016, respectively. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Relevant Law

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ (49)</td>
<td>80,221</td>
<td>93,545</td>
<td>173,717</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
<td>10,217</td>
<td>—</td>
<td>—</td>
<td>10,217</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$ 10,168</td>
<td>80,221</td>
<td>93,545</td>
<td>183,934</td>
</tr>
</tbody>
</table>
Endowment net assets consisted of the following at June 30, 2016:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ (216)</td>
<td>71,763</td>
<td>86,189</td>
<td>157,736</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
<td>8,289</td>
<td>—</td>
<td>—</td>
<td>8,289</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$ 8,073</td>
<td>71,763</td>
<td>86,189</td>
<td>166,025</td>
</tr>
</tbody>
</table>

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

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

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets, June 30, 2015</td>
<td>$ 7,950</td>
<td>80,929</td>
<td>84,802</td>
<td>173,681</td>
</tr>
<tr>
<td>Investment loss, net</td>
<td>(317)</td>
<td>(3,199)</td>
<td>—</td>
<td>(3,516)</td>
</tr>
<tr>
<td>Contributions</td>
<td>—</td>
<td>—</td>
<td>1,908</td>
<td>1,908</td>
</tr>
<tr>
<td>Appropriation for expenditure</td>
<td>(323)</td>
<td>(6,674)</td>
<td>—</td>
<td>(6,997)</td>
</tr>
<tr>
<td>Distributions returned to endowment</td>
<td>28</td>
<td>707</td>
<td>—</td>
<td>735</td>
</tr>
<tr>
<td>Reclassification of net assets</td>
<td>735</td>
<td>—</td>
<td>(521)</td>
<td>214</td>
</tr>
<tr>
<td>Endowment net assets, June 30, 2016</td>
<td>$ 8,073</td>
<td>71,763</td>
<td>86,189</td>
<td>166,025</td>
</tr>
</tbody>
</table>

(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, 2017 and 2016, the spending rate permitted the use of total returns (dividend and interest income and appreciation) at a rate of 4.5% and 4.6%, respectively, of the average year-end fair value of the investment pool over a three-year period. Endowment funds for which the total return is permanently restricted by donors, if any, are excluded from the spending rate.

(e) **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of accumulated gifts. At June 30, 2017 and 2016, the aggregate deficiencies of this nature totaling $49 and $216, respectively, were reported within unrestricted net assets. These deficiencies principally resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.
(7) Land, Buildings and Equipment, Net

At June 30, 2017 and 2016, property, plant and equipment, net consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$1,763</td>
<td>$1,763</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>241,938</td>
<td>221,373</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>58,658</td>
<td>46,349</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>24,909</td>
<td>27,539</td>
</tr>
<tr>
<td>Total land, buildings and equipment, net</td>
<td>$327,268</td>
<td>$297,024</td>
</tr>
</tbody>
</table>

Less accumulated depreciation and amortization (158,435) (146,170)

Total land, buildings and equipment, net $168,833 150,854

Depreciation and amortization expense, excluding accretion, totaled $12,265 and $10,567 for the years ended June 30, 2017 and 2016, respectively. Construction in progress includes costs associated with the Academic Gateway Complex, North Building, Babbio Garage Extension, Workday Student system, costs associated with the campus plan, and various other campus improvements. The commitments to complete these projects at June 30, 2017 are approximately $11.2 million.

(8) Long-Term Debt and Line of Credit

Long-term debt at June 30, 2017 and 2016 consisted of the following:

<table>
<thead>
<tr>
<th>Bond issue</th>
<th>2017</th>
<th>2016</th>
<th>Maturity date</th>
<th>Interest rate range</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) 1998 Revenue Bonds Series I</td>
<td>$</td>
<td>—</td>
<td>7/1/2028</td>
<td>4.25%–5.38%</td>
</tr>
<tr>
<td>(b) 2003 Dormitory Safety Trust</td>
<td>15</td>
<td>30</td>
<td>1/15/2018</td>
<td>— %</td>
</tr>
<tr>
<td>Fund Series A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) 2005 Higher Education Capital Improvement Fund Series A</td>
<td>—</td>
<td>448</td>
<td>9/1/2019</td>
<td>3.00%–5.00%</td>
</tr>
<tr>
<td>(d) 2006 Higher Education Capital Improvement Fund Series A</td>
<td>—</td>
<td>129</td>
<td>9/1/2024</td>
<td>4.00%–4.50%</td>
</tr>
<tr>
<td>(e) 2007 Revenue Refunding Series A</td>
<td>690</td>
<td>799</td>
<td>6/1/2023</td>
<td>5.00 %</td>
</tr>
<tr>
<td>(f) 2014 Higher Education Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(g) 2016 Higher Education Capital Improvement Fund Series A</td>
<td>490</td>
<td>—</td>
<td>9/1/2024</td>
<td>2.84 %</td>
</tr>
<tr>
<td>(h) 2016 Higher Education Capital Improvement Fund Series B</td>
<td>8,523</td>
<td>—</td>
<td>9/1/2036</td>
<td>4.73 %</td>
</tr>
<tr>
<td>(i) 2017 Revenue Bonds Series A</td>
<td>119,905</td>
<td>—</td>
<td>7/1/2047</td>
<td>4.00%–5.00%</td>
</tr>
<tr>
<td>Long-term debt, net</td>
<td>129,623</td>
<td>66,701</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(a) **Revenue Bonds, 1998 Series I**

During August 1998, the University arranged a $17,000 loan with the New Jersey Educational Facilities Authority (the Authority). The 1998 Revenue Series I Bonds are a special obligation of the Authority payable from and secured by a pledge of revenue obtained by the Authority pursuant to the mortgage loan agreement between the Authority and the University. Principal and interest payments on the long-term debt are made by the University on a semiannual basis to the trustee. In 2008, $6,050 of principal amount was refunded with the proceeds of the 2007 Revenue Refunding Series A Bonds and in 2017, the 1998 Series I was refunded with a portion of the proceeds from the 2017 Revenue Bond Series A.

Under the 1998 Revenue Series I Bonds, the mortgage loan agreement requires the University to establish and maintain all original funds as deposits with a trustee in a debt service reserve account and construction and other escrow accounts similar to a construction loan whereby the Trustee, as evidenced by University payments, releases funds during construction. As of June 30, 2016, such deposits amounted to $621.

(b) **2003 Dormitory Safety Trust Fund Series A**

On January 15, 2004, the University entered into a loan agreement with the Authority for improvements of dormitory safety facilities, including fire prevention and sprinkler systems. The loan agreement was financed through the issuance of bonds by the Authority. The University’s portion of the funds amounted to $244. In accordance with the loan agreement, the University is required to provide principal payments of the annual debt service in fifteen annual installments. The State of New Jersey is obligated to provide the interest payments of the annual debt service.

(c) **2005 Higher Education Capital Improvement Fund Series A Bonds**

In 2005, the Authority issued bonds to advance refund the 2000A and 2000B 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 2000A and 2000B programs. These bonds were advanced refunded by the 2016 Higher Education Capital Improvement Fund Series A Bonds (see (g) below).
(d) 2006 Higher Education Capital Improvement Fund Series A Bonds

In 2006, the Authority issued bonds to advance refund the 2000A and 2000B 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 2000A and 2000B programs. These bonds were advanced refunded by the 2016 Higher Education Capital Improvement Fund Series A Bonds (see (g) below).

(e) 2007 Revenue Refunding Bonds Series A

On July 24, 2007, the University entered into a loan agreement with the Authority to refinance the costs of certain projects through the refunding of the 2002 Series C Bonds, the 2004 River Street Dorm Series B, and a portion of the 1998 Series I Bonds. In accordance with the bond agreement, the University is required to pay interest only for five years and then repay the principal and interest annually for the remaining 26 years. The University granted as security for this loan, a pledge of and first lien on tuition and fee collections. In 2017, the 2007 Series A was refunded with a portion of the proceeds from the 2017 Revenue Bond Series A.

Under the 2007 Series A Bonds, the mortgage loan agreement requires the University to establish and maintain all original funds as deposits with a trustee in a debt service reserve account and other escrow accounts. At June 30, 2017 and 2016, such deposits amounted to $2 and $5,789, respectively.

(f) Equipment Leasing Fund

In April 2013, the University was awarded $7,250 in capital improvement grants from the State of New Jersey for two information technology infrastructure projects. A portion of the award, $4,500, is being funded under the Higher Education Equipment Leasing Fund, using bonds issued by the Authority. On January 1, 2014, the University entered into lease agreements with the Authority, which require that the University pay one-fourth (25%) of the debt service of the underlying bonds, totaling $987. The agreement requires the University to establish and maintain all original funds as deposits with a trustee, whereby the Trustee, as evidenced by University payments, releases funds during construction. As of June 30, 2016, such deposits amounted to $70.

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

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

In June 2016, the University was awarded $19,250 in capital improvement grants from the State of New Jersey for the Academic Gateway Project. A portion of the award, $17,435, is being funded under the Higher Education Equipment Capital Improvement Fund, using bonds issued by the Authority. On December 1, 2016, the University entered into a grant agreement with the Authority, which requires that the University pay one-half (50%) of the debt service of the underlying bonds, totaling $8,523. The agreement requires the University to establish and maintain all original funds as deposits with a trustee in an account, whereby the Trustee, as evidenced by University payments, releases funds during construction. As of June 30, 2017, such deposits amounted to $16,226.

(i) 2017 Revenue Bonds Series A

On April 1, 2017, the University entered into a loan agreement with the Authority for bonds with principal of $119,905 to i.) refinance the costs of certain capital projects through the refunding of the 2007 Series A Bonds and the 1998 Series I Bonds; and ii.) finance capital projects for construction, renovation, expansion and equipping of certain university research and academic buildings and a garage. The University granted as security for this loan, a pledge of and lien on tuition and fee collections. The loan has a negative pledge which states that no additional liens of greater than $10 million shall be pledged upon three certain campus buildings unless a provision is made to secure the bonds equally and ratably with such liens. Under the 2017 Series A Bonds, the loan agreement requires the University to establish and maintain all original funds as deposits with a trustee in a separate account. At June 30, 2017, such deposits amounted to $64,569.

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

<table>
<thead>
<tr>
<th>Fiscal year ending June 30:</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$1,815</td>
<td>3,457</td>
<td>5,272</td>
</tr>
<tr>
<td>2019</td>
<td>3,125</td>
<td>6,209</td>
<td>9,334</td>
</tr>
<tr>
<td>2020</td>
<td>3,040</td>
<td>6,070</td>
<td>9,110</td>
</tr>
<tr>
<td>2021</td>
<td>3,193</td>
<td>5,920</td>
<td>9,113</td>
</tr>
<tr>
<td>2022</td>
<td>3,218</td>
<td>5,765</td>
<td>8,983</td>
</tr>
<tr>
<td>Thereafter</td>
<td>115,232</td>
<td>80,006</td>
<td>195,238</td>
</tr>
<tr>
<td>Total</td>
<td>$129,623</td>
<td>107,427</td>
<td>237,050</td>
</tr>
</tbody>
</table>
Interest expense related to long-term debt is $4,162 and $3,742 for the years ended June 30, 2017 and 2016, respectively, of which $950 has been capitalized in 2017. No amounts were capitalized in 2016.

(i) Line of Credit
The University has a $25,000 line of credit with TD Bank for general corporate purposes, which may include the temporary financing of capital projects. This facility bears interest at ninety (90) basis points above the LIBOR one-month rate and has an unused fee of three (3) basis points. This line of credit became effective May 20, 2016 and expires on May 20, 2019. There is one financial covenant: Debt Service Ratio of not less than 1.15 to 1.0 that is tested annually at fiscal year-end. The interest rates for the line of credit were 2.025% and 1.375% at June 30, 2017 and 2016, respectively. At June 30, 2017, there were no amounts outstanding under the TD Bank line of credit. At June 30, 2016, there was $2,100 outstanding, which temporarily funded the initial spending during the fiscal year ended June 30, 2016 on capital projects that were subsequently bond funded in fiscal year ended June 30, 2017.

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

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit obligation at beginning of year</td>
<td>$6,176</td>
<td>5,062</td>
</tr>
<tr>
<td>Service cost</td>
<td>123</td>
<td>106</td>
</tr>
<tr>
<td>Interest cost</td>
<td>206</td>
<td>219</td>
</tr>
<tr>
<td>Plan participants’ contributions</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Amendments/curtailments/special termination</td>
<td>449</td>
<td>—</td>
</tr>
<tr>
<td>Actuarial (gain) loss</td>
<td>(556)</td>
<td>1,145</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(398)</td>
<td>(448)</td>
</tr>
<tr>
<td>Medicare Part D prescription drug federal subsidy</td>
<td>—</td>
<td>84</td>
</tr>
<tr>
<td>Benefit obligation at end of year</td>
<td>$6,008</td>
<td>6,176</td>
</tr>
</tbody>
</table>

The discount rate used to determine benefit obligations for the years ended June 30, 2017 and 2016 were 3.58% and 3.39%, 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:

<table>
<thead>
<tr>
<th></th>
<th>One percentage point increase</th>
<th>One percentage point decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect on post-retirement benefit obligation</td>
<td>$57</td>
<td>(50)</td>
</tr>
<tr>
<td>Effect on total of service and interest cost components</td>
<td>2</td>
<td>(2)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in plan assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets at beginning of year</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>Contributions (employer and plan participants’)</td>
<td>398</td>
<td>364</td>
</tr>
<tr>
<td>Medicare Part D prescription drug federal subsidy</td>
<td>—</td>
<td>84</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(398)</td>
<td>(448)</td>
</tr>
<tr>
<td>Fair value of plan assets at end of year</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>Components of accrued benefit cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funded status</td>
<td>(6,008)</td>
<td>(6,176)</td>
</tr>
<tr>
<td>Unamortized prior service benefit (cost)</td>
<td>165</td>
<td>(306)</td>
</tr>
<tr>
<td>Unamortized actuarial net loss</td>
<td>2,870</td>
<td>3,650</td>
</tr>
<tr>
<td>Accrued benefit cost</td>
<td>(2,973)</td>
<td>(2,832)</td>
</tr>
<tr>
<td>Components of net periodic benefit cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$123</td>
<td>106</td>
</tr>
<tr>
<td>Interest cost</td>
<td>206</td>
<td>219</td>
</tr>
<tr>
<td>Amortization of unrecognized prior service cost credit</td>
<td>(22)</td>
<td>(62)</td>
</tr>
<tr>
<td>Amortization of net loss</td>
<td>224</td>
<td>210</td>
</tr>
<tr>
<td>Net periodic benefit cost</td>
<td>$531</td>
<td>473</td>
</tr>
</tbody>
</table>
The following weighted average assumptions were used to determine net periodic benefit cost for the years ended June 30:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>3.39 %</td>
<td>4.12 %</td>
</tr>
<tr>
<td>Assumed pre-65 medical trend rates at June 30:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthcare cost trend rate assumed</td>
<td>5.70</td>
<td>6.00</td>
</tr>
<tr>
<td>Prescription drug cost trend rate assumed</td>
<td>10.50</td>
<td>10.50</td>
</tr>
<tr>
<td>Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)</td>
<td>3.89</td>
<td>3.89</td>
</tr>
<tr>
<td>Fiscal year that the rate reaches the ultimate trend rate</td>
<td>2075</td>
<td>2075</td>
</tr>
</tbody>
</table>

Post-retirement benefit changes other than net periodic costs:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in unamortized items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior service cost for amendments/curtailments</td>
<td>$449</td>
<td>—</td>
</tr>
<tr>
<td>Actuarial (loss) gain</td>
<td>(556)</td>
<td>1,145</td>
</tr>
<tr>
<td>Amortization of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>(224)</td>
<td>(210)</td>
</tr>
<tr>
<td>Unrecognized prior service credit</td>
<td>22</td>
<td>62</td>
</tr>
<tr>
<td>Total benefit changes other than periodic costs</td>
<td>$ (309)</td>
<td>997</td>
</tr>
</tbody>
</table>

Expected Future Benefit Payments

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

<table>
<thead>
<tr>
<th>Employer contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ending June 30:</td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>2019</td>
</tr>
<tr>
<td>2020</td>
</tr>
<tr>
<td>2021</td>
</tr>
<tr>
<td>2022</td>
</tr>
<tr>
<td>2023 to 2027</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior service credit (cost)</td>
<td>$165</td>
<td>$(306)</td>
</tr>
<tr>
<td>Net loss</td>
<td>2,870</td>
<td>3,650</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,035</td>
<td>3,344</td>
</tr>
</tbody>
</table>

Amounts in unrestricted net assets expected to be recognized as components of net periodic benefit cost during fiscal year 2018 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior service credit</td>
<td>$(22)</td>
</tr>
<tr>
<td>Net loss</td>
<td>190</td>
</tr>
</tbody>
</table>

(10) **Conditional Asset Retirement Obligations**

Conditional asset retirement obligations (CARO) are legal obligations associated with the retirement of long-lived assets. These liabilities are recognized for remediation or disposal of asbestos, underground storage tanks, radioactive sources and equipment, and similar hazardous materials. These liabilities were initially recorded at an estimated cost of remediation, with related asset retirement costs capitalized by increasing the carrying amount of the related assets by the same amount as the liability. The University applied retrospective application at the inception of the liability using an inflation rate of 4.40% and a discount rate of 5.19%. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the University records period-to-period changes in the CARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows associated with abatement projects. In fiscal year 2014, the University modified the inflation rate to 4.0%. The University satisfies CARO liabilities when the related obligations are settled. Accretion charges (credits) in the amount of $293 and $231 for the years ended June 30, 2017 and 2016, respectively, were presented as a component of depreciation and amortization expense.

(11) **Pension Plans**

The University participates in the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF), a defined contribution plan, for academic, professional administrative, nonacademic support and union personnel. The University participated in a defined contribution plan underwritten by the Variable Annuity Life Insurance Company (VALIC) for nonacademic support and union personnel. Contributions to the VALIC plan ended in May 2009; those participants are now participants in the TIAA/CREF plan. Certain participants still have assets with VALIC. Retirement costs related to these plans for the years ended June 30, 2017 and 2016 totaled approximately $5,455 and $4,960, respectively.
The University also sponsors the Stevens Institute of Technology Non-Academic Staff Employees’ Pension Plan. Established in 1973 as a noncontributory defined benefit plan, it 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 plan. As of June 30 2017 and 2016, this plan had net assets available for plan benefits of $574 and $623, respectively.

(12) Net Assets
At June 30, 2017 and 2016, net assets consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undesignated</td>
<td>$ 84,235</td>
<td>53,068</td>
</tr>
<tr>
<td>Endowment</td>
<td>10,168</td>
<td>8,073</td>
</tr>
<tr>
<td>Institutional portion of Federal Perkins Loans Program</td>
<td>940</td>
<td>2,657</td>
</tr>
<tr>
<td>Total unrestricted</td>
<td>95,343</td>
<td>63,798</td>
</tr>
<tr>
<td>Temporarily restricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education and research programs</td>
<td>16,589</td>
<td>13,868</td>
</tr>
<tr>
<td>Capital projects</td>
<td>26,363</td>
<td>26,524</td>
</tr>
<tr>
<td>Annuity and life income funds</td>
<td>2,459</td>
<td>2,036</td>
</tr>
<tr>
<td>Endowment</td>
<td>80,221</td>
<td>71,763</td>
</tr>
<tr>
<td>Total temporarily restricted</td>
<td>125,632</td>
<td>114,191</td>
</tr>
<tr>
<td>Permanently restricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment</td>
<td>93,545</td>
<td>86,189</td>
</tr>
<tr>
<td>Student loans</td>
<td>2,780</td>
<td>2,719</td>
</tr>
<tr>
<td>Annuity and life income funds</td>
<td>1,867</td>
<td>1,650</td>
</tr>
<tr>
<td>Total permanently restricted</td>
<td>98,192</td>
<td>90,558</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$319,167</td>
<td>268,547</td>
</tr>
</tbody>
</table>
(13) Functional Classification of Expenses

The consolidated statement of activities presents operating expenses based upon their natural classification and before certain allocations such as depreciation and amortization, interest, and operations and maintenance of plant. For the years ended June 30, 2017 and 2016, operating expenses presented by their functional category and allocation of depreciation and amortization, interest, and operations and maintenance of plant were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Operating expenses before allocations</th>
<th>Depreciation and amortization</th>
<th>Interest</th>
<th>Operations and maintenance of plant</th>
<th>Total operating expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>$73,508</td>
<td>2,280</td>
<td>1,013</td>
<td>2,250</td>
<td>79,051</td>
</tr>
<tr>
<td>Research</td>
<td>23,795</td>
<td>1,837</td>
<td>548</td>
<td>1,813</td>
<td>27,993</td>
</tr>
<tr>
<td>Public services</td>
<td>1,164</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,164</td>
</tr>
<tr>
<td>Academic support</td>
<td>24,011</td>
<td>1,793</td>
<td>522</td>
<td>1,770</td>
<td>28,096</td>
</tr>
<tr>
<td>Student services</td>
<td>23,135</td>
<td>2,348</td>
<td>428</td>
<td>2,316</td>
<td>28,227</td>
</tr>
<tr>
<td>Institutional support</td>
<td>26,518</td>
<td>801</td>
<td>123</td>
<td>790</td>
<td>28,232</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>19,845</td>
<td>3,008</td>
<td>710</td>
<td>2,967</td>
<td>26,530</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$191,976</strong></td>
<td><strong>12,067</strong></td>
<td><strong>3,344</strong></td>
<td><strong>11,906</strong></td>
<td><strong>219,293</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Operating expenses before allocations</th>
<th>Depreciation and amortization</th>
<th>Interest</th>
<th>Operations and maintenance of plant</th>
<th>Total operating expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>$71,679</td>
<td>2,686</td>
<td>1,140</td>
<td>2,689</td>
<td>78,194</td>
</tr>
<tr>
<td>Research</td>
<td>24,737</td>
<td>1,377</td>
<td>618</td>
<td>1,378</td>
<td>28,110</td>
</tr>
<tr>
<td>Public services</td>
<td>1,257</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,257</td>
</tr>
<tr>
<td>Academic support</td>
<td>25,911</td>
<td>1,548</td>
<td>587</td>
<td>1,550</td>
<td>29,596</td>
</tr>
<tr>
<td>Student services</td>
<td>21,516</td>
<td>1,780</td>
<td>481</td>
<td>1,782</td>
<td>25,559</td>
</tr>
<tr>
<td>Institutional support</td>
<td>24,474</td>
<td>557</td>
<td>140</td>
<td>556</td>
<td>25,727</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>19,123</td>
<td>2,850</td>
<td>799</td>
<td>2,852</td>
<td>25,624</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$188,697</strong></td>
<td><strong>10,798</strong></td>
<td><strong>3,765</strong></td>
<td><strong>10,807</strong></td>
<td><strong>214,067</strong></td>
</tr>
</tbody>
</table>

The allocation of depreciation and amortization on buildings and building improvements is based on square footage occupancy. Depreciation on equipment is allocated to the programs for which the equipment was purchased.

The allocation of operations and maintenance of plant is based upon the square footage occupied by functional areas, excluding the facilities operations.

The allocation of interest expense incurred on long-term debt is based upon the utilization of bond proceeds by functional area.
Fundraising expenses are included within institutional support and totaled $3,129 and $3,049 for the years ended June 30, 2017 and 2016, respectively. Advertising costs are expensed in the year they are incurred. Amounts totaled $885 and $583 for the years ended June 30, 2017 and 2016, respectively.

(14) Commitments and Contingent Liabilities

The University receives funding or reimbursement from Federal government agencies for sponsored activity under government grants and contracts. These grants and contracts provide for reimbursement of indirect (facilities and administrative) costs based on rates negotiated with the Office of Naval Research, which is the University’s cognizant Federal agency. The University’s facilities and administrative cost reimbursements for the years ended June 30, 2017 and 2016 were based on a final predetermined rate that is not subject to a carry forward provision.

The Defense Contract Audit Agency (DCAA) is responsible for auditing both direct and indirect charges to grants and contracts in support of the Office of Naval Research’s negotiating responsibility. The University has final audited rates through fiscal 2009. It is the opinion of management that disallowances, if any, resulting from open years will not have a material effect on the accompanying consolidated financial statements. We anticipate the ongoing DCAA audit will be completed in February 2018.

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

The University is a party to various legal actions arising in the ordinary course of operations. While it is not possible to predict the outcome of these actions at this time, it is the opinion of management that the resolution of these matters will not have a material effect on the University’s consolidated financial statements.
Operating Leases
The University is party to various operating lease agreements, expiring through 2022, for office equipment, vehicles and student housing. Minimum lease payments due under these agreements are as follows:

Fiscal year ending June 30:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>6,978</td>
</tr>
<tr>
<td>2019</td>
<td>4,056</td>
</tr>
<tr>
<td>2020</td>
<td>1,978</td>
</tr>
<tr>
<td>2021</td>
<td>532</td>
</tr>
<tr>
<td>2022</td>
<td>315</td>
</tr>
</tbody>
</table>

Total $13,859

Rent expense associated with the above leases, for the years ended June 30, 2017 and 2016, totaled $9,236 and $10,147, respectively.

Capital Leases
The University leases equipment under capital lease agreements that expire in fiscal year 2021. The value of the leased equipment of $6,532 is included in furniture, fixtures and equipment while the present value of net minimum lease payments is included in capital lease obligation. The following is a schedule by years of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2017:

Fiscal year ending June 30:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1,354</td>
</tr>
<tr>
<td>2019</td>
<td>1,042</td>
</tr>
<tr>
<td>2020</td>
<td>1,042</td>
</tr>
<tr>
<td>2021</td>
<td>910</td>
</tr>
</tbody>
</table>

Total 4,348

Less amounts representing interest (289)

$4,059

Interest expense related to capital lease obligations is $161 and $23 for the years ended June 30, 2017 and 2016, respectively.
(15) Related Party Transactions

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or through interlocking board memberships, with companies doing business with the University. Under the University’s conflict-of-interest policy, all business and financial relationships between the University and entities affiliated with trustees and officers are subject to annual review and approval of the Audit Committee of the Board of Trustees. During fiscal years 2017 and 2016, there were no arrangements that required review and approval.

From time to time, the University is the recipient of contributions from donors who are also members of the Board of Trustees. At June 30, 2017 and 2016, contributions receivable included approximately $12,733 and $14,706, respectively, from members of the Board of Trustees.

(16) Subsequent Events

The University evaluated its June 30, 2017 consolidated financial statements for subsequent events through December 8, 2017, the date the consolidated financial statements were issued. In connection with this evaluation, the University is not aware of any significant subsequent events, which would require recognition or disclosure in the accompanying consolidated financial statements.
<table>
<thead>
<tr>
<th>Federal CFDA number</th>
<th>Pass-through entity number</th>
<th>Additional award number</th>
<th>Federal expenditures</th>
<th>Amounts passed-through to subrecipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>34 (Continued)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Research and Development Cluster:**
- National Aeronautics and Space Administration:
  - Knowledge Base for Designing Earth Science Distributed Missions 43.001 NNX17A206G $59,418
  - Planning of the Search for Exoplanets 43.038 P0572090 95,153
  - Pass-through from Columbia University:
    - Vulnerability of the U.S. Atlantic Coast to hazards associated with extreme winter storms 43.001 2G2008944 90,159
    - Pass-through from Universities Space Research Association:
      - Assessment of the need for corrections of remote sensing reflections due to BRDF effects in coastal waters 43.XXX 07T00-08 134,054
  - Pass-through from Car Tech Jet Propulsion Lab:
    - High-precision microwave Spectroscopy of Long-Lived Circular-State Rydberg Atoms in Monogony — Continued 2016 43.XXX RSA No. 1548993 24,142
    - High Precision Microwave Spectroscopy of Long-Lived Circular-State Rydberg Atoms in Monogony 43.XXX RSA No. 1566001 24,488
  - National Aeronautics and Space Administration:
    - 427,414

**National Endowment For The Humanities:**
- 14th Century French Marriage Debatable Poem 45.161 RJ-234222-15 3,750
  - Total National Endowment For The Humanities:
    - 3,750

**National Institutes of Health:**
- An Epigenetic-Computer Vision based Active Learning-Computer Chairwheel 53.381 R151R0115071-01 288,103
- Engineering Intracellular Catheterization for the Treatment of Bacteremia 53.835 1R151LA110924-01 120,136
- Improved ventilation of the alveolar sacs 53.836 1R151HL113277-01A1 288,578
- Microfluidic 3D-Culture of 2D Cell Monolayers 53.845 1R151HL003023-01 906
- Rec-DNA Helix Formation Impact on the Nuclear Pore Complex in Aging Cells 53.095 R01CA224433-01 447
- SN1/DBS for the Treatment of Gait and Postural Disturbances in Parkinsonism’s Disease 53.835 R211G0385203-03 89,805
- Structure, Specics, and Roles of Male and Active Site in Hh1 Heme Protein Complex 53.859 1R151GM1157774-01 30,992
- R15 – Regulation of Pore Membrane Proteins during NPC Release and Dispersal in Open Mitosis 53.589 1R151GM111918-01 89,477
- Pass-through from University of Rochester:
  - Micro- and nanofiber-enabled biotissue components for bone repair and regeneration 53.846 416853-G 134,503
- Pass-through from Hackensack University Medical Center:
  - Microfluidic Approach for the Development of a Three-Dimensional Bone Marrow 53.395 2014001 85,369
  - Total National Institutes of Health:
    - 1,187,914 124,234

**National Park Service:**
- Coastal Adaptation Impacts on Jamaica Bay Water Quality, Waves and Flooding Post-Hurricane Sandy, New York 15.944 P1AAC01742, PR0000357215 267,466 61,346
- Total National Park Service:
  - 267,466 61,346

**National Science Foundation:**
- Adapting Tested Sparker Skills Curriculum to On-Line Format for Community College Instruction: A Critical Link to Retain Technology Students 47.075 DEU-1407123 205,919 153,607
- ADVANCE Stevens: Creating a Sustainable culture that Facilitates Recruitment, Retention and Advancement of Women Faculty in STEM 47.075 HRD-1311792 26,875
- Biomimetic Assembly of Microphysiological Lacunocanalicular Network 47.049 DMR-1409779 111,447 10,502
- Biomimetic Reconstruction of Functional and Hierarchical Microvascular Networks 47.049 DM-1508511 80,021
- CAREER: Fundamental Research Leveraging nanoparticle- Induced Cryoelectron in Semisolvent Polymer Nanocomposites 47.082 CMMI-0490937
- CAREER: Learning from Observational Data with Knowledge 47.070 IIS-1347119 139,911
- CAREER: Multifunctional Particle Assembly In Polymer Nanocomposites 47.049 DMR-1408855 (127)
- CAREER: Non-Commutative Cryptography from Hard Learning Problems: Theory and Practice 47.070 CNS-1300968 50,807
- CAREER: Synthetic Ultra-High-Resolution Millimeter-Wave Imaging for Tissue Diagnostics 47.041 ECCS-1554402 118,877
- CAREER: Verifiable Outsourcing of Data Mining Computation 47.070 CNS-1505234 98,077
- CHS: Small Collective Design Through Rerouting 47.070 IIS-1422065 108,901
- Collaborative Research: Chemical Ecology of Host Specialization in Phoot Parasites of Ants: An Experimental Analysis 47.074 IOS-1502372 42,104
- Collaborative Research: Carbon-excession emitted carbon from canals in the irriagion regime 47.049 DMR-1506771 138,571
- Collaborative Research: Fundamentals of biogas upgrading to fuels and chemicals over catalytic tolenic nanoparticles 47.041 CBET-1364543 21,588
- Collaborative Research: Robust Optimization of High Vehicle Routing Problems Under Uncertainty 47.041 CMMI-1434342 77,919
- Collaborative Research:SAVT-CON: Institute for Cognitive Networking 47.070 CNS-1458684 102,092
- Collaborative Research: Unusual Temperature Dependence Behavior of Polymer Nanocomposites 47.041 CMMI-1538725 105,661
- Computation with Finitely Presented Groups 47.049 DMS-1518715 79,599
- CSE: Medium Collaborative Research: Guardian Angel-Enabling Mobile Safety Systems 47.041 CNS-1408757 90,685
- CyberSEED: Type II: Collaborative Research: Combining Experts and Crowds to Address Global Climate Change 47.041 CCP-1442960 74,935
- EAGER: Hybrid Stochastic Technical Tame: A Theoretical Framework For Modeling And Design of Hybrid Networks of Human and Autonomous Agents 47.041 CNS-1454521 118,752
- EAGER: Toward Descriptive Mapping for Underwater Exploration 47.070 IIS-151381 53,632
- ESE: IM Extension Services in Engineering: Improving Instruction and Mentoring to Retain Undergraduates Women 47.076 HRD-083307 120,349 53,089

**Total National Institutes of Health Total: 1,387,914 124,234

**National Park Service:**
- 267,466 61,346

**ESE:**
- 124,234

**Total Federal passed-through grants awards:**
- 1,187,914 124,234

**Total National Aeronautics and Space Administration:**
- 427,414

**Total National Endowment For The Humanities:**
- 3,750

**Total National Institutes of Health:**
- 1,387,914 124,234

**Total National Park Service:**
- 267,466 61,346

**Total National Science Foundation:**
- 1,187,914 124,234

**Total Federal passed-through grants awards:**
- 1,187,914 124,234
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### Schedule of Expenditures of Federal Awards

#### Year ended June 30, 2017

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**Grand Total**: $59,398,395

**4,339,068**

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**Federal supplementary expenditures**: $56,358,305

**4,339,068**

*See accompanying notes to schedules of federal and State of New Jersey awards.*
<table>
<thead>
<tr>
<th>Cluster/state grantor/pass-through grantor/program or award name</th>
<th>Award number</th>
<th>Grant period</th>
<th>Grant amount</th>
<th>State expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research and Development Cluster:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Jersey Department of Environmental Protection:</td>
<td></td>
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</tr>
<tr>
<td>NJDEP: Coastal Protection – Technical Assistance Service</td>
<td>Annual Legislation</td>
<td>7/1/2016</td>
<td>6/30/2017</td>
<td>$500,000</td>
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<tr>
<td>Pass-through from New Jersey Sea Grant Consortium:</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Rebuild by Design – Hudson River Project &quot;Technical Assistance for RBDH&quot;</td>
<td>4911-0000</td>
<td>10/1/2015</td>
<td>4/1/2017</td>
<td>$112,495</td>
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<tr>
<td><strong>Total New Jersey Department of Environmental Protection</strong></td>
<td></td>
<td></td>
<td></td>
<td>449,093</td>
</tr>
<tr>
<td>New Jersey Department of Transportation:</td>
<td></td>
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<td></td>
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<tr>
<td>Keansburg and Fortescue Inlets Sediment Management Study</td>
<td>17-32666-Task Order No. 11</td>
<td>2/8/2017</td>
<td>2/7/2019</td>
<td>$279,196</td>
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<tr>
<td>Detection of Damage Precursors in Steel Components for Life-Cycle Assessment</td>
<td>Task Order No. 13</td>
<td>1/17/2017</td>
<td>1/16/2019</td>
<td>$251,587</td>
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<td><strong>Total New Jersey Department of Transportation</strong></td>
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<td>530,733</td>
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<tr>
<td><strong>Student Financial Assistance Cluster:</strong></td>
<td></td>
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<td></td>
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<tr>
<td>New Jersey Commission on Higher Education:</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Tuition Aid Grant</td>
<td>2405-100-074-2405-007</td>
<td>7/1/2016</td>
<td>6/30/2017</td>
<td>$2,417,157</td>
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<td>Distinguished Garden State Scholars</td>
<td>100-074-2405-278</td>
<td>7/1/2016</td>
<td>6/30/2017</td>
<td>$6,500</td>
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<td>Educational Opportunity Fund</td>
<td>2401-100-074-2401-001</td>
<td>7/1/2016</td>
<td>6/30/2017</td>
<td>$129,450</td>
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<tr>
<td>Ed Initials and Renewals (Bridge Program Summer 2016)</td>
<td>NA</td>
<td>6/1/2016</td>
<td>7/31/2017</td>
<td>$82,591</td>
</tr>
<tr>
<td>Ed Initials and Renewals (Bridge Program Summer 2017)</td>
<td>NA</td>
<td>6/1/2017</td>
<td>7/31/2018</td>
<td>$82,591</td>
</tr>
<tr>
<td><strong>Total New Jersey Commission on Higher Education</strong></td>
<td></td>
<td></td>
<td></td>
<td>2,627,105</td>
</tr>
<tr>
<td><strong>Total Student Financial Assistance Cluster</strong></td>
<td></td>
<td></td>
<td></td>
<td>2,627,105</td>
</tr>
<tr>
<td><strong>Other State of New Jersey Assistance:</strong></td>
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<td></td>
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<tr>
<td>New Jersey Commission on Higher Education:</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Higher Education Equipment Leasing Fund Act:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using Integrative and Interactive Technologies to Enhance Student-Centered STEM Education: The Unified Communication and Collaboration Environment</td>
<td>(UCCE) Project</td>
<td>052-05</td>
<td>1/1/2014</td>
<td>4/10/2017</td>
</tr>
<tr>
<td>Higher Education Technology Infrastructure Fund Grant:</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Using Integrative and Interactive Technologies to Enhance Student-Centered STEM Education: The Unified Communication and Collaboration Environment</td>
<td>(UCCE) Project</td>
<td>052-01</td>
<td>1/1/2014</td>
<td>4/10/2017</td>
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<tr>
<td>Higher Education Capital Improvement Fund:</td>
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<tr>
<td>Academic Gateway Project</td>
<td>Grant Series 2016B</td>
<td>12/1/2016</td>
<td>8/15/2036</td>
<td>$17,434,500</td>
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<tr>
<td>New Jersey Commission on Higher Education:</td>
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<td></td>
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<tr>
<td>Educational Opportunity Fund Article IV – Academic Year Support (FY 2016)</td>
<td>N/A</td>
<td>7/1/2015</td>
<td>6/30/2016</td>
<td>$162,214</td>
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<td>Educational Opportunity Fund Article IV – Academic Year Support (FY 2017)</td>
<td>N/A</td>
<td>7/1/2016</td>
<td>6/30/2017</td>
<td>$150,350</td>
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<tr>
<td>Mathematics Immersion Program (MIP) – Summer 2016</td>
<td>N/A</td>
<td>6/1/2016</td>
<td>7/31/2016</td>
<td>$48,858</td>
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<tr>
<td>New Jersey Department of Education:</td>
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<tr>
<td>Research Ambassadors Inspiring Science Education (NJ RAISE)</td>
<td>17E00043</td>
<td>7/1/2016</td>
<td>8/31/2017</td>
<td>$379,999</td>
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<tr>
<td>Department of Treasury:</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Aid to Independent Colleges and Universities</td>
<td>N/A</td>
<td>7/1/2016</td>
<td>6/30/2017</td>
<td>$59,617</td>
</tr>
<tr>
<td><strong>Total Other State of New Jersey assistance</strong></td>
<td></td>
<td></td>
<td></td>
<td>2,181,249</td>
</tr>
<tr>
<td><strong>Total Expenditures of State of New Jersey Awards</strong></td>
<td></td>
<td></td>
<td></td>
<td>$5,339,087</td>
</tr>
</tbody>
</table>

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

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) for the year ended June 30, 2017, has been prepared on the accrual basis of accounting in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The accompanying Schedule of Expenditures of State of New Jersey Awards (the Schedule) for the year ended June 30, 2017, has been prepared on the accrual basis of accounting in accordance with the State of New Jersey Office of Management and Budget Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid. The purpose of these schedules is to present a summary of those activities of Stevens Institute of Technology (the University) for the year ended June 30, 2017 which have been financed by the U.S. Government (Federal awards) and the State of New Jersey Government. For purposes of the schedules, awards include any assistance provided by a Federal or State of New Jersey agency directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations, and other noncash assistance. Because the schedules present only a selected portion of the activities of the University, it is not intended to, and does not, present either the financial position, changes in net assets or cash flows of the University and may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

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

- Expenditures for direct costs are recognized as incurred in accordance with Federal OMB Circular A-21, Cost Principles for Educational Institutions for Federal awards with terms and conditions based on the OMB Circular A-102 Common Rule, OMB Circular A-110, or the OMB Cost Principles Circulars. Expenditures for direct costs are recognized as incurred in accordance with Title 2 U.S. Code of Federal Regulation Part 200, Subpart E Cost Principles for Federal awards with terms and conditions based on the Federal Uniform Guidance. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

- The University has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance. Instead, the University elected to use its negotiated indirect cost rate. The University uses a facilities and administrative (F&A) rate, generally based upon the modified total direct cost base, to charge F&A costs to particular sponsored projects. The F&A rate, which is negotiated and subject to review by the Office of Naval Research (ONR), the University’s cognizant agency, is the result of cost allocation methodologies that the University uses to allocate its indirect costs to both sponsored and nonsponsored activities.

- During the year ended June 30, 2017, the University charged facilities and administrative costs using ONR-approved fixed rates, rates agreed to with other funding agencies, or State of New Jersey agreed-upon rates.
(2) **Perkins Loans**  
During the year ended June 30, 2017, the University processed $603 of new loans under the Federal Perkins Loan Program (Perkins Loans), which have been included in the accompanying schedule of expenditures of Federal awards. In fiscal 2017, there were no Federal capital contributions or matching contributions. At June 30, 2017, the total balance of Perkins Loans outstanding was $6,037.

(3) **Federal Direct Loans**  
During the year ended June 30, 2017, the University processed $22,517 of new loans under the Federal Direct Loan Program, which have been included in the accompanying schedule of expenditures of Federal awards. The University is responsible only for the performance of certain administrative duties in connection with this loan program and, accordingly, the value of these loans is not reflected in the University’s consolidated financial statements and it is not practical to determine the balance of loans outstanding to students of the University under this program.

(4) **Subrecipients**  
The University passed through $4,339 and $0 of Federal awards and State of New Jersey awards, respectively, to subrecipients during the year ended June 30, 2017.
The Board of Trustees  
Stevens Institute of Technology:

We have audited, 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, the consolidated financial statements of Stevens Institute of Technology and Subsidiary (the University), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 8, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

December 8, 2017

The Board of Trustees
Stevens Institute of Technology:

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

We have audited Stevens Institute of Technology’s (the University) compliance with the types of compliance requirements described in the Federal OMB Compliance Supplement and New Jersey Office of Management and Budget (New Jersey OMB) State Grant Compliance Supplement (the Compliance Supplements) that could have a direct and material effect on each of the University’s major Federal and State of New Jersey programs for the year ended June 30, 2017. The University’s major Federal and State of New Jersey programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with Federal and State of New Jersey statutes, regulations, and the terms and conditions of its Federal and State of New Jersey awards applicable to its Federal and State of New Jersey programs.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each major Federal and State of New Jersey programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, Uniform Guidance and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal or State of New Jersey program occurred. An audit includes examining, on a test basis, evidence about the University’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal and State of New Jersey program. However, our audit does not provide a legal determination of the University’s compliance.

Opinion on Each Major Federal and State of New Jersey Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal and State of New Jersey programs for the year ended June 30, 2017.
Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Federal Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, 2017-003, 2017-004, 2017-006, 2017-007 and 2017-008. Our opinion on each major Federal and State of New Jersey program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University’s internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal and State of New Jersey program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal and State of New Jersey program and to test and report on internal control over compliance in accordance with Federal Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University’s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007 and 2017-008 that we consider to be significant deficiencies.

The University’s responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Federal Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

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

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2017, and have issued our report thereon dated December 8, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by Uniform Guidance and the accompanying schedule of expenditures of State of New Jersey awards is presented for purposes of additional analysis as required by New Jersey OMB Circular 15-08 and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of Federal and State of New Jersey awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

March 20, 2018
(1) Summary of Auditors’ Results

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

(b) Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:
   - Material weaknesses: **No**
   - Significant deficiencies: **None Reported**

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

(d) Internal control deficiencies over major Federal and State of New Jersey programs disclosed by the audit:
   - Material weaknesses: **No**

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

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a) or New Jersey OMB Circular 15-08: **Yes for Federal programs (2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007 and 2017-008). No for State of New Jersey programs.**

(g) Major programs:
   - **Federal**
     - Student Financial Assistance Cluster (CFDA numbers 84.007, 84.033, 84.038, 84.063, 84.268)
     - Research and Development Cluster (various CFDA numbers)
   - **State of New Jersey**
     - Student Financial Assistance Cluster (various grant numbers)
     - Higher Education Capital Improvement Fund

(h) Dollar threshold used to distinguish between Type A and Type B Federal programs: **$1,781,951**
   Dollar threshold used to distinguish between Type A and Type B State of New Jersey programs: **$750,000**

(i) Auditee qualified as a low-risk auditee for both Federal and State of New Jersey awards: **No for Federal awards. Yes for State of New Jersey awards.**
(2) **Findings Relating to the Consolidated Financial Statements Reported in Accordance with**

*Government Auditing Standards*

None.

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

**Federal Awards**

**Finding No. 2017-001**

Federal Research and Development Cluster:

- **U.S. Department of Commerce:**
  - Consortium for Climate Risk in Urban Northeast: “Interactions between Sea Level Rise and Storm Surge” CFDA 11.431 (award number 2(GG001959))

- **Office of Naval Research:**
  - FE: Modeling Planning Dynamics of Cavity-Running Bodies CFDA 12.300 (award number N0014-4-1-0085)
  - Persistent Maritime Quantum Key Distribution CFDA 12.300 (award number N00014-15-1-2393)

- **U.S. Air Force Office of Scientific Research:**
  - Pulsed Write-Laser and Intensified Camera Systems for Krypton Tagging Velocimetry (KRV) Research CFDA 12.800 (award number FA9550-15-1-0325)

- **U.S. Department of Defense:**
  - One-Step No-Waste Composition C4 Production CFDA 12.XXX (award number P010171667)

- **U.S. Army:**
  - FE: Innovation Systems Based on Photonic Research Military Applications CFDA 12.XXX (award number S16-06059)
  - Innovation Systems Based on Photonic Research Military Applications CFDA 12.XXX (award number S16-06059)
  - Net Zero Technologies for the Army’s Industrial Munitions Base CFDA 12.XXX (award number W15QKN-13-9-0001, SINIT-15-0013)
U.S. Department of Transportation:

A High Fidelity Storm Surge Inundation Forecast and Warning System for the New Jersey Transit Hoboken Train Terminal CFDA 20.XXX (award number PO: L-97039, Agreement No. 15-010)

National Aeronautics and Space Administration:

Vulnerability of the U.S. Atlantic Coast to Hazards Associated with Extreme Winter Storms CFDA 43.001 (award number 2(GG008944))

National Science Foundation:

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

Collaborative Research: Fundamentals of Biomass Upgrading to Fuels and Chemicals Over Catalytic Bimetallic Nanoparticles CFDA 47.041 (award number CBET-1264453)

Collaborative Research: Robust Optimization of Rich Vehicle Routing Problems Under Uncertainty CFDA 47.041 (award number CMMI-1434432)

Strauf: EFRI ACQUIRE: Development of Amorphous-Silicon Platform for Chip-Based Quantum Information Applications CFDA 47.041 (award number 2(GG012507-02))

FE: CAREER: Additive Biomanufacturing an Engineered Stem Cell Microenvironment CFDA 47.041 (award number CMMI-1554150)

MRI: Acquisition of Cryogen-Free Low-Temperature Scanning-Probe Spectroscopy System for Nanophotonic and Nanoelectronic Device Characterization CFDA 47.041 (award number ECCS-1531237)

OP: Collaborative Research: Quantum Zeno Photonics on Chip CFDA 47.041 (award number 1521424)

Polymer Nanocomposites with Enhanced Optoelectronic Properties via Shear Induced Crystallization CFDA 47.041 (award number CMMI-1635284)

Collaborative Research: Chemical Ecology of Host Specialization in Phorid Parasitoids of Ants: An Experimental Analysis CFDA 47.074 (award number IOS-1052372)

National Institutes of Health:

Improved Ventilation of the Edematous Lung CFDA 93.838 (award number 1R01HL113577-01A1)

U.S. Department of Homeland Security:

Counter Unmanned Aerial Systems CFDA 97.XXX (award number HSHQDC-10-A-BOA35, Order HSHQDC-16-J-00053, Req RSUS-16-00024)
Develop High-Resolution Storm Surge Forecasts for Port Authority of New York & New Jersey Facilities Vulnerable to Flood Waters CFDA 97.XXX (award number Research Task Agreement Executed 8/26/14)


Sensor, Data Fusion and Decision – Fabricated Equipment CFDA 97.XXX (award number HSHQDC-10-A-BOA35 / HSHQDC-11-J-00290)

Sensor, Data Fusion and Decision (Task Order Request for Proposal (TORP) #HSHQDC-11-R-PR# RSBR-11-00072) CFDA 97.XXX (award number HSHQDC-10-A-BOA35 / HSHQDC-11-J-00290)

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

Compliance Requirement – Equipment and Real Property Management – Significant Deficiency and Noncompliance

Criteria
Per guidance included in 2 CFR part 200.313, non-Federal entities other than States must follow regulations which require that:

A physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years.

A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

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

Condition and Context
The University performed a physical inventory during fiscal year 2017 due to issues uncovered in the fiscal year 2016 inventory. The University was unable to locate sixty-nine pieces of equipment with a net book value of $183,767.

A similar finding was included in the 2016 single audit report as item 2016-003.

Cause
The University did not have an appropriate control system in place to maintain adequate property records, track movement or disposal of federally funded equipment, or ensure proper tagging of equipment.

Effect
The University’s records are not properly reconciled to the physical inventory results.
Questioned Costs

Questioned costs are undeterminable since the University has not concluded that the missing equipment is no longer being used by the University.

Recommendation

The University should strengthen its policies and procedures related to maintaining property records, tagging equipment, and tracking movement or disposal of federally funded equipment. Additionally, the University should continue to locate the missing equipment, and consider performing a physical inventory of federal equipment on a more frequent basis than the required two-year cycle.

Views of Responsible Officials

Management agrees with the recommendation. The University has taken the following steps to improve and strengthen its property records. A physical inventory of federally funded assets was completed in FY17, fixed asset records were migrated from an excel based system to the Capital Asset Management System (CAMS) which is a separate module in the University financial system (Kuali) and the University has recently hired a Fixed Asset Specialist with extensive experience in this area. However, the completed physical inventory revealed that some legacy fixed assets were not properly barcoded which resulted in some assets not being located. The University has conducted a Request for Proposal (RFP) to contract with an outside firm who specializes in performing complete fixed asset physical inventories to ensure that all University assets are located, barcoded and reconciled to the current fixed asset information located in CAMS. This contract has been awarded and a complete fixed asset inventory will be completed in FY18.

Finding No. 2017-002

Federal Research and Development Cluster:

U.S. Army:

Net Zero Technologies for the Army’s Industrial Munitions Base CFDA 12.XXX (award number W15QKN-13-9-0001, SINIT-15-0013)

Office of Naval Research:

Persistent Maritime Quantum Key Distribution CFDA 12.300 (award number N00014-15-1-2393)

National Science Foundation:

Collaborative Research: Fundamentals of Biomass Upgrading to Fuels and Chemicals Over Catalytic Bimetallic Nanoparticles CFDA 47.041 (award number CBET-1264453)

Statistically valid sample: No and it was not intended to be.
Compliance Requirement – Equipment and Real Property Management – Significant Deficiency and Noncompliance

Criteria
Per guidance included in 2 CFR part 200.313, non-Federal entities other than States must follow regulations which require that:

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.

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

Condition and Context
Utilizing the listing of equipment additions provided by the Plant Fund manager, the Fixed Asset Specialist schedules a visit with the asset custodian to identify and tag the equipment. This process consists of affixing a barcode asset tag to the equipment. After tagging the equipment, the Fixed Asset Specialist will create an entry in Kuali. This entry will automatically generate a unique asset number in Kuali.

We selected twenty-five pieces of equipment and noted the following:

- For fourteen selections, the property records did not contain the required information, including missing barcodes, percentage of the equipment that was federally funded and/or its location. For three of these fourteen selections, the equipment did not have a barcode affixed to it.
- For one selection, the item was included in the property records as being federally funded, however upon further review, it was determined that it was funded by the University.

A similar finding was included in the 2016 single audit report as item 2016-003.

Cause
The University is not properly reviewing its property records to ensure all the required documentation is included nor ensuring that all items are properly tagged so that an inventory can be performed.

Effect
The University’s records do not contain all the required information in order to properly management their federally funded equipment or properly inventory equipment.

Questioned Costs
There are no questioned costs associated with this finding as it relates to adequate property records.
Recommendation
The University should strengthen its policies and procedures related to maintaining property records, tagging equipment, and tracking movement or disposal of federally funded equipment.

Views of Responsible Officials
Management agrees with the recommendation. The University has taken the following steps to improve and strengthen its property records. A physical inventory of federally funded assets was completed in FY17, fixed asset records were migrated from an excel based system to the Capital Asset Management System (CAMS) which is a separate module in the University financial system (Kuali) and the University has recently hired a Fixed Asset Specialist with extensive experience in this area. However, the completed physical inventory revealed that some legacy fixed assets were not properly barcoded which resulted in some assets not being located. The University has conducted a Request for Proposal (RFP) to contract with an outside firm who specializes in performing complete fixed asset physical inventories to ensure that all University assets are located, barcoded and reconciled to the current fixed asset information located in CAMS. This contract has been awarded and a complete fixed asset inventory will be completed in FY18.

Finding No. 2017-003
Federal Research and Development Cluster:

National Science Foundation:

Foundations: Integrating Evidence-based Teaching and Learning into the Core Engineering Curriculum CFDA 47.076 (award number 1524656)

National Institutes of Health:

Improved Ventilation of the Edematous Lung CFDA 93.838 (award number 1R01HL13577-01A1)

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

Compliance Requirement – Procurement – Significant Deficiency and Noncompliance

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

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

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

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

For two of our forty selections, it was noted that the form was not completed on a timely basis, whereas the purchase of the goods or service occurred prior to completion of the form. Further, for one of those two selections, we noted that the form did not contained the appropriate approvals per the University’s procurement policy.

Cause

Purchase orders are being approved without determining if the procurement policy was properly adhered to.

Effect

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

Questioned Costs

There were no questioned costs identified as the two items identified were properly procured using sole source justification and were allowable per the terms of the grant.

Recommendation

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

Views of Responsible Officials

Management agrees with the recommendation. The one item noted as being an exception to the policy was for consulting services that required a particular expertise for a research project and therefore a Sole Source Form was not completed. The University has updated its procurement policies and will ensure that the policy clearly identifies when a Sole Source Form is required to be completed. The Procurement Department will ensure compliance with the revised policy.

Finding No. 2017-004

Federal Research and Development Cluster:

U.S. Army:

Net Zero Technologies for the Army’s Industrial Munitions Base CFDA 12.XXX (award number W15QKN-13-9-0001, SINIT-15-0013)
U.S. Department of Defense:


RT-161: Enterprise Analysis – 2016 CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0061)


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

Office of Naval Research:

The Atlantic Center for the Innovative Design and Control of Small Ships Studies on SWACH Trimaran and Unmanned Surface Vessels CFDA 12.300 (award number N00014-10-1-0652)

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

Compliance Requirement – Subrecipient Monitoring – Significant Deficiency and Noncompliance Criteria

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

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

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

Condition and Context

The University requires that a subrecipient agreement is signed by a representative of the subrecipient and by the University. This agreement contains the information for the grant, including grant name, grant term, purpose of the grant, grant amount and federal requirements. The purpose of this agreement is to make the subrecipient aware of the rules and responsibilities associated with the funds.

We selected eleven different subrecipients for testwork and noted the following exceptions:

- The University did not communicate the CFDA number to seven subrecipients in the award documentation provided by the University to the subrecipient.
- The University did not obtain the DUNS number for seven subrecipients.

A similar finding was included in the 2016 single audit report as item 2016-005.
Cause
The University has a policy in place addressing the issues noted above, however the policy was not followed.

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

Questioned Costs
None, as all transactions tested were allowable.

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

Views of Responsible Officials
Management agrees with the recommendation. The University has obtained the DUNS number for the subrecipients noted and effective October 2017 has issued modifications to all sub awardees including the DUNS number. The University will communicate CFDA numbers to subrecipients when the awards have CFDA numbers. The University does receive awards through the SERC program where there are no CFDA numbers provided. For awards where there are no CFDA numbers provided, Stevens will provide the agency number followed by xxx to designate that it is a contract.

Finding No. 2017-005
Federal Research and Development Cluster:

U.S. Army:

Innovation Systems Based on Photonic Research Military Applications CFDA 12.XXX (award number S16-06059)

Net Zero Technologies for the Army’s Industrial Munitions Base CFDA 12.XXX (award number W15QKN-13-9-0001, SINIT-15-0013)

U.S. Department of Defense:


RT-160: System Qualities (SQs) Tradespace and Affordability – Phase 5 CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0060)

RT-162: Interactive Model-Centric Systems Engineering (IMCSE) – 2016 CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0062)

RT-167: System Engineering Experience Accelerator (SEEA) – Increment 4 CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0067)

RT-168: Transforming Systems Engineering Through Model-Centric Engineering CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0068)

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

Office of Naval Research:

The Atlantic Center for the Innovative Design and Control of Small Ships Studies on SWACH Trimaran and Unmanned Surface Vessels CFDA 12.300 (award number N00014-10-1-0652)

National Institutes of Health:

An Egocentric Computer Vision Based Active Learning Co-Robot Wheelchair CFDA 93.361 (award number 1R01NR015371-01)

U.S. Department of Homeland Security:

The Center for Maritime Research CFDA 97.061 (award number 2014-ST-061-ML0001)

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

**Compliance Requirement – Reporting – Significant Deficiency**

**Criteria**

Under the terms and conditions of certain grants, the entity may be required to submit financial reports. The non-Federal entity must establish and maintain an effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award (2 CFR 200.303), which includes the proper approval of financial reports.

**Condition and Context**

For financial reports, a Sponsored Account Analyst completes the report and it is reviewed and approved by the Manager of Sponsored Accounting and Cost Analysis prior to being submitted to the sponsor. For special and performance reports, program personnel collaborate to write the reports, which are reviewed by the Principal Investigator before submission to the agency.

We selected forty-one reports including financial, performance, and special reports for testwork and noted the following:

- For two financial reports related to one grant, the signature on the financial report was not the Manager of Sponsored Accounting and Cost Analysis.
For twenty-eight reports related to twelve grants, there was no evidence of approval by the Manager of Sponsored Accounting and Cost Analysis or the Principal Investigator prior to submission to the federal agency.

A similar finding was included in the 2016 single audit report as item 2016-006.

Cause
The financial reports were signed off on by the Sponsored Accounting Analyst rather than the Manager of Sponsored Accounting and Cost Analysis. Performance reports and special reports are discussed with the sponsor via regularly scheduled phone meetings and contain updates on technical progress and financial projections. These reports are summarized and also submitted to the sponsor, but had not been signed by a Principal Investigator. The format for the special report does not contain an authorizing signature line.

Effect
The review and approval controls over reporting are not operating effectively and therefore could lead to unauthorized or unallowable transactions being submitted to the granting agency.

Questioned Costs
None as all transactions tested were allowable.

Recommendation
The University should enhance their policies and procedures to include evidence of review on the reports. The University should provide training to the PIs related to this matter.

Views of Responsible Official
The University agrees with the recommendation. The procedures in place to ensure that financial reports have the appropriate signature have been enhanced to ensure compliance for all reports. The University will also enhance review procedures for technical progress reports that are not submitted through an agency/sponsor supported portal. Investigators will be notified during a Principal Investigator (PI) meeting and this will be documented on a PI Checklist. Additionally, an auto-generated notice for technical and progress reports is being developed which will notify PIs of the need to certify all reports that are not submitted through electronic portals.

Finding No. 2017-006
Federal Student Financial Aid Cluster:

U.S. Department of Education:

Federal Pell Grant Program CFDA 84.063

Federal Direct Loan Program CFDA 84.268

Statistically valid sample: No and it was not intended to be.
Compliance Requirement – Eligibility – Significant Deficiency and Noncompliance

Criteria

Calculation of Benefits

Awards must be coordinated among the various programs and with other Federal and non-Federal aid (need and nonneed based aid) to ensure that total aid is not awarded in excess of the student’s financial need (34 CFR Section 668.42, FPL, FWS, and FSEOG, 34 CFR Sections 673.5 and 673.6; Direct Loan, 34 CFR Section 685.301; HPSL, PCL, and LDS, 42 CFR Section 57.206; NSL, 42 CFR Section 57.306(b); NFLP, Affordable Care Act, Section 5311 and Program Guidance).

The determination of award amounts is based on financial need. Financial need is generally defined as the student’s cost of attendance (COA) minus financial resources reasonably available. In determining the financial resources available for the HHS programs, the school must use one of the need analysis systems or any other procedures approved by the Secretary of Education. The school must also take into account other information that it has regarding the student’s financial status. For Title IV programs, the financial resources available is generally the Expected Family Contribution (EFC) that is computed by the central processor and included on the student’s SAR and the ISIR provided to the institution.

For Title IV programs, the COA is generally the sum of the following: tuition and fees; an allowance for books, supplies, transportation and miscellaneous personal expenses; an allowance for room and board; where applicable, allowances for costs for dependent care; costs associated with study abroad and cooperative education; costs related to disabilities; and fees charged for student loans. There are exceptions for students attending less than half time, correspondence students, and incarcerated students. The financial aid administrator also has authority to use professional judgment to adjust the COA or alter the data elements used to calculate the EFC on a case-by-case basis to allow for special circumstances.

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

Condition and Context

An Associate Director of the Office of Financial Aid reviews student files regularly to ensure that students are not over-awarded and are eligible to receive the aid that is awarded to them. The files are reviewed on an individual basis and when a special circumstance arises (i.e., student appealing the financial aid award). Once the student file is obtained, the Associate Director ensures that all the necessary components required for financial aid are present in the student file.

We selected forty-five students who received financial aid disbursements during the year for testwork and noted for three selections, the University did not properly calculate COA based on the budget components approved by the Board of Trustees. In these cases, there was no documentation surrounding special circumstances. For two of the three selections, the student’s COA was in excess of our calculated COA based on the budget components.
STEVENS INSTITUTE OF TECHNOLOGY
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

Cause
The files of these students were not properly reviewed after making manual adjustments to COA to ensure they were documented correctly.

Effect
The University could award students excess awards for which they are not eligible, therefore would be unallowable.

Questioned Costs
None, as the students were not awarded or disbursed awards greater than the University’s calculated COA.

Recommendation
The University should strengthen its policies and procedures surrounding review of COA determinations to ensure that they are appropriately calculated using the budget components approved by the Board of Trustees. The University should provide training to the staff responsible for calculation of COA.

Views of Responsible Officials
Management agrees with the recommendation. Cost of Attendance calculations have been added to the Financial Aid Department’s intra-departmental audit process that was implemented specifically to identify training issues. The audit selects sample files that are reviewed/updated by each financial aid administrator which are then reviewed by the Associate Director of Financial Aid for Compliance and Operations or the Associate Director of Financial Aid for Student Services and Recruiting. Any errors identified are then corrected and additional training is provided as necessary.

Finding No. 2017-007
Federal Student Financial Aid Cluster:

   U.S. Department of Education:

       Federal Direct Loan Program CFDA 84.268
       Federal Pell Grant CFDA 84.063

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

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

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

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

**Condition and Context**

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

- The effective date of the status change between the University’s records and the date reported to NSLDS is different for four students.
- The reason for the status change per the University’s records and status reported to NSLDS is different for two students. For all of these students, the status per the University’s records was leave of absence and the status per NSLDS was withdrawn.
- The status change for five students was reported between 45 and 110 days late.

A similar finding was included in the 2016 single audit report as item 2016-008.

**Cause**

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

**Effect**

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

**Questioned Costs**

There are no known questioned costs.

**Recommendation**

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

**Views of Responsible Officials**

Management agrees with the recommendation. The procedure for the transmission of enrollment and graduation data has been updated. Previously, since student enrollment is not mandatory in the summer, leave of absence and withdrawal status was processed immediately, but was not attached to the subsequent fall or spring reporting information. As fall reporting does not occur until September, any changes made in May would appear to have been reported late. The Registrar has implemented corrective action to indicate leave of absence and withdrawn status with the subsequent term or session including summer or winter to ensure the status is reported out for the earliest enrollment period.

**Finding No. 2017-008**  
Federal Student Financial Aid Cluster:

U.S. Department of Education:

Federal Perkins Loan CFDA 84.038

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

**Compliance Requirement – Special Tests and Provisions – Student Loan Repayment – Significant Deficiency and Noncompliance**

**Criteria**

Except as required in 42 CFR Section 57.210(a), a repayment of a HPSL/PCL/LDS loan must begin one year after the student ceases to be a full-time student. For a FPL loan, the institution must establish a repayment plan. The repayment period begins after an initial grace period of either 6 months or 9 months after the student ceases to be at least a half-time student at an institution of higher education, depending on when the loan was made (34 CFR Section 674.31(b)(2)).

Institutions must exercise due care and diligence in the collection of loans (HPSL/PCL/LDS, NSL, and NFLP, 42 CFR Sections 57.210(b) and 57.310(b), and NFLP Program Guidance, Institutional Responsibility in Repayment Process, respectively). For the FPL, such due diligence procedures include the following:

a. A requirement to conduct an exit interview with the borrower before he or she leaves the institution and to contact the borrower a minimum of three times during the initial grace period for loans with 9-month grace periods or two times for loans with 6-month grace periods (34 CFR Section 674.42).

Further, the non-Federal entity must establish and maintain an effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award (2 CFR 200.303).
Condition and Context
The University will send students a letter and/or email indicating the need to complete an exit interview and provides the student with dates and time allocated. On a weekly basis, the financial aid office will receive a listing of students who have completed the interview and it is noted in the system as exit completed. The University uses a third-party servicer for Perkins Loan. That third-party servicer is responsible for contacting the borrower three times during grace period.

We selected 25 students who entered repayment status during fiscal year 2017 and noted that the third-party servicer failed to contact the borrower a minimum of three times during the initial grace period and the University was not aware of such issue.

Cause
The University is not properly monitoring the third-party servicer used to contact students, therefore the third notice to students was not sent out.

Effect
The University is not in compliance with the requirement to contact the borrower three times during the grace period.

Questioned Costs
There are no known questioned costs.

Recommendation
We recommend that the University improve policies and procedures to ensure that it, or the third-party service, properly contacts borrowers three times during the initial grace period.

Views of Responsible Officials
Management agrees with the recommendation. The University has discovered that the third-party servicer used to contact students had a system error, which resulted in the issue noted. This error has been corrected. The third-party servicer was unaware of this issue until notified by the University. The University has implemented an audit process to ensure that our third-party services fulfills all regulatory requirements.

State of New Jersey Awards
None.
Corrective Action Plan

Single Audit for the Year Ended June 30, 2017

Finding No. 2017-001

Compliance Requirement – Equipment and Real Property Management – Significant Deficiency and Noncompliance

Planned Corrective Action

The University has taken the following steps to improve and strengthen its property records. A physical inventory of federally funded assets was completed in FY17, fixed asset records were migrated from an excel based system to the Capital Asset Management System (CAMS) which is a separate module in the University financial system (Kuali) and the University has recently hired a Fixed Asset Specialist with extensive experience in this area. However, the completed physical inventory revealed that some legacy fixed assets were not properly barcoded which resulted in some assets not being located. The University has conducted a Request for Proposal (RFP) to contract with an outside firm who specializes in performing complete fixed asset physical inventories to ensure that all University assets are located, barcoded and reconciled to the current fixed asset information located in CAMS. This contract has been awarded and a complete fixed asset inventory will be completed in FY18.

Timing of Completion

A physical inventory of federally funded assets was completed in FY17. A complete fixed asset physical inventory will be completed in FY18.

Responsible for Corrective Action

Stevens’ personnel responsible are Joseph Cassidy, Associate Vice President for Finance (201) 216-5287 and Jamie Houghtaling, Controller (201) 216-3348.

Finding No. 2017-002

Compliance Requirement – Equipment and Real Property Management – Significant Deficiency and Noncompliance

Planned Corrective Action

The University has taken the following steps to improve and strengthen its property records. A physical inventory of federally funded assets was completed in FY17, fixed asset records were migrated from an excel based system to the Capital Asset Management System (CAMS) which is a separate module in the University financial system (Kuali) and the University has recently hired a Fixed Asset Specialist with extensive experience in this area. However, the completed physical inventory revealed that some legacy fixed assets were not properly barcoded which resulted in some assets not being located. The University has conducted a Request for Proposal (RFP) to contract with an outside firm who specializes in performing complete fixed asset physical inventories to ensure that all University assets are located, barcoded and reconciled to the current fixed asset information located in CAMS. This contract has been awarded and a complete fixed asset inventory will be completed in FY18.

Timing of Completion

A physical inventory of federally funded assets was completed in FY17. A complete fixed asset physical inventory will be completed in FY18.
Responsible for Corrective Action
Stevens’ personnel responsible are Joseph Cassidy, Associate Vice President for Finance (201) 216-5287 and Jamie Houghtaling, Controller (201) 216-3348.

Finding No. 2017-003
Compliance Requirement – Procurement – Significant Deficiency and Noncompliance
Planned Corrective Action
The University has updated its procurement policies and will ensure that the policy clearly identifies when a Sole Source Form is required to be completed. The Procurement Department will ensure compliance with the revised policy.
Timing of Completion
This has been completed in FY18.
Responsible for Corrective Action
Stevens’ personnel responsible are Joseph Cassidy, Associate Vice President for Finance (201) 216-5287 and Brian Seabold, Interim Director of Procurement (201) 216–8722.

Finding No. 2017-004
Compliance Requirement – Subrecipient Monitoring – Significant Deficiency and Noncompliance
Planned Corrective Action
The University has obtained the DUNS number for the sub recipients noted and effective October 2017 has issued modifications to all sub awardees including the DUNS number. The University will communicate CFDA numbers to sub recipients when the awards have CFDA numbers. The University does receive awards through the SERC program where there are no CFDA numbers provided. For awards where there are no CFDA numbers provided, Stevens will provide the agency number followed by xxx to designate that it is a contract.
Timing of Completion
The corrective actions have been or will be implemented in FY18.
Responsible for Corrective Action
Stevens’ personnel responsible is Barbara DeHaven, Executive Director of Sponsored Programs (201) 216-8762.
Finding No. 2017-005
Compliance Requirement – Reporting – Significant Deficiency
Planned Corrective Action
Procedures have been put in place to ensure that financial reports have the appropriate signature and to ensure compliance for all reports. The University will also enhance review procedures for technical progress reports that are not submitted through an agency/sponsor supported portal. Investigators will be notified during a Principal Investigator (PI) meeting and this will be documented on a PI Checklist. Additionally, an auto-generated notice for technical and progress reports is being developed which will notify PIs of the need to certify all reports that are not submitted through electronic portals.

Timing of Completion
The corrective actions will be implemented by June 30, 2018.

Responsible for Corrective Action
Stevens’ personnel responsible are Barbara DeHaven, Executive Director Office of Sponsored Programs (201) 216-8762 and Stephen Kosciolek, Director of Sponsored Accounting and Cost Analysis (201) 216-3496.

Finding No. 2017-006
Compliance Requirement – Eligibility – Significant Deficiency and Noncompliance
Planned Corrective Action
Cost of Attendance calculations have been added to the Financial Aid Department’s intra-departmental audit process that was implemented specifically to identify training issues. The audit selects sample files that are reviewed/updated by each financial aid administrator which are then reviewed by the Associate Director of Financial Aid for Compliance and Operations or the Associate Director of Financial Aid for Student Services and Recruiting. Any errors identified are then corrected and additional training is provided as necessary.

Timing of Completion
The planned corrective action was implemented in FY18.

Responsible for Corrective Action
Stevens’ personnel responsible is Susan Gross, Director of Financial Aid (201) 216-8142

Finding No. 2017-007
Planned Corrective Action
The procedure for the transmission of enrollment and graduation data has been updated. Previously, since student enrollment is not mandatory in the summer, leave of absence and withdrawal status was
processed immediately, but was not attached to the subsequent fall or spring reporting information. As fall reporting does not occur until September, any changes made in May would appear to have been reported late. The Registrar has implemented corrective action to indicate leave of absence and withdrawn status with the subsequent term or session including summer or winter to ensure the status is reported out for the earliest enrollment period.

Timing of Corrective Action
The planned corrective action was implemented in FY18.

Responsible for Corrective Action
Stevens’ personnel responsible is Anna-Lize Harris, Registrar (201) 216-5208.

Finding No. 2017-008
Compliance Requirement – Special Tests and Provisions – Student Loan Repayment – Significant Deficiency and Noncompliance

Planned Corrective Action
The University has implemented an audit process to ensure that our third-party service provider fulfills all regulatory requirements.

Timing of Completion
The planned corrective action was implemented in FY18.

Responsible for Corrective Action
Stevens’ personnel responsible is Rebecca Jennings, Director of Student Accounts and Auxiliary Services (201) 216-8138.
Summary Schedule of Prior Audit Findings
Single Audit for the Year Ended June 30, 2017

Findings Relating to the Consolidated Financial Statements Reported in Accordance with
Government Auditing Standards

Finding No. 2016-001
Significant Deficiency Over Financial Reporting - Accounting for Net Assets

Status:
Corrective action was taken.

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

Federal Awards

Finding No. 2016-002
Award information related to subrecipient portion of the finding:
Federal Research and Development Cluster:
National Science Foundation:
   ESE: IM Extension Services in Engineering: Improving Instruction and Mentoring to Retain Undergraduate Women CFDA 47.076 (award number HRD-0833076)

U.S. Department of Defense:
   RT 111 – Virtual Collaboration Environment for Conducting Project Design and Tests (VCE for CPD&T) CFDA 12.XXX (award number HQ0034-13-D-0004 0011)
   RT 119 – Systemic Assurance Year 1 (William Scherlis, CMU) CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0019)
   RT 126 – Agile Systems Engineering Kanban Scheduling CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0026)
   RT 128: New Project Incubator CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0028)
   RT 136 – FY 15 Systems Aware Cybersecurity CFDA 12.XXX (award number HQ0034-13-D-0004 0036)
   RT 137 – Tradespace and Affordability – Phases 4 and 5 CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0037)
   RT 138 – Enterprise Systems Analysis CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0038)
   RT 139 – Software Reliability Modeling CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 39)
RT 142 – Quantitative Risk – 2015 CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0042)
RT 143 – Interactive Model-Centric Systems Engineering CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 43)
RT 144 – Army Lethality CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0044)
RT 145 – ERS Tradespace Tools Research (Continuation of RT-120) CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0045)
RT-153: Systems Engineering Research Center (SERC) Program Management CFDA 12.XXX (award number HQ0034-13-D-0004 0053)

United States Department of Homeland Security:

Award information related to the vendor portion of the finding:
Federal Research and Development Cluster:
All grants within the cluster

Status
Corrective action was taken.

Finding No. 2016-003
Federal Research and Development Cluster:
All grants within the cluster

Status
Partially corrected, see findings 2017-001 and 2017-002.

A physical inventory of federally funded assets was completed in FY17. However, the university was unable to locate all federally funded assets as some legacy fixed assets were not properly barcoded.

The university has instituted various initiatives in order to improve its fixed asset reporting including the following: Fixed asset records were migrated from an excel based system to the Capital Asset Management System (CAMS) which is a separate module in the University financial system (Kuali) and the University has recently hired a Fixed Asset Specialist with extensive experience in this area. The University has also conducted a Request for Proposal (RFP) to contract with an outside firm who specializes in performing complete fixed asset physical inventories to ensure that all University assets are located, barcoded and reconciled to the current fixed asset information located in CAMS. This contract has been awarded and a complete fixed asset inventory will be completed in FY18.
Finding No. 2016-004
Federal Research and Development Cluster:
   Office of Naval Research:
      RT 144 Army Lethality CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0044)
   National Science Foundation:
      ESE: IM Extension Services in Engineering: Improving Instruction and Mentoring to Retain Undergraduate Women CFDA 47.076 (award number HRD-0833076)

Status
Corrective action was taken.

Finding No. 2016-005
Federal Research and Development Cluster:
   National Science Foundation:
      Adapting Tested Spatial Skills Curriculum to On-Line Format for Community College Instruction: A Critical Link to Retain Technology Students CFDA 47.076 (award number DUE-1407123)
      ESE: IM Extension Services in Engineering: Improving Instruction and Mentoring to Retain Undergraduate Women CFDA 47.076 award (number HRD-0833076)
   U.S. Department of Defense:
      RT-153: Systems Engineering Research Center (SERC) Program Management CFDA 12.XXX (award number HQ0034-13-D-0004-0053)

Status
Partially complete, see finding 2017-004.

This issue was communicated but there were still instances of noncompliance. Additional procedures have been put in place to ensure that CFDA numbers are communicated to sub recipients when the awards have CFDA numbers. The University does receive awards through the SERC program where there are no CFDA number provided. For awards where there are no CFDA numbers provided, Stevens will provide the agency number followed by xxx to designate that it is a contract.

Finding No. 2016-006
Federal Research and Development Cluster:
   U.S. Department of Defense:
      RT 126 – Agile Systems Engineering Kanban Scheduling CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0027)
RT 136 – FY 15 Systems Aware Cybersecurity CFDA 12.XXX (award number HQ0034-13-D-0004 0036)
RT 137 – Tradespace and Affordability – Phases 4 and 5 CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0037)
RT 143 – Interactive Model-Centric Systems Engineering CFDA 12.XXX (award number HQ0034-13-D-0004, Delivery Order 43)
RT 145 – ERS Tradespace Tools Research (Continuation of RT-120) 12.XXX (award number HQ0034-13-D-0004, Delivery Order 0045)

Status

Not corrected, see finding 2017-005.

This issue was communicated but there were still instances on noncompliance. Additional procedures have been put in place to ensure that financial reports have the appropriate signature and to ensure compliance for all reports. The University will also enhance review procedures for technical progress reports that are not submitted through an agency/sponsor supported portal. Investigators will be notified during a Principal Investigator (PI) meeting and this will be documented on a PI Checklist. Additionally, an auto-generated notice for technical and progress reports is being developed which will notify PIs of the need to certify all reports that are not submitted through electronic portals.

Finding No. 2016-007

Federal Student Financial Aid Cluster:
U.S. Department of Education:
Federal Direct Loan Program CFDA 84.268

Status

Corrective action was taken.

Finding No. 2016-008

Federal Student Financial Aid Cluster:
U.S. Department of Education:
Federal Direct Loan Program CFDA 84.268
Federal Pell Grant CFDA 84.063

Status

Not corrected, see finding 2017-007.

The procedure for the transmission of enrollment and graduation data has been updated. Previously, since student enrollment is not mandatory in the summer, leave of absence and withdrawal status was
processed immediately, but was not attached to the subsequent fall or spring reporting information. As fall reporting does not occur until September, any changes made in May would appear to have been reported late. The Registrar has implemented corrective action to indicate leave of absence and withdrawn status with the subsequent term or session including summer or winter to ensure the status is reported out for the earliest enrollment period.