Consolidated Financial Statements

STEVENS INSTITUTE OF TECHNOLOGY

June 30, 2015
(with summarized comparative information for 2014)

STEVENS INSTITUTE OF TECHNOLOGY

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Stevens Institute of Technology:

We have audited the accompanying consolidated financial statements of Stevens Institute of Technology and Subsidiary (collectively, "Stevens Institute of Technology" or the "University"), which comprise the consolidated statement of financial position as of June 30, 2015, 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 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 University'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 University'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 consolidated financial position of Stevens Institute of Technology and Subsidiary as of June 30, 2015, and the consolidated changes in their net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Report on 2014 summarized comparative information

We have previously audited the University's fiscal 2014 consolidated financial statements (not presented herein) and, we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 31, 2014. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Grant Thornton LLP

New York, New York
October 30, 2015

STEVENS INSTITUTE OF TECHNOLOGY
Consolidated Statement of Financial Position
As of June 30, 2015, with comparative information for 2014
(Dollars in thousands)

ASSETS		**2015**		**2014**
Cash	$	16,268	$	6,462
Student, sponsor and other receivables, net (Note 3)		26,136		26,904
Prepaid expenses and other assets		2,658		2,503
Contributions receivable, net (Notes 4 and 16)		21,806		16,802
Investments (Note 5)		164,190		163,876
Deposits with bond trustee (Note 8)		7,760		11,584
Trusts held by others (Note 5)		3,825		3,827
Land, buildings and equipment, net (Notes 7 and 8)		139,283		128,561
Total assets	$	381,926	$	360,519
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued expenses	$	18,252	$	15,344
Deferred revenue		11,952		11,718
Annuities payable		1,631		1,915
Post-retirement benefits (Note 9)		5,062		4,684
Conditional asset retirement obligations (Note 10)		6,032		6,138
Long-term debt, net (Note 8)		70,064		73,261
Refundable advances (Note 3)		5,210		5,117
Total liabilities		118,203		118,177
NET ASSETS (Notes 6 and 12)				
Unrestricted		56,108		39,973
Temporarily restricted		115,313		114,952
Permanently restricted		92,302		87,417
Total net assets		263,723		242,342
Total liabilities and net assets	$	381,926	$	360,519

The accompanying notes are an integral part of this consolidated financial statement.

STEVENS INSTITUTE OF TECHNOLOGY

Consolidated Statement of Activities

For the year ended June 30, 2015, with summarized information for 2014
(Dollars in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
OPERATING ACTIVITIES					
Revenues and other support:					
Tuition and fees (Note 8)	$ 204,273	$ -	$ -	$ 204,273	$ 180,383
Less student aid	(63,568)	-	-	(63,568)	(52,663)
Net tuition and fees	140,705	-	-	140,705	127,720
Sponsored activity revenues:					
Federal	25,828	-	-	25,828	23,071
State	1,325	-	-	1,325	1,923
Private/other	2,470	-	-	2,470	3,173
Total sponsored revenues	29,623	-	-	29,623	28,167
Grants	1,540	-	-	1,540	661
Contributions (Note 2)	988	6,587	-	7,575	4,455
Other revenues	4,113	-	-	4,113	3,850
Auxiliary enterprises	29,570	-	-	29,570	26,753
Investment return in support of operations (Note 5)	6,848	-	-	6,848	5,949
Net assets released from restrictions (Note 14)	5,693	(5,693)	-	-	-
Total operating revenues and other support	219,080	894	-	219,974	197,555
Expenses (Note 13):					
Salaries and benefits	123,644	-	-	123,644	111,166
Purchased services	19,452	-	-	19,452	17,189
Sub-contracts	7,313	-	-	7,313	6,207
Maintenance, rents and utilities	20,529	-	-	20,529	19,319
Supplies and other	24,390	-	-	24,390	21,568
Interest expense (Note 8)	3,743	-	-	3,743	3,757
Depreciation and amortization	8,966	-	-	8,966	8,454
Total operating expenses	208,037	-	-	208,037	187,660
Operating surplus	11,043	894	-	11,937	9,895
NONOPERATING ACTIVITIES					
Investment return, net of amounts in support of operations (Note 5)	(217)	(5,141)	2	(5,356)	8,172
Contributions (Note 2)	-	8,030	4,569	12,599	11,224
Grants	3,929	-	-	3,929	1,111
Post-retirement benefit changes other than net periodic costs (Note 9)	(382)	-	-	(382)	1,200
Change in value of split-interest agreements	-	126	43	169	395
Loss on disposal of capital assets	(372)	-	-	(372)	(197)
Uncollectible contributions	-	(263)	(880)	(1,143)	-
Change in donor intent	-	(1,151)	1,151	-	-
Net assets released from restrictions (Note 14)	2,134	(2,134)	-	-	-
Total nonoperating activities	5,092	(533)	4,885	9,444	21,905
Changes in net assets	16,135	361	4,885	21,381	31,800
Net assets, beginning of year	39,973	114,952	87,417	242,342	210,542
Net assets, end of year	$ 56,108	$ 115,313	$ 92,302	$ 263,723	$ 242,342

The accompanying notes are an integral part of this consolidated financial statement.

STEVENS INSTITUTE OF TECHNOLOGY
Consolidated Statement of Cash Flows
For the year ended June 30, 2015, with comparative information for 2014
(Dollars in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 21,381	$ 31,800
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Amortization of bond discount	22	11
Accretion of interest on conditional asset retirement obligations	(106)	56
Depreciation	9,072	8,398
Loss on disposal of property	372	-
Net gains on investments	(1,609)	(13,846)
Present value adjustment on split-interest agreements	(169)	395
Present value adjustment on contributions receivable	40	486
Provision for doubtful accounts - contributions receivable	151	-
Provision for doubtful accounts - student, sponsor and other receivables	(1,186)	1,961
Cash contributions restricted for capital and endowment	(2,674)	(1,066)
Changes in assets and liabilities:		
Decrease (increase) in student, sponsor and other receivables	2,074	(7,315)
(Increase) decrease in contributions receivable	(5,195)	3,105
(Increase) decrease in prepaid expenses and other assets	(256)	202
Decrease (increase) in trusts held by others	2	(480)
Increase (decrease) in accounts payable and accrued expenses	3,622	(1,294)
Increase in deferred revenue	234	5,931
(Decrease) in annuities payable	(395)	(95)
Increase in bond issuance costs	79	88
Increase (decrease) in accrued post-retirement benefits	378	(1,623)
Increase (decrease) in refundable advances	91	(11)
Net cash provided by operating activities	25,928	26,703
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	170,407	151,724
Purchases of investments	(169,112)	(151,982)
Purchases of capital assets	(20,879)	(9,118)
Change in deposits with bond trustee	3,824	(5,108)
Student loans - advances	(1,041)	(1,070)
Student loans - collections	921	982
Net cash (used in) investing activities	(15,880)	(14,572)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of contributions restricted for capital and endowment	2,674	1,066
Payment of line of credit, net	-	(7,088)
Payments of annuity obligations	281	(369)
Proceeds from the issuance of long-term debt	-	987
Repayments of long-term debt	(3,197)	(2,965)
Net cash (used in) financing activities	(242)	(8,369)
Net increase in cash	9,806	3,762
Cash, beginning of year	6,462	2,700
Cash, end of year	$ 16,268	$ 6,462
Supplemental disclosure of cash flow information:		
Interest paid	$ 3,646	$ 3,735

Accrued capital assets of $713 and $578 for fiscal years 2015 and 2014, respectively, are excluded from change in accounts payable and accrued expenses and purchases of capital assets as presented above.

The accompanying notes are an integral part of this consolidated financial statement.

1. ORGANIZATION

Stevens Institute of Technology and Subsidiary (collectively, "Stevens Institute of Technology" or 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 6800 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

Consolidation

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

Basis of Presentation

The University prepares its consolidated financial statements on the accrual basis of accounting in conformity with Accounting Principles Generally Accepted in the United States of America (US 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 (Notes 6 and 12). 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 (Notes 6 and 12).
>
> 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 (Notes 6 and 12).

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. In instances where a previously recognized pledge is satisfied by payments received from donor advised funds, the pledge receivable is written off. Such amounts, which totaled $375 and $0 in 2015 and 2014, respectively, were netted against contributions revenue. 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, 2015 and 2014, conditional contributions including advised bequests totaled $7,828 and $4,910, 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 (Note 12).

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

Investment returns, including gains or losses on investments, are reported as:

- increases (decreases) in permanently restricted net assets if the terms of the gift require that they be added to the principal balance;
- increases (decreases) in temporarily restricted net assets if the terms of the gift impose a purpose restriction on the use of the income;
- increases (decreases) in temporarily restricted net assets until appropriated for expenditure if the terms of the gift do not impose a purpose restriction on the use of the donor-restricted endowment returns; and,
- increases (decreases) in unrestricted net assets in all other cases.

Contributions of property, plant and equipment without donor stipulations restricting the use of such long-lived assets are reported as unrestricted support. Contributions of cash or other assets to be used to acquire land, buildings and equipment are reported as increases of temporarily restricted net assets in the nonoperating activities section of the consolidated statement of activities. Restrictions are considered to be satisfied at the time of acquisition or construction of such long-lived assets.

Auxiliary Enterprises

Auxiliary enterprises include revenues and expenses primarily related to student housing, the campus bookstore, student dining facilities and athletics. 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 and institutional support. 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.

Cash and Cash Equivalents

Cash is recorded at fair value and are comprised of highly liquid financial instruments with original maturities of three months or less at time of purchase. At June 30, 2015 and 2014, there were no cash equivalents within the cash balances presented in the accompanying consolidated statement of financial position.

Concentrations of Credit Risk

Cash and investments are exposed to interest rate, market, and credit risks. The University maintains its cash and cash equivalents 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.

Deferred Revenue

Deferred revenue consists of payments received from students in advance of the start of the academic period, as well as 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. The University’s tuition revenue for its summer sessions is pro-rated based on the portion of the session that occurs within each fiscal year.

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 government-backed securities classified under Level 1 within the fair value hierarchy of the Accounting Standards Codification (ASC) 820. 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.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, student, research and contributions receivable, prepaid expenses and other assets, and accounts payable and accrued expenses approximate fair value due to the short maturity of these financial instruments.

The carrying value of receivables has been reduced by an appropriate allowance for uncollectible accounts, based on historical collection experience and/or reflect realizability at the net present value of anticipated future cash flows and, therefore, approximates net realizable value.

The carrying value of long-term debt approximates fair value due to their stated interest rates and credit quality.

A reasonable estimate of the fair value of student loans receivable under government loan programs could not be made because the notes are not saleable and can only be assigned to the U.S. Government or its designees.

Fair Value Measurement

Assets and liabilities that are measured at fair value use valuation techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment. The University considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not correspond to the University's perceived risk of that instrument.

The fair value hierarchy is categorized into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include actively traded equities, certain U.S. government and sovereign obligations, and certain money market securities.

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value (NAV) per share, or its equivalent, that may be redeemed at that NAV at the date of the consolidated statement of financial position or in the near term, which the University generally considered to be within 90 days.

Investments classified as Level 2 trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs. These investments generally include certain U.S. government and sovereign obligations, most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, most physical commodities and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Level 3 - Securities that have little to no pricing observability. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities (backed by either commercial or residential real estate). When observable prices are not available for these investments, the University uses one or more valuation techniques (e.g., market approach, income approach or cost approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used by the University in estimating the fair value of Level 3 investments include the original transaction price, recent transactions for the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the University in the absence of market information. The fair value measurement of Level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the University, due to the lack of observable inputs, may significantly impact the resulting fair value and, therefore, the amounts reported in the University's accompanying consolidated financial statements.

(Dollars in thousands)

New Accounting Pronouncements

In May 2015, FASB issued ASU 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). ASU 2015-07 exempts investments measured using the net asset value (NAV) practical expedient in ASC 820, Fair Value Measurement, from categorization within the fair value hierarchy and related disclosures. Instead, entities are required to separately disclose the information stipulated by ASC 820 for assets measured using the NAV practical expedient. Entities are also required to show the carrying amount of investments measured using the NAV practical expedient as a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the financial statements. The guidance requires retrospective application and is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. However, the University elected not to early adopt this new accounting pronouncement.

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. The tax years ended 2012, 2013, 2014, and 2015 are still open to audit for federal purposes.

Land, Buildings and Equipment

Land, buildings and equipment, purchased for a value of $5,000 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:

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

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 (Note 6).

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 of a more unusual or non-recurring nature, if any.

Sponsored Activities

The University receives sponsored program funding from various governmental sources. The University recognizes revenue associated with direct costs of 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 (Note 15). In fiscal 2015, the revenue from sponsored activities was comprised of $24,385 associated with direct costs, and $5,238 associated with F&A recoveries from all sponsors, including the federal government. The corresponding amounts for fiscal 2014 were $22,453 and $5,714, respectively.

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.

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 student loan program. Student loans under the federal Perkins program are guaranteed by the federal government (Note 3).

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.

(Dollars in thousands)

Prior Year Summarized Financial Information

While comparative information is not required under US GAAP, the University believes this information is useful and has included certain summarized financial information from its fiscal 2014 consolidated financial statements. Such summarized information is not intended to be a complete presentation in conformity with US 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, 2014, from which it was derived.

Use of Estimates

The preparation of consolidated financial statements in conformity with US 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.

3. STUDENT, SPONSOR AND OTHER RECEIVABLES, NET

Student, sponsor and other receivables, net, as of June 30, 2015 and 2014, consisted of the following:

	2015	2014
Student	$ 9,688	$ 9,797
Sponsored contracts and grants	10,939	10,857
Student loans	6,667	6,550
Other	4,353	6,397
	31,647	33,601
Less:		
Allowance for doubtful student accounts	(2,535)	(3,460)
Allowance for doubtful sponsor accounts	(2,805)	(2,522)
Allowance for doubtful other accounts	(171)	(715)
	(5,511)	(6,697)
Student, sponsor and other receivables, net	$ 26,136	$ 26,904

Other receivables at June 30, 2015 and 2014 were comprised primarily of amounts due from various customers for educational programs, from the State of New Jersey for capital improvements, and security deposits associated with leased student residences.

All of the student loans outstanding are associated with the Perkins federal revolving loan program. At June 30, 2015 and 2014, student loans represented 2% of total assets. 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 $5,210 and $5,117 at June 30, 2015 and 2014, respectively, are ultimately refundable to the U.S. government and are classified as liabilities in the consolidated statement of financial position. Outstanding loans cancelled 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. Funds advanced to students were $1,041 and $1,070 for the years ended June 30, 2015 and 2014, respectively.

(Dollars in thousands)

At June 30, 2015 and 2014, the following amounts were outstanding under the federal Perkins student loan program:

June 30,	240 days or less past due	240 days to 2 years past due	2 years to 5 years past due	5 years or more past due	Total
2015	$ 5,574	$ 88	$ 244	$ 761	$ 6,667
2014	$ 5,483	$ 120	$ 226	$ 721	$ 6,550

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. However, amounts due under the federal Perkins loan program are guaranteed by the U.S. government and, therefore, no reserves are placed on any past due balances.

4. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, as of June 30, 2015 and 2014, consisted of the following:

	2015	2014
Amounts due in:		
Less than one year	$ 3,475	$ 10,362
One to five years	14,111	8,252
Greater than five years	7,003	780
	24,589	19,394
Less: Discount to present value	(1,755)	(1,715)
	22,834	17,679
Less: Allowance for doubtful contributions	(1,028)	(877)
Contributions receivable, net	$ 21,806	$ 16,802

A discount for contributions receivable to be received over periods longer than one year from date of contribution is provided using a risk-adjusted rate of return. The discount rates used range from 1.6% to 5%.

(Dollars in thousands)

5. INVESTMENTS AND TRUSTS HELD BY OTHERS

The fair value of investments and trusts held by others at June 30, 2015 and 2014, were comprised of the following:

	2015	2014
Cash and cash equivalents	$ 901	$ 5,255
Equities	67,544	41,807
Fixed income	35,198	35,995
Pooled private equity	16,800	25,417
Pooled alternative investments	40,733	51,733
Other	161	171
	161,337	160,378
Split-interest agreements	2,853	3,498
Total investments	164,190	163,876
Trusts held by others	3,825	3,827
Total investments and trusts held by others	$ 168,015	$ 167,703

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:

2015	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 901	$ -	$ -	$ 901
Equities	67,544	-	-	67,544
Fixed income	35,198	-	-	35,198
Pooled private equity	-	-	16,800	16,800
Pooled alternative investments	-	40,733	-	40,733
Other	38	48	75	161
	103,681	40,781	16,875	161,337
Split-interest agreements	2,853	-	-	2,853
Total investments	106,534	40,781	16,875	164,190
Trusts held by others	-	-	3,825	3,825
Total investments and trusts held by others	$ 106,534	$ 40,781	$ 20,700	$ 168,015

(Dollars in thousands)

2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 5,255	$ -	$ -	$ 5,255
Equities	41,807	-	-	41,807
Fixed income	35,995	-	-	35,995
Pooled private equity	-	-	25,417	25,417
Pooled alternative investments	-	51,680	53	51,733
Other	24	48	99	171
	83,081	51,728	25,569	160,378
Split-interest agreements	3,498	-	-	3,498
Total investments	86,579	51,728	25,569	163,876
Trusts held by others	-	-	3,827	3,827
Total investments and trusts held by others	$ 86,579	$ 51,728	$ 29,396	$ 167,703

There were no transfers in or out of Level 3 within the fair value hierarchy during the years ended June 30, 2015 and 2014.

The following table summarizes the changes in value of the Level 3 investments for the fiscal year ended June 30, 2015:

	Pooled Alternatives	**Pooled Private Equity**	**Other**	**Trust Held by Others**	**Total**
Balance as of June 30, 2014	$ 53	$ 25,417	$ 99	$ 3,827	$ 29,396
Purchases	-	530	-	-	530
Sales	(53)	(8,399)	(19)	-	(8,471)
Realized gains	-	4,775	-	-	4,775
Unrealized gains (losses)	-	(5,523)	(5)	(2)	(5,530)
Balance as of June 30, 2015	$ -	$ 16,800	$ 75	$ 3,825	$ 20,700

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.

Within Level 2 and Level 3, investments are broadly defined between pooled alternative funds, pooled private equity, and pooled other.

Pooled alternative funds are comprised of: equity long/short hedge funds (buying long; those equities expected to increase in value, and selling short; those equities expected to decrease in value); equity long funds (buying long those equities expected to increase in value); global opportunities (investment opportunities which exist around the world); and multi-strategy hedge funds (includes several different strategies within the same pool of assets).

(Dollars in thousands)

Pooled private equity and other funds are comprised of: real estate funds (investments in real estate related assets); and private equity funds (investments in private equity assets).

Level 2 and Level 3 investments are reported at the net asset value as calculated by the respective investment manager. These investments are subject to capital calls and specific redemption terms. Investments, valued using net asset value at June 30, 2015, follow:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period (Days)
Level 2:				
Pooled alternatives:				
Equity long/short (a)	$ 13	$ -	Monthly, Quarterly	45
Equity long (b)	21,857	-	Monthly	5-10
Multi-strategy (c)	18,863	-	Daily/Quarterly	90
	40,733			
Other investments	48	-	Not applicable	
Level 2 total	40,781	-		
Level 3:				
Pooled private equity:				
Real estate fund (d)	2,712	218	Not eligible	
Private equity (e)	14,088	8,935	Not eligible	
	16,800	9,153		
Other investments	75	-	Not eligible	
Level 3 total	16,875	9,153		
Total investments valued using net asset value	$ 57,656	$ 9,153		

The information below includes a 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 net asset value per share of the investments. These investments can be redeemed once notice is given 45 days prior to the month/quarter end.

b. Equity long includes investment strategies of long positions in equities that are expected to appreciate. The fair values of the investments in this class have been estimated using the observable market values of the investments. These investments can be redeemed once notice is given 5-10 days prior to the month end.

(Dollars in thousands)

c. 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 net asset value per share of the investments. Investments can be redeemed once notice is given 90 days prior to end of the quarter.

d. 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 net asset value 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 40% of the value in this class will terminate on December 31, 2018 and 60% have terminated and distributions are being made through the liquidation of the underlying assets. The distributions may take more than one year.

e. 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 45% in Natural Resources, 50% in US Private Equities, 2% in International Private Equities, and 3% 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 net asset value of the University's ownership in partners' capital.

The components of investment return (loss) for the years ended June 30, 2015 and 2014, follow:

	2015	**2014**
Dividends and interest	$ 2,582	$ 3,340
Net realized gains	10,913	7,930
Net unrealized (depreciation)/appreciation	(11,195)	3,773
Investment management fees	(964)	(899)
Total investment return	1,336	14,144
Endowment distribution - gross	(6,692)	(5,972)
Net investment (loss)/return	$ (5,356)	$ 8,172

In addition to the gross endowment distribution, net non-investment gain (loss) totaling $156 and ($23) in fiscal 2015 and 2014, respectively, was included in the investment return in support of operations on the accompanying consolidated statement of activities.

(Dollars in thousands)

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 non-operating activities.

6. ENDOWMENTS

The University's endowment fund consists of 364 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. 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.

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 nets 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, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (42)	$ 80,929	$ 84,802	$ 165,689
Board-designated endowment funds	7,992	-	-	7,992
Total net assets	$ 7,950	$ 80,929	$ 84,802	$ 173,681

(Dollars in thousands)

Endowment net assets consisted of the following at June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 84,752	$ 80,472	$ 165,224
Board-designated endowment funds	7,831	-	-	7,831
Total net assets	$ 7,831	$ 84,752	$ 80,472	$ 173,055

Changes in endowment net assets for the year ended June 30, 2015, follow:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014	$ 7,831	$ 84,752	$ 80,472	$ 173,055
Investment return	65	1,423	2	1,490
Contributions, net	-	-	3,681	3,681
Appropriation for expenditure	(320)	(6,372)	-	(6,692)
Distributions returned to endowment	246	760	12	1,018
Transfers to (from) endowment funds	128	366	635	1,129
Endowment net assets, June 30, 2015	$ 7,950	$ 80,929	$ 84,802	$ 173,681

Changes in endowment net assets for the year ended June 30, 2014, follow:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2013	$ 7,398	$ 76,363	$ 71,988	$ 155,749
Investment return	756	13,353	-	14,109
Contributions	-	-	8,484	8,484
Appropriation for expenditure	(354)	(5,618)	-	(5,972)
Distributions returned to endowment	28	681	-	709
Transfers to (from) endowment funds	3	(27)	-	(24)
Endowment net assets, June 30, 2014	$ 7,831	$ 84,752	$ 80,472	$ 173,055

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.

(Dollars in thousands)

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.

Spending Rate Policy

The University maintains an investment pool for a portion of 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, 2015 and 2014, the spending rate permitted the use of total returns (dividend and interest income and appreciation) at a rate of 4.7% and 4.8%, 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.

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, 2015 and 2014, the aggregate deficiencies of this nature totaling $42 and $0, 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, 2015 and 2014, property, plant and equipment, net, consisted of the following:

	2015	2014
Land	$ 1,763	$ 1,763
Buildings and improvements	219,178	214,999
Furniture, fixtures and equipment	37,097	29,585
Construction in progress	16,961	9,046
	274,999	255,393
Less: Accumulated depreciation and amortization	(135,716)	(126,832)
Total land, buildings and equipment, net	$ 139,283	$ 128,561

(Dollars in thousands)

Depreciation and amortization expense totaled $9,072 and $8,398 for the years ended June 30, 2015 and 2014, respectively, of which $17 and $17, respectively, was depreciation expense on assets related to conditional asset retirement obligations referred to in Note 10. Construction-in-progress includes information technology hardware improvements, costs associated with the campus plan, the Academic Gateway Complex and various renovation projects in the Howe Center, library and labs.

8. LONG-TERM DEBT AND LINE OF CREDIT

Long-term debt at June 30, 2015 and 2014 consisted of the following:

	Issue; Interest rate range; and Maturity Date	2015	2014
(a)	1998 Revenue Series I Bonds (4.25%~5.38%); Matures 7/1/2028	$ 4,225	$ 4,610
(b)	2001 Dormitory Safety Trust Fund Series A and B (interest free); Matures 1/15/2016	165	331
(c)	2003 Dormitory Safety Trust Fund Series A (interest free); Matures 1/15/2018	45	60
(d)	2005 Higher Education Capital Improvement Fund Series A Bonds	545	638
(e)	2006 Higher Education Capital Improvement Fund Series A Bonds	130	130
(f)	2007 Revenue Refunding Series A Bonds (5.00%) Matures 7/1/2034	64,050	66,505
(g)	2014 Higher Education Equipment Leasing Fund	904	987
	Long-term debt, net	$ 70,064	$ 73,261

(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 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. During 2008, $6,050 of principal amount was refunded with the proceeds of the 2007 Series A Bonds (i).

The mortgage loan agreement is secured by (i) a mortgage on the land on which the athletic and recreation center was built; (ii) any building improvements to be made to the land; and (iii) the Jonas Hall and the land upon which it was constructed. Under the 1998 Revenue 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, 2015 and 2014, such deposits amounted to $620 and $620, respectively, and were classified as Level 1 within the fair value hierarchy.

(b) Dormitory Safety Trust Fund Series 2001 A and B

The University entered into a loan agreement with the Authority on May 3, 2001 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 amounted to $1,200. In accordance with the loan agreement, the University is required to provide for the principal payments of the annual debt service in fifteen annual installments. On July 1, 2003, the University received an additional $1,000 from the Authority financed through the issuance of Dormitory Safety Trust Fund 2001 A Bonds. In accordance with the loan agreement, the University is required to provide for the principal portion of the annual debt service in 14 annual installments, while the State of New Jersey is obligated to provide the interest portion of the annual debt service.

(c) Dormitory Safety Trust Fund, Series 2003 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.

(d) 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.

(e) 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.

(f) Revenue Refunding Bonds, Series 2007 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.

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, 2015 and 2014, such deposits amounted to $5,776 and $5,783, respectively, and were classified as Level 1 within the fair value hierarchy.

(Dollars in thousands)

(g) Equipment Leasing Fund 2014

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 (ELF), 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 in a debt service reserve account and construction and other escrow accounts, whereby the Trustee, as evidenced by University payments, releases funds during construction. As of June 30, 2015 and 2014, such deposits amounted to $572 and $3,326, respectively, and were classified as Level 1 within the fair value hierarchy.

A second portion of the award, $2,000, is being funded under the Higher Education Technology Infrastructure Fund (HETI). Grants made under this fund require an equal match of institutional resources to state funds. The agreement requires the University to establish and maintain the unspent grant funds as deposits with trustee in a separate account, whereby the Trustee, as evidenced by University payments, releases funds during construction. As of June 30, 2015 and 2014, such deposits amounted to $792 and $1,855, respectively, and were classified as Level 1 within the fair value hierarchy.

Principal and interest payments for each of the next five years and thereafter follow:

Fiscal year ending June 30,	Principal	Interest	Total
2016	$ 3,363	$ 3,478	$ 6,841
2017	3,361	3,319	6,680
2018	3,529	3,152	6,681
2019	3,246	2,976	6,222
2020	3,407	2,813	6,220
Thereafter	53,158	19,127	72,285
Total	$ 70,064	$ 34,865	$ 104,929

The University's bonds and notes payable had carrying amounts of $70,064 and $73,261 at June 30, 2015 and 2014, respectively, compared to estimated fair values of approximately $73,641 and $78,359 at June 30, 2015 and 2014, respectively. The University determines the fair value of its existing fixed-rate debt obligations based on trade data, broker/dealer quotes and other observable market data. The carrying amounts of its variable-rate debt obligations approximate fair value because the obligations are currently callable at a price equal to the carrying amounts. The University's debt is classified as Level 2 in the fair-value hierarchy.

Line of Credit

The University has a $17,000 line of credit with PNC Bank secured by a mortgage on a University building. This facility bears interest at one hundred fifty (150) basis points above the LIBOR one month rate and has no facility commitment fee. This line of credit expires on February 28, 2016. The interest rates were 1.686% and 1.651% at June 30, 2015 and 2014, respectively. At both June 30, 2015 and 2014, there was no outstanding balance under this line of credit.

(Dollars in thousands)

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 presents details of the University's post-retirement benefit obligation for the years ended June 30:

	2015	2014
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 4,684	$ 6,307
Service cost	102	87
Interest cost	185	191
Plan participants' contributions	-	-
Actuarial loss/(gain)	492	(1,503)
Benefits paid	(465)	(462)
Medicare Part D prescription drug federal subsidy	64	64
Benefit obligation at end of year	$ 5,062	$ 4,684

The following weighted-average assumptions were used to determine benefit obligations for the years ended June 30:

	2015	2014
Discount rate	4.12 %	3.92 %

Assumed health care cost trend rates can have a significant effect on the amounts reported for the health care plans. A one percentage point change in the health care cost trend rates would have the following effects:

	One Percentage Point Increase	One Percentage Point Decrease
Effect on post-retirement benefit obligation	$ 122	$ (115)
Effect on total of service and interest cost components	4	(4)

(Dollars in thousands)

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

	2015	2014
Change in plan assets:		
Fair value of plan assets at beginning of year	$ -	$ -
Contributions (employer & plan participants')	401	398
Medicare Part D prescription drug federal subsidy	64	64
Benefits paid	(465)	(462)
Fair value of plan assets at end of year	$ -	$ -
Components of accrued benefit cost:		
Funded status	$ (5,062)	$ (4,684)
Unamortized prior service cost	(368)	(431)
Unamortized actuarial net loss	2,715	2,396
Accrued benefit cost	$ (2,715)	$ (2,719)
Components of net periodic benefit cost:		
Service cost	$ 102	$ 87
Interest cost	185	191
Amortization of unrecognized prior service cost credit	(63)	(453)
Amortization of net loss	173	150
Net periodic benefit cost	$ 397	$ (25)

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

	2015	2014
Discount rate	3.92 %	4.41 %
Assumed pre-65 medical trend rates at June 30:		
Health care cost and prescription drugs trend rate assumed	6.00 %	6.31 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.89 %	5.00 %
Fiscal year that the rate reaches the ultimate trend rate	2075	2022

	2015	2014
Post-retirement benefit changes other than net periodic costs:		
Change in unamortized items:		
Actuarial loss/(gain)	$ 492	$ (1,503)
Amortization of:		
Actuarial loss	(173)	(150)
Unrecognized prior service credit	63	453
Total benefit changes other than net periodic costs	$ 382	$ (1,200)

(Dollars in thousands)

Expected Future Benefit Payments

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

Year ended June 30:	Employer Contributions	Subsidy Receipts	Net Payment
2016	$ 452	$ (80)	$ 372
2017	445	(93)	352
2018	431	(100)	331
2019	417	(108)	309
2020	408	(117)	291
2021 to 2025	1,884	(537)	1,347

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

	2015	2014
Prior service credit	$ (368)	$ (431)
Net loss	2,715	2,396
	$ 2,347	$ 1,965

Amounts in unrestricted net assets expected to be recognized as components of net periodic benefit cost during fiscal year 2016 follow:

Prior service credit	$ (62)
Net loss	188

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. 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. The University satisfies CARO liabilities when the related obligations are settled. Accretion charges/(credits) in the amount of ($106) and $56 for the years ended June 30, 2015 and 2014, respectively, were presented as a component of depreciation and amortization expense.

(Dollars in thousands)

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, non-academic support and union personnel. The University participated in a defined contribution plan underwritten by the Variable Annuity Life Insurance Company (VALIC) for non-academic 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, 2015 and 2014 totaled approximately $5,032 and $4,503, 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 non-academic 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, 2015 and 2014, this plan had net assets available for plan benefits of $713 and $666, respectively.

12. NET ASSETS

At June 30, 2015 and 2014, net assets consisted of the following:

	2015	2014
Unrestricted:		
Undesignated	$ 45,453	$ 29,145
Endowment	7,950	7,831
Institutional portion of Federal Perkins loans program	2,705	2,997
Total unrestricted	56,108	39,973
Temporarily restricted:		
Education and research programs	6,890	7,279
Capital projects	25,060	20,264
Annuity and life income funds	2,434	2,657
Endowment	80,929	84,752
Total temporarily restricted	115,313	114,952
Permanently restricted:		
Endowment	84,802	80,472
Student loans	5,669	5,439
Annuity and life income funds	1,831	1,506
Total permanently restricted	92,302	87,417
Total net assets	$ 263,723	$ 242,342

(Dollars in thousands)

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, 2015 and 2014, operating expenses presented by their functional category and allocation of depreciation and amortization, interest, and operations and maintenance of plant were as follows:

2015	Operating Expenses Before Allocations	Depreciation and Amortization	Interest	Operations and Maintenance of Plant	Total Operating Expenses
Instruction	$ 68,619	$ 2,231	$ 1,133	$ 2,946	$ 74,929
Research	22,471	1,143	615	1,511	25,740
Public services	1,236	-	-	-	1,236
Academic support	23,516	1,286	584	1,698	27,084
Student services	21,280	1,478	479	1,953	25,190
Institutional support	25,765	462	138	611	26,976
Auxiliary enterprises	20,597	2,366	794	3,125	26,882
Total	$ 183,484	$ 8,966	$ 3,743	$ 11,844	$ 208,037

2014	Operating Expenses Before Allocations	Depreciation and Amortization	Interest	Operations and Maintenance of Plant	Total Operating Expenses
Instruction	$ 66,437	$ 2,633	$ 1,138	$ 3,168	$ 73,376
Research	20,966	569	616	686	22,837
Public services	1,180	-	-	-	1,180
Academic support	18,049	1,207	586	1,452	21,294
Student services	18,447	1,368	481	1,645	21,941
Institutional support	22,205	431	139	518	23,293
Auxiliary enterprises	17,994	2,246	797	2,702	23,739
Total	$ 165,278	$ 8,454	$ 3,757	$ 10,171	$ 187,660

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.

(Dollars in thousands)

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 $3,349 and $2,867 for the years ended June 30, 2015 and 2014, respectively.

14. NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 2015 and 2014, net assets were released from restrictions by incurring expenses in satisfaction of donor purpose or time restrictions as follows:

	2015	2014
Operating:		
Instruction and student aid	$ 4,046	$ 2,064
Research	6	9
Public service	6	5
Academic support	193	281
Student services	107	134
Institutional support	1,335	308
	5,693	2,801
Nonoperating:		
Capital projects/construction	2,134	844
Total	$ 7,827	$ 3,645

15. 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 (ONR), which is the University's cognizant Federal agency. The University's facilities and administrative cost reimbursements for the years ended June 30, 2015 and June 30, 2014 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 2007. 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.

In July 2014, the University was selected by the State of New Jersey for an audit of its practices regarding unclaimed property. The audit is proceeding and it is management's belief that the resolution of this audit will not have a material impact on the University's consolidated financial statements.

(Dollars in thousands)

The University has committed to invest in various investment partnerships for a period of years pursuant to the provisions of the individual investment partnership agreements. At June 30, 2015, the aggregate amount of such unfunded commitments totaled $9,153 (Note 5).

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 position, changes in net assets, or cash flows.

The University is a party to various operating lease agreements, expiring through 2020, for office equipment, vehicles, notebook computers related to its student Personal Computing Program and student housing. Minimum lease payments due under these agreements follow:

Fiscal year ending June 30,		
2016	$	8,663
2017		4,902
2018		1,539
2019		22
2020		3
Total	$	15,129

Rent expense associated with the above leases, for the years ended June 30, 2015 and 2014, totaled $8,924 and $7,481, respectively.

16. 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 year 2015, there was one such arrangement that received all of the required approvals. During fiscal year 2014, 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, 2015 and 2014, contributions receivable included approximately $15,792 and $9,716, respectively, from members of the Board of Trustees.

17. SUBSEQUENT EVENTS

The University evaluated its June 30, 2015 consolidated financial statements for subsequent events through October 30, 2015, 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.