



FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

FAIRLEIGH DICKINSON UNIVERSITY

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KPMG LLP
New Jersey Headquarters
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Short Hills, NJ 07078-2702

Independent Auditors' Report

The Board of Trustees
Fairleigh Dickinson University:

We have audited the accompanying consolidated financial statements of Fairleigh Dickinson University (the University), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years 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 the 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 the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether to fraud or error. In making those risk assessments, we consider 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 financial position of Fairleigh Dickinson University at June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in Note 2(v) to the consolidated financial statements, effective July 1, 2019, Fairleigh Dickinson University adopted Financial Accounting Standards Board Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

KPMG LLP

October 13, 2020

FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Statements of Financial Position

June 30, 2020 and 2019

(In thousands of dollars)

Assets	2020	2019
Cash and cash equivalents	\$ 71,684	65,901
Restricted cash and cash equivalents	9,419	12,050
Student accounts receivable, net of allowance for doubtful accounts of \$14,540 and \$14,361 in 2020 and 2019, respectively	5,320	5,029
Accounts receivable and other current assets	4,474	5,426
Contributions receivable, net	3,624	5,831
Student loans receivable, net of allowance for doubtful accounts of \$2,770 and \$2,927 in 2020 and 2019, respectively	4,712	5,759
Investments, at fair value	139,317	146,169
Property, plant and equipment, net	189,688	187,949
Total assets	\$ 428,238	434,114
Liabilities		
Accounts payable and accrued liabilities	\$ 11,945	15,578
Accrued salaries and liabilities for compensated absences	10,044	7,055
Deferred tuition revenues	5,991	4,257
Other liabilities	7,870	6,779
U.S. government grants refundable	7,766	9,759
Long-term debt, net	55,270	61,093
Post-retirement benefits liability	24,891	21,619
Asset retirement obligations	15,695	15,009
Total liabilities	139,472	141,149
Net Assets		
Without donor restrictions	218,919	227,893
With donor restrictions	69,847	65,072
Total net assets	288,766	292,965
Total liabilities and net assets	\$ 428,238	434,114

See accompanying notes to consolidated financial statements.

FAIRLEIGH DICKINSON UNIVERSITY

Consolidated Statements of Activities

Years ended June 30, 2020 and 2019

(In thousands of dollars)

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating revenues, gains and other support:						
Tuition and fees, net of scholarships, tuition grants and aid of \$115,933 and \$111,878 in 2020 and 2019, respectively	\$ 161,142	—	161,142	169,679	—	169,679
Contributions	4,168	1,325	5,493	2,323	2,990	5,313
New Jersey State aid	294	—	294	243	—	243
Contracts and grants	8,972	—	8,972	3,612	—	3,612
Investment return-endowment spending rate and other	5,284	824	6,108	4,588	739	5,327
Other sources	3,223	144	3,367	4,146	15	4,161
Auxiliary enterprises, net of scholarships, tuition grants and aid of \$876 and \$1,038 in 2020 and 2019, respectively	24,835	—	24,835	33,728	—	33,728
Total revenues, gains and other support	207,918	2,293	210,211	218,319	3,744	222,063
Net assets released from restrictions	895	(895)	—	1,174	(1,174)	—
Total operating revenues, gains and other support	208,813	1,398	210,211	219,493	2,570	222,063
Expenses:						
Educational and general:						
Instruction	78,027	—	78,027	78,192	—	78,192
Academic support	34,637	—	34,637	36,063	—	36,063
Student services	40,335	—	40,335	41,056	—	41,056
Institutional support	32,776	—	32,776	33,046	—	33,046
Scholarships and fellowships	2,886	—	2,886	—	—	—
Research and other	711	—	711	964	—	964
Total educational and general expenses	189,372	—	189,372	189,321	—	189,321
Auxiliary enterprises	20,546	—	20,546	23,358	—	23,358
Total expenses and losses	209,918	—	209,918	212,679	—	212,679
(Decrease) increase in net assets from operating activities	(1,105)	1,398	293	6,814	2,570	9,384
Nonoperating:						
Contributions	541	5,808	6,349	—	6,510	6,510
Change in fair value of interests in split interest agreements	—	(20)	(20)	—	(11)	(11)
Investment return (less than) in excess of endowment spending rate	(1,148)	(2,251)	(3,399)	321	(373)	(52)
Post-retirement medical plan changes other than service cost	(3,365)	—	(3,365)	3,236	—	3,236
State bond grant revenue	443	—	443	—	—	—
Write-off of construction costs	(1,049)	—	(1,049)	—	—	—
Multi-employer pension plan charge	(164)	—	(164)	(1,667)	—	(1,667)
Net assets released from restrictions – for capital	160	(160)	—	388	(388)	—
(Decrease) increase in net assets from nonoperating activities	(4,582)	3,377	(1,205)	2,278	5,738	8,016
(Decrease) increase in net assets	(5,687)	4,775	(912)	9,092	8,308	17,400
Net assets:						
Beginning of year, as previously reported	227,893	65,072	292,965	218,801	56,764	275,565
Cumulative effect of change in accounting principle	(3,287)	—	(3,287)	—	—	—
Beginning of year, as restated	224,606	65,072	289,678	218,801	56,764	275,565
End of year	\$ 218,919	69,847	288,766	227,893	65,072	292,965

See accompanying notes to consolidated financial statements.

FAIRLEIGH DICKINSON UNIVERSITY
Consolidated Statements of Cash Flows
Years ended June 30, 2020 and 2019
(In thousands of dollars)

	2020	2019
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (912)	17,400
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,882	13,131
Bond amortization	53	53
Provision for doubtful student accounts receivable	2,275	1,302
Change in allowance for doubtful student loans receivable	(157)	182
Gifts, donations and grants restricted for capital improvements and endowment	(6,792)	(6,510)
Loss on disposal of property, plant and equipment	20	64
Write-off of construction costs	1,049	—
Net realized and unrealized losses (gains) on investments	1,018	(1,483)
Post-retirement medical plan changes other than net periodic cost	3,332	(3,535)
Cumulative effect of change in accounting principle	(3,287)	—
Changes in operating assets and liabilities:		
Student accounts receivable	(2,566)	(845)
Accounts receivable and other current assets	952	(898)
Contributions receivable	1,152	(1,428)
Accounts payable and accrued liabilities	(4,334)	1,286
Accrued salaries and liabilities for compensated absences	2,989	(1,153)
Deferred tuition revenues	1,734	636
Post-retirement benefits liability	(60)	63
Other liabilities	1,091	649
Net cash provided by operating activities	11,439	18,914
Cash flows from investing activities:		
Proceeds from student loans collections	1,367	1,419
Student loans issued	(163)	(203)
Proceeds from sale of investments	45,839	29,041
Purchases of investments	(40,005)	(50,007)
Purchases of property, plant and equipment	(15,303)	(12,314)
Net cash used in investing activities	(8,265)	(32,064)
Cash flows from financing activities:		
Gifts, donations and grants restricted for capital improvements	7,847	4,628
Principal payments of debt	(5,876)	(5,703)
(Decrease) increase in U.S. government grants refundable	(1,993)	94
Net cash used in financing activities	(22)	(981)
Net increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents	3,152	(14,131)
Cash, cash equivalents and restricted cash and cash equivalents:		
Beginning of year	77,951	92,082
End of year	\$ 81,103	77,951
Supplemental information:		
Interest paid	\$ 2,135	2,326
Noncash gifts-in-kind	226	1,325
Increase in accounts payable for property, plant, and equipment	701	675

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(In thousands of dollars)

(1) Organization and Summary of Significant Accounting Policies

Fairleigh Dickinson University (the University), New Jersey's largest private university, is a nonsectarian, coeducational institution offering programs on the undergraduate, graduate and professional levels. The University educates approximately 13,000 students per year. Founded in 1942, the University now maintains two major campuses in northern New Jersey, the Metropolitan Campus and the Florham Campus, and campuses in Wroxton, England, and Vancouver, British Columbia, Canada. The University provides instruction at additional locations throughout New Jersey, and learning opportunities at select locations throughout the United States and study-abroad in a variety of locations overseas.

The University offers a wide range of programs, delivered in-person and online, including degree, certificate and continuing-education programs; undergraduate, graduate and doctoral degree programs; and professional-level programs, as well as nondiploma, nondegree and certificate programs. Degrees awarded range from the associate to the Ph.D. Areas of study include the following: business administration, clinical psychology, education certification, engineering and engineering technology, pharmacy, health sciences, hotel, restaurant and tourism management, liberal arts, nursing, pre-professional studies, public administration, and the sciences.

Current Environment

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. The outbreak of the disease has affected travel, commerce and financial markets globally, including in the United States. The continued spread of COVID-19 and its impact on social interaction, travel, economies and financial markets may adversely affect operations and financial condition, including, among other things, (i) the ability of the University to conduct its operations and/or the cost of operations, (ii) governmental and non-governmental funding, and (iii) financial markets impacting investments valuation and interest rates.

Commencing March 16, 2020, undergraduate and graduate course instruction was conducted virtually and most students vacated the campus. The University granted refunds of approximately \$6.5 million in fiscal year 2020 for housing and dining services not provided. Students continued to meet their academic requirements for the remainder of the 2019 – 20 academic year. In addition, the start of 2020-21 academic year will remain a mostly virtual learning environment. While some faculty and staff are working on-campus to ensure continuity of essential operations, most faculty and staff have transitioned to remote work. Given the uncertainty over the progression of the virus and governmental emergency directives, there is no timetable for when instruction and campus operations will return to normal. The University did receive \$5.8 million of Higher Education Emergency Relief Funds from the CARES Act, of which half was distributed to students as emergency aid and half was used by the University to offset the refunds noted above.

The COVID-19 pandemic has negatively affected national, state, and local economies and global financial markets, and the higher education landscape in general. While the financial impact on the University cannot be quantified at this time, the pandemic may have a material adverse effect on the current and future financial profile and operating performance of the University. The University continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the University community and promote the continuity of its academic mission.

FAIRLEIGH DICKINSON UNIVERSITY
Notes to Consolidated Financial Statements
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(In thousands of dollars)

The significant accounting policies followed by the University are described below to enhance the usefulness of the consolidated financial statements to the reader.

(a) Income Taxes

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The University's wholly owned subsidiary, Harbinger Corporation, currently inactive, is subject to income tax.

There are certain transactions that could be deemed unrelated business income and would result in a tax liability. Management reviews transactions to estimate potential tax liabilities using a threshold of more likely than not. It is management's estimation that there are no material tax liabilities that need to be recorded.

(b) Basis of Presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America on the accrual basis and include the accounts of the University and the Fairleigh Dickinson University of British Columbia, Foundation (the University's Vancouver Campus), a wholly owned subsidiary, which opened with academic programs in August 2007. The consolidated financial statements also include the accounts of the University's wholly owned inactive subsidiary, Harbinger Corporation. All significant intercompany transactions and balances have been eliminated in consolidation.

(c) Net Assets

In the accompanying consolidated financial statements, the University's net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

- **Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.
- **With Donor Restrictions** – Net assets whose use by the University is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

Also included in this category are net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the University. Generally, the donors of these assets permit the University to use all or part of the investment return on these assets for either a specific purpose or the general use of the University. The appropriation and spending of such income is subject to a standard of prudence, as more fully disclosed in note 10.

Expenses are reported as decreases in net assets without donor restrictions. Expiration of donor-imposed stipulations that simultaneously increase net assets without donor restrictions and decrease net assets with donor restrictions are reported as net assets released from restrictions. Revenues with donor restrictions received and expended during the same fiscal year are recorded as revenues and expenses without donor restrictions in the consolidated statements of activities.

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(d) Agency Transactions

Agency transactions such as externally provided tuition aid grants, federal direct loans, federal supplemental educational opportunity grants, the federal pell grant program and others received by government agencies and provided to students are not included in the consolidated financial statements. Agency receipts and disbursements were \$91,160 and \$91,070, respectively, in 2020 and \$95,862 and \$95,797, respectively, in 2019.

(e) Cash, Cash Equivalents and Restricted Cash and Cash Equivalents

Cash and cash equivalents include money market deposits and highly liquid debt instruments with original maturities of three months or less when purchased, except for those held for long-term investment.

Restricted cash and cash equivalents represents monies legally earmarked for debt service reserves, repair and replacement reserves, bond interest fund, construction fund, scholarships, specific grants and other agreements with limitations as to use. These funds are primarily cash and U.S. treasuries and are considered Level 1 in the fair value hierarchy (see note 1(u) below).

A reconciliation of cash, cash equivalents and restricted cash and cash equivalents to the total in the statement of cash flows is as follows:

	2020	2019
Cash and cash equivalents	\$ 71,684	65,901
Restricted cash and cash equivalents	9,419	12,050
Cash, cash equivalents and restricted cash and cash equivalents shown in the statement of cash flows	\$ 81,103	77,951

(f) Investments

The fair value of marketable investments, which consists of debt and equity securities, is based upon quoted market prices at year-end. Investments in mutual and commingled funds are stated at estimated fair value based on the published net asset value (NAV) of funds. For funds that do not have a readily determinable fair value, these funds' reported NAV is used as a practical expedient to estimate the fair value of the University's interest therein. The NAV is provided by the investment managers, and evaluated for reasonableness by the University.

The consolidated statements of activities recognize unrealized gains and losses on investments as increases and decreases, respectively, in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Purchase and sale transactions are recorded on a trade date basis. Gains and losses on the sale of investment securities are calculated using the average cost method to determine the cost of securities.

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(g) Student Accounts Receivable and Allowance for Doubtful Accounts

Student accounts receivable are recorded when billed to the student. Student accounts receivable are also reduced for allowance for doubtful accounts. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. Historical collection is an integral part of the estimation process related to reserves for uncollectible accounts. Revisions in allowance for doubtful accounts estimates are recorded as an adjustment to the provision for bad debts.

(h) Property, Plant and Equipment

Land is stated at cost. Land improvements, buildings, building improvements, furniture and equipment, are stated at cost less allowance for depreciation and amortization.

The University records furniture and equipment greater than five hundred dollars at the cost of acquisition and donated assets at fair value at date of donation. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected in the consolidated statements of activities. Maintenance, repairs and minor renewals are charged to operations as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows: buildings, building improvements and land improvements, generally, 15 to 60 years; furniture, 15 years; equipment and other plant assets, 5 to 10 years.

Interest charges, net of related interest income, relating to the construction of major projects are capitalized during the construction phase.

Contributions restricted by donors for the acquisition and/or construction of land, buildings and equipment are reported as revenues with donor restrictions in nonoperating activities. These contributions are reclassified to net assets without donor restrictions upon acquisition of the assets or when the constructed assets have been placed in service.

(i) U.S. Government Grants Refundable

Funds provided by the U.S. government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the U.S. government and are presented in the accompanying consolidated statements of financial position as a liability.

(j) Tuition and Fees

Tuition and fees are recognized on the accrual basis. Students are billed in advance of the services rendered, and revenues are recognized within the fiscal year in which educational services are provided. Amounts received in advance for tuition and fees that are not earned in the current year are included in deferred tuition revenues and are recognized as revenue in the subsequent year.

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(In thousands of dollars)

(k) Auxiliary Enterprises

Included in auxiliary enterprises are revenues from residence halls and dining. Revenue from auxiliary enterprises are recognized on the accrual basis within the fiscal year in which the services are provided.

(l) Scholarships, Tuition Grants and Aid

The policy of the University has been to award internal scholarships, tuition grants and aid to deserving students in lieu of accepting only students who have the ability to pay full tuition. Scholarships, tuition grants and aid reduce the published price of tuition for students receiving such aid.

(m) Contributions and Grants

Unconditional contributions are recognized in the appropriate category of net assets, with donor restrictions or without donor restrictions, in the fiscal year received. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. See note 3 for additional information on the recognition of contributions.

Revenue from government and private grants is recognized when qualifying expenditures are incurred and conditions under the agreement are met.

(n) Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value based on estimated undiscounted future net cash flows expected to be generated by the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment loss for the years ended June 30, 2020 and 2019.

(o) Endowment Spending Rate

The University's endowment spending rate policy was designed to stabilize annual spending levels and to preserve the real value of the endowment portfolio over time. To meet these objectives, the policy limits spending of endowment return to 4.5% – 5.0% of the moving average of the fair value of endowment investments for the previous twelve quarters. The revenues from applying this endowment spending rate policy are recorded in the operating revenues section in the consolidated statements of activities based on the existence or absence of donor-imposed restrictions. Any difference between actual total endowment return, including realized and unrealized gains and losses, and the endowment spending rate is recorded in the nonoperating section of the consolidated statements of activities.

(p) Operating Measure

The operating activities of the University include all revenues, gains and other support and expenses related to carrying out its mission of educating students. In accordance with the endowment spending rate policy, included in operating revenues is the return from endowment investments limited to the 4.5% – 5.0% spending rate (amounting to \$4,288 and \$4,036 for the years ended June 30, 2020 and

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2019, respectively, which represents a rate of 5% for both years) while nonoperating activities include endowment returns (less than) in excess of the spending rate. Nonoperating activities include contributions and grants for capital projects or of a permanent nature to be used by the University to generate a return that will support operations. Nonoperating activities also include the change in fair value of interests in split interest agreements, post-retirement medical plan changes other than service costs, state bond grant revenue, write-off of construction costs, multi-employer pension plan charge and net assets released from restrictions for capital.

(q) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 liabilities for postretirement benefits, the allowance for doubtful student accounts and loans receivable, valuation of investments, functional allocation of expenses, and the asset retirement obligations. Actual results could differ from those estimates.

(r) Advertising

All advertising costs are expensed in the year they are incurred. The amount totaled \$1,802 and \$2,002 in fiscal years 2020 and 2019, respectively.

(s) Allocation of Expenses

Certain expenses related to more than one activity of the University were allocated among the appropriate functions. Operation and maintenance of plant expenses (including depreciation) of \$31,111 and \$31,757 in fiscal years 2020 and 2019, respectively, were allocated based on the square footage of space occupied by, or assets assigned to, each program and supporting service. Interest costs of \$2,188 and \$2,379 in fiscal years 2020 and 2019, respectively, were allocated functionally based on usage of debt proceeds. Employee benefits costs of \$31,081 and \$29,988 in fiscal years 2020 and 2019, respectively, were allocated functionally based on salary expenses.

(t) Asset Retirement Obligations

The University has asset retirement obligations for asbestos related removal costs. The University accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded. The University used a discount rate of 4% and an inflation rate of 3% in 2020 and 2019. The liability recorded at June 30, 2020 and 2019 was \$15,695 and \$15,009, respectively.

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(u) Fair Value Accounting

The University follows guidance with respect to accounting and reporting for the fair value of their financial assets and liabilities. This guidance defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer 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.

This guidance also establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 Quoted prices or published net asset values in active markets for identical assets or liabilities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, 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 same terms 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 measurement.

(v) New Accounting Pronouncements

Effective July 1, 2019, the University adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASC 606). The ASU introduces a single framework for revenue recognition under which revenue recognized is reflective of the consideration to which an entity expects to be entitled in exchange for goods and services. The University applied the modified retrospective approach, which applies to contracts that have remaining obligations as of July 1, 2019 and new contracts entered into subsequent to July 1, 2019.

Results for reporting the fiscal year 2020 are presented under ASC 606. The comparative information has not been restated and continues to be reported under the accounting standards in effect in the prior year. The University recorded an adjustment to reduce opening net assets without donor restrictions by \$3,287 due to the impact of adopting ASC 606, related to tuition for the 2019 summer term performance obligations that spanned two reporting periods.

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The impact of adoption on the University's consolidated statement of financial position as of June 30, 2019 and the consolidated statement of activities for the year ended June 30, 2020 for those contracts recorded through the cumulative effect of change in accounting principle was as follows:

<u>Consolidated statement of financial position</u>	<u>As of June 30, 2019</u>		
	<u>Balances without adoption of ASC 606</u>	<u>Change due to ASC 606</u>	<u>Balances following the adoption of ASC 606</u>
Deferred tuition revenues	\$ 4,257	3,287	7,544
Net assets without donor restrictions	227,893	(3,287)	224,606

<u>Consolidated statement of activities</u>	<u>As of June 30, 2020</u>		
	<u>Balances without adoption of ASC 606</u>	<u>Change due to ASC 606</u>	<u>Balances following the adoption of ASC 606</u>
Tuition and fees, net of scholarships, tuition grants and aid	\$ 157,855	3,287	161,142

The total impact on tuition and fees, net of scholarships, tuition grants and aid for the year ended June 30, 2020, taking into consideration both the contracts recorded through the cumulative effect of change in accounting principle and the contracts that began subsequent to July 1, 2019, in accordance with ASC 606, was an increase of \$591.

The University adopted FASB ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, in 2020. This updated guidance about whether a transfer of cash or other assets, or the reduction, settlement, or cancelation of liabilities, should be accounted for as a contribution or an exchange transaction. The guidance also clarifies that a contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of a promisor's obligation to transfer assets. This standard did not have a material impact on the University's consolidated financial statements.

The University adopted FASB ASU No 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, in 2020. The ASU requires that the statements of cash flows include restricted cash and restricted cash equivalents when reconciling the beginning and ending cash amounts. See note 1(e) for a reconciliation of cash, cash equivalents and restricted cash and cash equivalents to the total amount shown in the consolidated statements of cash flows. The presentation for 2019 has been reclassified to conform with this ASU.

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The University adopted FASB ASU No. 2017-07, *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, in 2020. This guidance requires the components of net periodic postretirement benefit cost, other than service cost, to be classified as nonoperating. The 2019 amounts have been reclassified to conform with this presentation.

(2) Liquidity and Availability of Resources

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a revolving credit facility. See note 7 for more information about the University's revolving credit facility.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Student loans receivable are not considered to be available to meet general expenditures because principal and interest on these loans are used to make new loans.

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows which identify the sources and uses of the University's cash and shows positive net cash generated by operations for fiscal years 2020 and 2019.

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As of June 30, 2020, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 71,684	65,901
Restricted cash and cash equivalents	9,419	12,050
Student accounts receivable, net	5,320	5,029
Accounts receivable and other current assets	4,474	5,426
Contributions receivable, net	3,624	5,831
Student loans receivable, net	4,712	5,759
Investments	139,317	146,169
Endowment appropriation for spending in subsequent year	<u>4,321</u>	<u>4,213</u>
Total financial assets at June 30, 2020	242,871	250,378
Less amounts not available to meet general expenditures within one year:		
Restricted cash and cash equivalents	(9,419)	(12,050)
Prepaid expenses	(1,825)	(2,185)
Contributions receivable expected after one year	(2,033)	(2,927)
Student loans receivable, net	(4,712)	(5,759)
Investments restricted for debt service, renewal, and replacement	(6,906)	(6,852)
Endowment return restricted for scholarships and other	(17,901)	(19,826)
Board-designated endowed scholarships	(11,380)	(11,942)
Board-designated endowment	(30,346)	(31,840)
Donor-restricted for future capital projects	(8,882)	(3,685)
Donor-restricted perpetually for endowment	<u>(28,677)</u>	<u>(28,017)</u>
Financial assets available to meet general expenditures within one year	\$ <u>120,790</u>	<u>125,295</u>

As described in note 1(o), the spending of endowment return is limited to 4.5% – 5.0% of the moving average of the fair value of endowment investments for the previous twelve quarters. Under this policy, the expected distribution available during fiscal 2021 is \$4,321. The University also has a \$5,000 aggregate revolving credit facility which it could draw upon in the event of an anticipated liquidity need. See note 7 for additional details about the revolving credit facility. The University also has \$41,726 in board-designated endowments, which are available for general expenditure with Board approval, if necessary.

(3) Contributions Receivable

Contributions receivable include all unconditional promises to give and interests in split interest agreements where the University is the remainderman. Contributions are recognized as revenue when the unconditional promise is received. Unconditional promises are recognized at the estimated present value of

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the future cash flows, net of allowances. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. If there are donor-imposed conditions, such as a barrier, and a right of return or release of obligation, the contribution would be conditional. Conditional promises are recorded as contributions when donor stipulations are met.

Interests in split interest agreements represent resources in which the University derives residual interest from the assets, primarily interests in charitable remainder trusts. These interests are recognized at the estimated fair value of the residual assets when the irrevocable trust is established or the University is notified of its existence.

Charitable remainder trusts neither in the possession nor under the control of the University, but held in trust by others, are included in the consolidated financial statements at fair value of the contributed assets less the estimated present value of the liabilities for future payments to other beneficiaries in the amount of \$335 and \$339 at June 30, 2020 and 2019, respectively. Contributed charitable remainder trust assets under the control of the University as trustee are included at the estimated present value of \$150 and \$168 at June 30, 2020 and 2019, with a liability for future payments to other beneficiaries included at an estimated amount of \$3 and \$6 at June 30, 2020 and 2019, respectively.

The components of contributions receivable at June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Unconditional promises to give	\$ 3,602	5,839
Interests in split interest agreements	485	507
	<u>4,087</u>	<u>6,346</u>
Less discount to present value	(436)	(515)
	3,651	5,831
Less allowance for uncollectibles	(27)	—
Net contributions receivable	<u>\$ 3,624</u>	<u>5,831</u>

Discount rates ranged as follows at June 30:

	<u>2020</u>	<u>2019</u>
Split interest agreements	3.75%–8.4%	3.75%–9.2%
Unconditional promises to give	5.2%–6.7%	5.4%–6.7%

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Unconditional promises to give and interests in split interest agreements at June 30 are expected to be realized in the following periods:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 1,306	2,128
Between one to five years	1,775	3,196
More than five years	<u>543</u>	<u>507</u>
	<u>\$ 3,624</u>	<u>5,831</u>

At June 30, 2020 and 2019, approximately 69% and 57% of the gross contributions receivable was due from 4 donors. In 2020, approximately 60% of the contributions revenue was received from 2 donors.

Expenses related to fundraising activities are \$2,862 and \$3,455 for the years ended June 30, 2020 and 2019, respectively.

(4) Student Loans Receivable

The University makes uncollateralized loans to students based on financial need. Student loans are funded mainly through federal government loan programs.

The following is an analysis of student loans receivable aging as of June 30:

	<u>2020</u>	<u>2019</u>
Past due:		
1–89 days	\$ 434	722
Greater than 90 days	59	112
Collections and Litigation	<u>3,052</u>	<u>3,147</u>
Total past due	3,545	3,981
Current	<u>3,937</u>	<u>4,705</u>
Total gross student loans receivable	7,482	8,686
Less allowance for doubtful receivables	<u>2,770</u>	<u>2,927</u>
Total net student loans receivable	<u>\$ 4,712</u>	<u>5,759</u>

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The University's receivable includes the amounts due from current and former students. Loans disbursed under the federal government loan programs are able

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to be assigned to the federal government in certain nonrepayment situations. In these situations, the federal portion of the loan balance is guaranteed.

Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, included, but were not limited to, a detailed review of the aging of the student loan receivable detail and a review of the default rate by loan category in comparison to prior years. The level of the allowance is adjusted based on the results of management's annual analysis.

(5) Investments

Investments, which are recorded at fair value, at June 30, consist of:

	2020		2019	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>
U.S. government securities	\$ 28,837	28,086	35,618	35,262
Corporate stocks:				
Equities-nonmarketable	30	30	30	30
Total corporate stocks	30	30	30	30
Corporate stock funds:				
Multi-strategy equity fund	17,533	6,595	18,578	8,100
International equity mutual funds	16,907	17,957	16,680	16,841
Domestic equity mutual funds	16,421	13,482	14,424	12,755
Small cap commingled funds	3,201	4,001	4,083	3,963
Total stock funds	54,062	42,035	53,765	41,659
Total corporate stocks and stock funds	54,092	42,065	53,795	41,689
Corporate bond funds:				
Fixed income mutual funds	12,878	12,524	17,883	17,690
Total corporate bond funds	12,878	12,524	17,883	17,690
Other investments:				
Certificates of deposit	22,362	21,785	21,826	21,767
Multi-asset funds	8,783	8,941	4,040	4,228
Real asset mutual funds	5,734	6,156	6,371	6,823
Hedge funds	6,631	6,200	6,636	6,200
Total other investments	43,510	43,082	38,873	39,018
Total investments	\$ 139,317	125,757	146,169	133,659

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Included in U.S. government securities at June 30, 2020 and 2019 is \$6,747 and \$6,679, respectively, restricted for debt service and renewal and replacement. At June 30, 2020 and 2019, specific corporate bonds are also restricted for debt service and renewals and replacement in the amount of \$159 and \$173, respectively.

The following table presents the financial instruments carried at fair value as of June 30, 2020, by caption on the consolidated statement of financial position by the valuation hierarchy defined above:

	<u>Total fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
U.S. government securities	\$ 28,837	—	28,837	—
Equities – nonmarketable	30	—	—	30
Corporate stock funds:				
International equity mutual funds	16,907	16,907	—	—
Domestic equity mutual funds	16,421	16,421	—	—
Fixed income mutual funds	12,878	12,878	—	—
Other Investments:				
Certificates of deposit	22,362	—	22,362	—
Multi-asset mutual fund	4,571	4,571	—	—
Real asset mutual funds	5,734	5,734	—	—
Total	107,740	<u>56,511</u>	<u>51,199</u>	<u>30</u>
Investments reported at NAV or its equivalent:				
Multi-strategy equity fund (a)	17,533			
Hedge funds (b)	6,631			
Small cap commingled fund (c)	3,201			
Multi-asset fund (d)	4,212			
Total investments	\$ <u>139,317</u>			
Cash and cash equivalents:				
Short term investments, primarily				
U.S. government obligations	\$ 1,501	—	1,501	—
Contributions receivable:				
Interest in split interest agreements	485	—	—	485
	<u>\$ 1,986</u>	<u>—</u>	<u>1,501</u>	<u>485</u>

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The following table presents the financial instruments carried at fair value as of June 30, 2019, by caption on the consolidated statement of financial position by the valuation hierarchy defined above:

	<u>Total fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
U.S. government securities	\$ 35,618	—	35,618	—
Equities – nonmarketable	30	—	—	30
Corporate stock funds:				
International equity mutual funds	16,680	16,680	—	—
Domestic equity mutual funds	14,424	14,424	—	—
Fixed income mutual funds	17,883	17,883	—	—
Other Investments:				
Certificates of deposit	21,826	—	21,826	—
Real asset mutual funds	6,371	6,371	—	—
Total	112,832	<u>55,358</u>	<u>57,444</u>	<u>30</u>
Investments reported at NAV or its equivalent:				
Multi-strategy equity fund (a)	18,578			
Hedge funds (b)	6,636			
Small cap commingled fund (c)	4,083			
Multi-asset fund (d)	4,040			
Total investments	\$ <u>146,169</u>			
Cash and cash equivalents:				
Short term investments, primarily				
U.S. government obligations	\$ 1,473	—	1,473	—
Contributions receivable:				
Interest in split interest agreements	507	—	—	507
	\$ <u>1,980</u>	<u>—</u>	<u>1,473</u>	<u>507</u>

The following are investment objectives for investments valued at net asset value:

- (a) The investment objective of the Multi-Strategy Equity Fund is to offer an investment program that will provide, in a single fund, all of the strategy and manager diversification that an endowment would normally require for its equity allocation. The fund seeks to add value over long periods of time, above the return of the U.S. equity market as measured by the S&P Index and, due to its strategy and manager diversification, to reduce volatility in comparison to that of investing in the index. Redemption frequency is monthly with a notice period at end of month.

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- (b) The three hedge funds seek to generate strong absolute returns by diversifying risk and maintaining a low correlation to broad asset classes across a market cycle. They allocate across geographies and hedge fund strategies. Redemption frequency is quarterly with a ninety day notice period.
- (c) The small cap commingled fund focuses on high quality companies with a proven record of above average rates of profitability that sell at a discount relative to the overall small cap market. The fund believes that a company with a history of above average profitability is likely to have a strong and sustainable position within a market niche. These types of companies typically generate strong cash flows that can be used to build the value of the business, or in some other way benefit the shareholder. Redemption frequency is monthly with a notice period of seven days.
- (d) The multi-asset fund seeks to provide concentrated exposure to the best asset allocation ideas in the equity and fixed income markets. Redemption frequency is monthly with a notice period of thirty days.

The following table is a rollforward of the statements of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above:

	<u>Other</u>	<u>Interest in split interest agreements</u>
Fair values at June 30, 2018	\$ 30	288
Total gains (realized/unrealized)	<u>—</u>	<u>219</u>
Fair values at June 30, 2019	30	507
Total losses (realized/unrealized)	<u>—</u>	<u>(22)</u>
Fair values at June 30, 2020	<u>\$ 30</u>	<u>485</u>

Realized and unrealized losses in the table above are included in investment return in excess of the endowment spending amount in the consolidated statements of activities.

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(6) Property, Plant and Equipment

Property, plant and equipment at June 30 consist of:

	2020	2019
Land and land improvements	\$ 31,095	26,277
Buildings and building improvements	284,887	280,814
Furniture and equipment	49,530	47,869
Construction in progress	8,900	4,840
	374,412	359,800
Less accumulated depreciation:		
Buildings and building improvements	(148,144)	(139,473)
Furniture and equipment	(36,580)	(32,378)
	(184,724)	(171,851)
Property, plant and equipment, net	\$ 189,688	187,949

Depreciation of property, plant, and equipment for the years ended June 30, 2020 and 2019 amounted to \$13,197 and \$12,472, respectively. Accretion and depreciation expense relating to the asset retirement obligations for the years ended June 30, 2020 and 2019 was \$951 and \$925, respectively.

The University had unfulfilled commitments for the years ended June 30, 2020 and 2019 of \$0 and \$434, respectively.

(7) Revolving Credit Facility

At June 30, 2020, the University had a \$5,000 aggregate revolving credit facility (Credit Agreement) with a bank, which will expire on March 31, 2021. The interest rate is 200 basis points in excess of the London Interbank Offered Rate in effect when funds are drawn (0.67% and 2.51% at June 30, 2020 and 2019, respectively). The University anticipates that the Credit Agreement will be renewed. Borrowings under the Credit Agreement are collateralized by a first lien on unencumbered tuition and revenues. There were no borrowings under this agreement in fiscal years 2020 and 2019.

The Credit Agreement contains certain covenants that, among other things, place limitations on the University. For the year ended June 30, 2020, the most restrictive of these provisions required that the University's change in net assets from operating activities plus depreciation and amortization plus interest on long term debt for the fiscal year ended June 30, 2020 must equal or exceed aggregate annual debt service of long term debt by 1.15 times. Additionally, the University is required to reduce the aggregate unpaid principal balance of the Credit Agreement to \$0 for a period of at least 30 consecutive days at any one time prior to the expiration of the Credit Agreement. For the years ended June 30, 2020 and 2019, the University was in compliance with these covenants.

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(8) Long-Term Debt, Net

Long-term debt at June 30 consists of:

	2020	2019
Mortgages payable, privately held:		
Higher Education Facilities Revenue Bonds of 2006, Series G due serially through 2028, interest of 4.95% through 2021, adjusted thereafter based on terms stated in the loan agreement (a)	\$ 8,030	8,725
Higher Education Facilities Revenue Bonds of 2006, Series H due serially through 2027, interest of 4.95% through 2021, adjusted thereafter based on terms stated in the loan agreement (b)	493	550
Higher Education Facilities Revenue Refunding Bonds of 2014, Series B due serially through 2032, interest of 3.65% through 2029, adjusted thereafter based on terms stated in the loan agreement (c)	37,775	40,215
Higher Education Facilities Revenue Refunding Bonds of 2015, Series B due serially through 2023, interest from 2.41% subject to adjustment per terms of loan agreement (d)	7,565	9,905
Other debt:		
Higher Education Facilities Revenue Bonds, Higher Education Capital Improvement Fund, 2000 Series A due serially through 2020, interest from 5.0% to 5.75% (e)	268	527
NJFEFA Capital Improvement Fund, 2014 Series B, due serially through 2034 interest from 3.5% to 5% (f)	221	232
NJFEFA Capital Improvement Fund, 2016 Series B, due serially through 2036, interest from 3% to 5.5% (g)	1,274	1,321
Other, payable in semi-annual installments of \$17 including interest through 2021, interest at 3%	6	33
	55,632	61,508
Add unamortized bond premium	39	42
Less deferred bond issuance costs	(401)	(457)
Net long-term debt	\$ 55,270	61,093

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	<u>Issue date</u>	<u>Maturity date</u>	<u>Term</u>	<u>Nature of capitalized amounts</u>	<u>Amount capitalized</u>
(a)	2006	2028	22 years	Building	\$ 12,995
(b)	2006	2027	21 years	Building	2,148
(c)	2014	2032	18 years	Building & Equipment	50,662
(d)	2015	2023	8 years	Building & Equipment	18,213
(e)	2000	2020	20 years	Building & Equipment	3,352
(f)	2014	2034	20 years	Building	271
(g)	2016	2036	20 years	Building & Equipment	1,395

The debt listed in the table above exceeds 12 months and was used to fund capitalized assets.

In accordance with each of the bond and mortgage indentures, the University maintains deposits of restricted cash and cash equivalents as well as marketable securities (note 5) with the trustee, having an aggregate fair value of \$9,383 and \$9,293 at June 30, 2020 and 2019, respectively, as debt service and renewal and replacement reserves. The bonds and mortgages are collateralized by land, buildings and certain net revenues.

The debt agreements contain various restrictive covenants, including a restriction that the annual debt service on outstanding borrowings not exceed 10% of gross revenues without donor restrictions. The University was in compliance with these restrictive covenants for the years ended June 30, 2020 and 2019.

Interest expense was \$2,188 and \$2,379 in fiscal years 2020 and 2019, respectively.

As of June 30, 2020, the total principal payments due over the next five fiscal years and thereafter are:

2021	\$ 6,059
2022	5,967
2023	6,178
2024	4,020
2025	3,962
Thereafter	<u>29,446</u>
	<u>\$ 55,632</u>

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(9) Postretirement Benefits

(a) Retirement Plan

Retirement benefits are provided through Teachers Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA-CREF), a national organization used to fund pension benefits for educational institutions.

All faculty, nonunion and clerical employees make contributions to the plan in addition to the contributions made by the University. The University's contributions to the plan for the years ended June 30, 2020 and 2019 were \$6,609 and \$6,551, respectively.

(b) Medical Plan

The University sponsors a defined benefit postretirement medical plan (the Plan) that covers all of its full-time tenured faculty (or those on the tenured track) and certain administrators. The employees eligible to receive benefits are those who have attained age 62 with 10 years of continuous tenured service and are no longer actively employed by the University. Retired employees are required to contribute to the plan. The plan is not funded.

The University recognized the difference between the benefit obligations and any plan assets of the University's defined postretirement medical plan. In addition, unrecognized amounts (e.g., net actuarial gains or losses and prior service costs or credits) to be recognized as changes to net assets without donor restrictions and that these amounts be adjusted as they are subsequently recognized as components of net periodic benefit cost based on the current requirements of accounting principles generally accepted in the United States of America.

On September 1, 2017, the University adopted an amendment to the Plan with an effective date of January 1, 2018. Medicare-eligible retirees receiving coverage through AARP Plan F and a prescription drug plan provided through United Healthcare are now to be covered through a United Healthcare Medicare Advantage Group PPO Plan. The amendment resulted in a decrease to the accumulated postretirement benefit obligation of approximately \$8,784 relating to prior service cost, which will be amortized over the average years of service until full eligibility of plan participants.

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The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the years ended June 30, 2020 and 2019 and statements of the funded status both years.

	<u>2020</u>	<u>2019</u>
Change in accumulated postretirement benefit obligation (APBO):		
APBO at July 1	\$ 21,619	25,091
Service cost	663	626
Interest cost	762	925
Retiree contributions	398	384
Amendments/curtailments/special termination	—	—
Benefits paid	(1,154)	(1,246)
Actuarial (gain)/loss	<u>2,603</u>	<u>(4,161)</u>
APBO at June 30	<u>\$ 24,891</u>	<u>21,619</u>
Change in plan assets:		
University's contribution	\$ 756	862
Retiree contributions	398	384
Benefits paid	<u>(1,154)</u>	<u>(1,246)</u>
Net change in plan assets	<u>\$ —</u>	<u>—</u>
	<u>2020</u>	<u>2019</u>
Funded status of the plan:		
APBO in excess of plan assets	\$ <u>24,891</u>	<u>21,619</u>
Accrued liabilities	<u>\$ 24,891</u>	<u>21,619</u>
Periodic costs recognized in expense:		
Service cost	\$ 663	626
Interest cost	762	925
Amortization of prior service credit	(729)	(729)
Amortization of net actuarial loss	<u>—</u>	<u>103</u>
Net postretirement expense	<u>\$ 696</u>	<u>925</u>

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The amount recorded from net assets without donor restrictions into net periodic benefit cost in 2020 was net actuarial loss of \$3,332.

	<u>2020</u>	<u>2019</u>
Weighted average assumptions used to determine benefit obligations at end of year:		
Discount rate	2.82 %	3.58 %
Rate of compensation increase	N/A	N/A
Healthcare cost trend:		
Increase from current to next fiscal year:		
Pre-65 medical	8.00	8.25
Post-65 medical	4.40	4.75
Prescription drug	6.75	9.00
Ultimate rate of decline	3.784	3.784
Year that the ultimate rate is attained	2075	2075
Amounts recognized in accumulated net assets without donor restrictions:		
Net actuarial (gain)	\$ (2,170)	(5,502)

Estimated amount that will be amortized from accumulated net assets without donor restrictions into net periodic benefit cost in 2021 relates to an actuarial gain of \$575.

A one-percentage-point change in assumed healthcare cost trend rate would have the following effect:

	<u>1% Point increase</u>	<u>1% Point decrease</u>
Effect on the accumulated postretirement benefit obligation	\$ 5,352	(4,097)

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	2020	2019
Weighted average assumptions used to determine the net periodic benefit cost at beginning of year:		
Discount rate	3.58 %	4.20 %
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Healthcare cost trend:		
Increase from current to next fiscal year:		
Pre-65 medical	8.25	8.00
Post-65 medical	4.75	5.00
Prescription drug	9.00	10.25
Ultimate rate of decline	3.784	3.886
Year that the ultimate rate is attained	2075	2075

A one-percentage-point change in assumed healthcare cost trend rate would have the following effect:

	1% Point increase	1% Point decrease
Effect on total service and interest cost components	\$ 454	(321)

(i) *Expected Benefit Payments*

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Postretirement benefits
Fiscal year:	
2021	\$ 761
2022	812
2023	841
2024	863
2025	894
Years 2026–2030	4,694

Expected benefit payments is the total amount expected to be paid from the University's assets. For postretirement benefits, the amounts shown are net of plan participant contributions, but before deducting the expected federal subsidy under the Medicare Modernization Act of 2003 (MMA).

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Expected employer contributions for the postretirement benefits and federal subsidy under MMA for fiscal year 2021 are the same as expected benefit payments.

(10) Endowment

The University adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) during 2009. This law provides guidance on the accounting and financial reporting changes required when a not-for-profit organization (NPO) with donor-restricted endowments becomes subject to UPMIFA. In addition, UPMIFA requires all NPOs to provide enhanced disclosures with respect to their endowments.

The University's endowment consists of 151 individual funds established for a variety of purposes at June 30, 2020. The endowment includes both donor-restricted endowment funds and funds designated by the 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.

The Board of Trustees of the University has interpreted the New Jersey State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) the remaining portion of the donor-restricted endowment fund until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA the University considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund;
- The purposes of the University and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appropriation of investments;
- Other resources of the University; and
- The investment policy of the University.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment

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management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objective within prudent risk constraints.

The University has a policy of appropriating for distribution each year 4.5% – 5.0% of its endowment fund's moving average fair value over the previous twelve quarters. In establishing this policy, the University considered the long-term rate of inflation. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

At June 30, 2020, the endowment net asset composition by type of fund consisted of the following:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted funds	\$ —	46,719	46,719
Board-designated funds	41,726	—	41,726
Underwater endowments	—	(141)	(141)
Total funds	<u>\$ 41,726</u>	<u>46,578</u>	<u>88,304</u>

Changes in the endowment net assets for the fiscal year ended June 30, 2020, consisted of the following:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 43,782	47,843	91,625
Investment return:			
Investment income	917	984	1,901
Net depreciation (realized and unrealized)	(908)	(1,035)	(1,943)
Total investment gain (loss)	9	(51)	(42)
Contributions	—	609	609
Appropriation of endowment assets for expenditure	(2,065)	(2,223)	(4,288)
Other transfers	—	400	400
Endowment net assets at end of year June 30, 2020	<u>\$ 41,726</u>	<u>46,578</u>	<u>88,304</u>

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At June 30, 2019, the endowment net asset composition by type of fund consisted of the following:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted funds	\$ —	47,861	47,861
Board-designated funds	43,782	—	43,782
Underwater endowments	—	(18)	(18)
Total funds	<u>\$ 43,782</u>	<u>47,843</u>	<u>91,625</u>

Changes in the endowment net assets for the fiscal year ended June 30, 2019, consisted of the following:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 44,264	43,449	87,713
Investment return:			
Investment income	1,283	1,279	2,562
Net appreciation (realized and unrealized)	250	367	617
Total investment gain	1,533	1,646	3,179
Contributions	—	4,241	4,241
Appropriation of endowment assets for expenditure	(2,015)	(2,021)	(4,036)
Other transfers	—	528	528
Endowment net assets at end of year June 30, 2019	<u>\$ 43,782</u>	<u>47,843</u>	<u>91,625</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. The University has a policy that permits spending from underwater funds. As of June 30, 2020 and 2019, funds with an original gift value of \$2,970 and \$734, were underwater by \$141 and \$18, respectively.

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(11) Composition of Net Assets

(a) Without Donor Restrictions

Net assets without donor restrictions consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Board-designated endowed scholarships	\$ 11,380	11,942
Board-designated general endowment	30,346	31,840
Net investment in plant	118,723	111,847
Undesignated	<u>58,470</u>	<u>72,264</u>
	<u>\$ 218,919</u>	<u>227,893</u>

(b) Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Restricted by time or purpose:		
Split interest agreements	\$ 481	501
Endowment return restricted for scholarships and other	17,901	19,826
Scholarships	3,740	3,272
Buildings and equipment	8,882	3,685
University programs and other	<u>10,166</u>	<u>9,771</u>
	<u>41,170</u>	<u>37,055</u>
Perpetual restriction:		
Pledges-endowed scholarships	766	1,827
Endowments-scholarships	24,501	22,793
Endowments-endowed chairs and other	3,355	3,345
Other-scholarships	<u>55</u>	<u>52</u>
	<u>28,677</u>	<u>28,017</u>
Total net assets with donor restrictions	<u>\$ 69,847</u>	<u>65,072</u>

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(12) Investment Return

The following schedules summarize the investment return and its classification in the consolidated statements of activities for the years ended June 30:

	2020		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net interest and dividend income	\$ 2,903	824	3,727
Net realized and unrealized gains (losses)	<u>1,233</u>	<u>(2,251)</u>	<u>(1,018)</u>
Total return on investments	4,136	(1,427)	2,709
Less investment return designated for current operations:			
Endowment return-spending rate	3,464	824	4,288
Other investment return	<u>1,820</u>	<u>—</u>	<u>1,820</u>
Investment return less than endowment spending amount	\$ <u>(1,148)</u>	<u>(2,251)</u>	<u>(3,399)</u>
	2019		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net interest and dividend income	\$ 3,053	739	3,792
Net realized and unrealized gains (losses)	<u>1,856</u>	<u>(373)</u>	<u>1,483</u>
Total return on investments	4,909	366	5,275
Less investment return designated for current operations:			
Endowment return-spending rate	3,297	739	4,036
Other investment return	<u>1,291</u>	<u>—</u>	<u>1,291</u>
Investment return in excess of (less than) endowment spending amount	\$ <u>321</u>	<u>(373)</u>	<u>(52)</u>

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(13) Expenses by natural and functional classification

Expenses consisted of the following at June 30:

	2020						2020 Total expenses
	Instruction	Academic support	Programs Student services	Research and other*	Auxiliary enterprises	Support Institutional support	
Salaries	\$ 50,630	16,009	16,850	187	2,250	13,763	99,689
Benefits	14,168	5,584	5,900	36	299	5,094	31,081
Occupancy	4,790	2,876	4,181	(23)	5,670	2,534	20,028
Contract services	811	1,621	3,894	185	5,370	6,442	18,323
Depreciation and amortization	3,680	2,842	2,986	1	3,351	1,022	13,882
Supplies, telephone, shipping	965	3,305	2,206	2	344	1,633	8,455
Interest	109	66	409	—	1,581	23	2,188
Other	2,874	2,334	3,909	3,209	1,681	2,265	16,272
Total expenses	\$ 78,027	34,637	40,335	3,597	20,546	32,776	209,918

* There are scholarships and fellow ships of \$2,886 included in other expenses resulting from the Higher Education Emergency Relief Funds provided through the CARES Act.

	2019						2019 Total expenses
	Instruction	Academic support	Programs Student services	Research and other*	Auxiliary enterprises	Support Institutional support	
Salaries	\$ 50,207	16,081	17,262	319	2,303	13,561	99,733
Benefits	13,777	5,631	5,809	68	217	4,486	29,988
Occupancy	5,282	3,121	4,490	4	6,362	2,220	21,479
Contract Services	966	2,639	3,205	204	7,365	7,283	21,662
Depreciation and amortization	3,543	2,703	2,794	1	3,215	875	13,131
Supplies, telephone, shipping	1,093	3,305	2,197	13	289	2,003	8,900
Interest	127	80	449	—	1,696	27	2,379
Other	3,197	2,503	4,850	355	1,911	2,591	15,407
Total expenses	\$ 78,192	36,063	41,056	964	23,358	33,046	212,679

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(14) Commitments and Contingencies

At June 30, 2020, the University is obligated under operating leases for equipment, software and buildings used in its operations aggregating \$21,382. These obligations are payable for the following fiscal years ending:

2021	\$	3,891
2022		3,616
2023		3,311
2024		3,314
2025		2,100
2026 and thereafter		5,150
	\$	21,382

Equipment, software, and space rental expenses for the years ended June 30, 2020 and 2019 were \$5,475 and \$5,095, respectively.

The University is involved in various legal proceedings, which consist of litigation attributable to its normal course of business. The University and its attorneys believe that the ultimate outcome of such litigation will not have a significant effect on the consolidated financial condition, changes in net assets or cash flows of the University.

The University receives other funding from governmental agencies for various activities, which are subject to audit. Although such audits may result in disallowance of certain expenditures that would be absorbed by the University, in management's opinion the ultimate outcome of such audits would not have a significant effect on the consolidated financial condition, changes in net assets or cash flows of the University.

(15) Concentration of Credit Risk

Financial instruments that potentially subject the University to a concentration of credit risk principally consist of cash and cash equivalents, student accounts receivable and investments. The University maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits of \$250 at June 30, 2020 and 2019, which is the maximum amount insured by the Federal Deposit Insurance Company. However, management believes that their financial institutions are viable entities, and therefore, risk of loss is minimized. The University has not experienced any losses in such accounts. The University believes that the concentration of risk with respect to student accounts receivable is limited due to the large number of students comprising the University's student base. With respect to investments, the University maintains its investments in U.S. Government securities, corporate stocks, stock funds, bond funds, and bonds. The University periodically reviews the performance and risks associated with these investments and believes that credit risk is limited.

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(16) Subsequent Events

The spread of the coronavirus (COVID-19) around the world during 2020 has caused significant volatility in the U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the University is unable to determine if it will have a material impact on its fiscal 2021 operations.

The University has performed an evaluation of subsequent events through October 13, 2020, the date the consolidated financial statements were available to be issued and has determined that there are no subsequent events other than the matter identified above.