



BRANDEIS UNIVERSITY

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

Year ended June 30, 2012

BRANDEIS UNIVERSITY

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

Year ended June 30, 2012

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KPMG LLP
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Exhibit I

**Independent Auditors' Report on Compliance with Requirements That Could Have
a Direct and Material Effect on Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

The Board of Trustees
Brandeis University:

Compliance

We have audited Brandeis University's (the University) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on the University's major federal program for the year ended June 30, 2012. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We did not audit the University's compliance with the requirements governing the billing, collection, and management of student loans in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement. Those requirements govern functions performed by Educational Loan Servicing, LLC. Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. Educational Loan Servicing, LLC's compliance with the requirements governing the functions that it performed for the University for the year ended June 30, 2012 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of Educational Loan Servicing, LLC's compliance with such requirements.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.



In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control over Compliance

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

Requirements governing the billing, collection, and management of student loans in the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement are performed by Educational Loan Servicing, LLC. Internal control over compliance related to such functions for the year ended June 30, 2012 was reported on by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' testing of Educational Loan Servicing, LLC's internal control over compliance related to such functions.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, others within the University, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 20, 2013



KPMG LLP
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Exhibit II

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

The Board of Trustees
Brandeis University:

We have audited the financial statements of Brandeis University (the University) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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



Exhibit II

This report is intended solely for the information and use of management, the Board of Trustees, others within the University, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 27, 2012

BRANDEIS UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

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

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

Dollar threshold used to distinguish between type A and type B programs: \$2,485,442

Auditee qualified as low-risk auditee? yes no

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

None.

(3) Findings and Questioned Costs Relating to Federal Awards

None.

BRANDEIS UNIVERSITY

Financial Statements and Supplementary Information –
Schedule of Expenditures of Federal Awards

Year ended June 30, 2012



KPMG LLP
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Exhibit IV

Independent Auditors' Report

The Board of Trustees
Brandeis University:

We have audited the accompanying balance sheet of Brandeis University (the University) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2011 financial statements and, in our report dated October 26, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2012 financial statements referred to above present fairly, in all material respects, the financial position of Brandeis University as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Exhibit IV

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

KPMG LLP

November 27, 2012

BRANDEIS UNIVERSITY

Balance Sheet

June 30, 2012

(with comparative information as of June 30, 2011)

(In thousands of dollars)

Assets	2012	2011
Cash and cash equivalents	\$ 15,422	16,438
Short-term investments	19,252	21,339
Accounts receivable, net	13,090	11,408
Notes receivable, net	13,448	13,692
Other assets	7,723	6,487
Contributions receivable, net	38,528	44,002
Funds held by bond trustee	1,943	10,041
Investments, at fair value	706,289	736,444
Funds held in trust by others	8,993	9,544
Property, plant and equipment, net	354,398	358,183
Total assets	<u>\$ 1,179,086</u>	<u>1,227,578</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 45,986	49,097
Sponsored program advances and deferred income	16,329	14,527
Long-term debt, net	266,648	275,701
Refundable advances for student loans	6,100	6,122
Total liabilities	<u>335,063</u>	<u>345,447</u>
Net assets:		
Unrestricted	142,540	161,836
Temporarily restricted	170,312	204,160
Permanently restricted	531,171	516,135
Total net assets	<u>844,023</u>	<u>882,131</u>
Total liabilities and net assets	<u>\$ 1,179,086</u>	<u>1,227,578</u>

See accompanying notes to financial statements.

Exhibit IV

BRANDEIS UNIVERSITY

Statement of Activities

Year ended June 30, 2012

(with summarized comparative information for the year ended June 30, 2011)

(In thousands of dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	2012	2011
Operating revenues:					
Tuition and fees	\$ 206,971	—	—	206,971	194,121
Residence hall and dining	31,648	—	—	31,648	29,281
Less scholarships and financial aid	(84,235)	—	—	(84,235)	(78,318)
Net tuition, fees, residence hall and dining revenues	154,384	—	—	154,384	145,084
Contributions	8,356	—	—	8,356	8,238
Restricted gifts used in operations	16,887	—	—	16,887	17,483
Sponsored programs, grants and contracts	63,817	—	—	63,817	64,809
Short-term investment earnings	2,044	—	—	2,044	2,565
Investment income from funds held in trust by others	276	—	—	276	258
Endowment return utilized	38,642	—	—	38,642	40,263
Other sources	8,880	—	—	8,880	8,701
Total operating revenues	293,286	—	—	293,286	287,401
Operating expenses:					
Instructional and sponsored programs	179,371	—	—	179,371	173,668
Libraries	12,458	—	—	12,458	12,480
Student services	29,578	—	—	29,578	28,554
Institutional support	38,343	—	—	38,343	41,356
Auxiliary enterprises	34,511	—	—	34,511	33,557
Total operating expenses	294,261	—	—	294,261	289,615
Change in net assets from operating activities	(975)	—	—	(975)	(2,214)
Nonoperating activities:					
Net investment return	(4,161)	(5,236)	177	(9,220)	105,039
Endowment return utilized in operations	(19,872)	(18,770)	—	(38,642)	(40,263)
Net assets released from restrictions	5,897	(5,897)	—	—	—
Contributions	—	13,851	16,259	30,110	19,976
Restricted gifts used in operations	—	(16,887)	—	(16,887)	(17,483)
Change in value of split-interests	(21)	(954)	(627)	(1,602)	(316)
Other changes, net	(164)	45	(773)	(892)	911
Change in net assets from nonoperating activities	(18,321)	(33,848)	15,036	(37,133)	67,864
Change in net assets	(19,296)	(33,848)	15,036	(38,108)	65,650
Net assets at beginning of year	161,836	204,160	516,135	882,131	816,481
Net assets at end of year	\$ 142,540	170,312	531,171	844,023	882,131

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2012

(with comparative information for the year ended June 30, 2011)

(In thousands of dollars)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (38,108)	65,650
Adjustments to reconcile change in net cash used in operating activities:		
Depreciation and amortization, net	21,375	20,069
Net realized and unrealized investment (gain) loss	9,380	(103,157)
Net change from funds held in trust by others	551	(1,133)
Contributions restricted for long-term investment	(21,824)	(24,759)
Change in operating assets, net	2,408	19,066
Change in operating liabilities, net	(969)	1,325
Net cash used in operating activities	<u>(27,187)</u>	<u>(22,939)</u>
Cash flows from investing activities:		
Acquisitions of buildings and equipment	(18,813)	(28,845)
Purchase of investments	(139,208)	(109,836)
Proceeds from sale and maturities of investments	162,070	148,872
Change in notes receivable, net	244	183
Net cash provided by investing activities	<u>4,293</u>	<u>10,374</u>
Cash flows from financing activities:		
Repayments of bonds, notes and leases	(8,044)	(6,576)
Proceeds from issuance of bonds and notes	—	10,000
Capitalized bond issue premium and costs, net	—	(61)
Change in funds held by bond trustee	8,098	(6,784)
Contributions restricted for long-term investment	21,824	24,759
Net cash provided by financing activities	<u>21,878</u>	<u>21,338</u>
Change in cash and cash equivalents	(1,016)	8,773
Cash and cash equivalents, beginning of year	<u>16,438</u>	<u>7,665</u>
Cash and cash equivalents, end of year	<u>\$ 15,422</u>	<u>16,438</u>
Supplemental data:		
Interest paid	\$ 12,231	12,899
Change in liabilities attributable to fixed assets	(362)	(8,204)

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2012

(with comparative information for June 30, 2011)

(In thousands of dollars)

(1) Organization

Brandeis University (the University) is a private, nonprofit, nonsectarian, co-educational institution of higher education with approximately 5,300 full-time undergraduate and graduate students. Established in 1948, Brandeis University offers educational programs for undergraduates in liberal arts and sciences, and graduate education and training in the arts and sciences, business, social policy and management.

(2) Summary of Significant Accounting Policies**(a) Basis of Presentation**

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

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

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

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

The 2012 statement of activities is presented with 2011 summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2012

(with comparative information for June 30, 2011)

(In thousands of dollars)

(b) Nonoperating Activities

Nonoperating activities reflect transactions of a long-term investment or capital nature, including contributions to be invested by the University to generate a return that will support future operations, contributions to be received in the future, contributions to be used for and net assets released from restrictions for facilities and equipment, investment return net of the amount the University has appropriated for current operational support in accordance with the University's endowment spending policy, as well as other net asset changes resulting from transactions that do not arise from or currently affect operations.

(c) Revenue Recognition

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

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

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

(d) Contributions

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

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2012

(with comparative information for June 30, 2011)

(In thousands of dollars)

Unconditional promises to give are recognized as temporarily or permanently restricted revenues in the year the contributions are promised. Contributions receivable are recorded as assets at the present value of the expected cash flow using discount rates of 0.72% to 6.0%, net of an allowance for unfulfillable contributions based upon historical collection experience and other relevant factors. Conditional contributions are not recognized until the stated conditions are met.

(e) Fundraising Expense

Fundraising expense was \$10,788 and \$10,826 for the years ended June 30, 2012 and 2011, respectively, and is classified as institutional support in the statement of activities.

(f) Cash and Cash Equivalents

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

(g) Short-Term Investments

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

(h) Fair Value

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

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

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Because the University uses net asset values reported by fund managers as a practical expedient to estimate the fair values of its investments held through limited partnerships and other funds, classification of these investments within the fair value hierarchy is based on the University's ability to timely redeem its interest rather than on inputs used. See note 6 for further discussion.

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2012

(with comparative information for June 30, 2011)

(In thousands of dollars)

The estimated fair values of the University's financial instruments not measured at fair value, including cash and cash equivalents, receivables, accounts payable, accrued liabilities and deposits approximated their carrying values based on the generally shorter-term nature of these items as of June 30, 2012 and 2011. Notes receivable consist primarily of loans to students that have significant restrictions and long maturities, and it is not practicable to estimate their fair value. Utilizing available pricing information provided by a third party and other data, management determined that the estimated fair value of the University's long-term debt was approximately \$24,000 more than the aggregate carrying value as of June 30, 2012.

(i) Other Assets

Other assets include primarily unamortized debt issuance costs, other prepayments and inventories.

(j) Funds Held in Trust by Others

Funds held in trust by others are held in perpetuity by external trustees, as specified by the donor, and are recorded by the University at fair value. Trust income is distributed at least annually to the University in accordance with the terms of the trusts and is recorded as investment income. Changes in the fair value of the trusts are recorded as permanently restricted gains or losses.

(k) Property, Plant, and Equipment

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

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

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2012

(with comparative information for June 30, 2011)

(In thousands of dollars)

(l) Collections

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

(m) Income Taxes

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

(n) Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates, and the differences may be material. Significant estimates recorded in these financial statements at June 30, 2012 and 2011 include the valuation of certain investments, useful lives of capital assets, accrued expenses, estimated net realizable value of receivables, asset retirement obligations and the valuation of split-interest agreements.

(o) Allocation of Expenses

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

(p) Reclassifications

Certain 2011 information has been reclassified to conform to the 2012 presentation.

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2012

(with comparative information for June 30, 2011)

(In thousands of dollars)

(3) Accounts Receivable

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

	<u>2012</u>	<u>2011</u>
Student receivables	\$ 2,779	2,514
Sponsored programs grants receivable	8,979	7,286
Other	2,067	2,251
	<u>13,825</u>	<u>12,051</u>
Less allowance for doubtful accounts	<u>(735)</u>	<u>(643)</u>
Accounts receivable, net	<u>\$ 13,090</u>	<u>11,408</u>

(4) Notes Receivable

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

	<u>2012</u>	<u>2011</u>
Federal Perkins Loan Program	\$ 6,276	6,473
University loan programs	9,903	9,708
	<u>16,179</u>	<u>16,181</u>
Less allowance for doubtful loans	<u>(2,731)</u>	<u>(2,489)</u>
Notes receivable, net	<u>\$ 13,448</u>	<u>13,692</u>

Notes receivable under the Federal Perkins Loan Program (the Program) are subject to significant restrictions. Such funds are reloaned by the University after collection, but in the event that the University no longer participates in the Program, the amounts are generally refundable to the U.S. government. Accordingly, it is not practicable to determine the fair value of such amounts.

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2012

(with comparative information for June 30, 2011)

(In thousands of dollars)

(5) Contributions Receivable

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

	<u>2012</u>	<u>2011</u>
Amounts due in:		
One year or less	\$ 25,133	24,531
Between one and five years	28,126	28,441
More than five years	<u>2,863</u>	<u>7,602</u>
Gross contributions receivable	56,122	60,574
Less:		
Allowance for unfulfilled contributions	(15,590)	(13,387)
Discount, at rates from 0.72% to 6.0%	<u>(2,004)</u>	<u>(3,185)</u>
Contributions receivable, net	<u>\$ 38,528</u>	<u>44,002</u>

(6) Investments and Fair Value

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

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

Investments include gift annuities and charitable remainder trusts. These funds are held for one or more beneficiaries, and generally pay lifetime income to those beneficiaries, after which the principal is made available to the University in accordance with donor intentions. The assets are recorded at fair value and liabilities are recorded to recognize the present value of estimated future payments due to beneficiaries. The liabilities of \$11,644 and \$11,028 as of June 30, 2012 and 2011, respectively, are included in accounts payable and accrued liabilities in the balance sheet.

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2012

(with comparative information for June 30, 2011)

(In thousands of dollars)

Investments are reported at estimated fair value. If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as the reported fair value. Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds are generally reported at the net asset value (NAV) reported by the fund managers and assessed as reasonable by the University, which is used as a practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2012 and 2011, the University had no plans or intentions to sell investments at amounts different from NAV.

Registered mutual funds are classified in Level 1 of the fair value hierarchy as defined in note 2(h) because their fair values are based on quoted prices for identical securities. The University's fixed income strategy includes directly held U.S. corporate bonds, which although readily marketable are valued using matrix pricing and are classified in Level 2. Most investments classified in Levels 2 and 3 consist of shares or units in nonregistered investment funds as opposed to direct interests in the funds' underlying securities, which may be readily marketable or not difficult to value. Because the NAV reported by each fund is used as a practical expedient to estimate the fair value of the University's interest therein, its classification in Level 2 or 3 is based on the University's ability to redeem its interest at or near the balance sheet date. If the interest can be redeemed in the near term, the investment is classified in Level 2. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

As of June 30, 2012, the University had \$490,111 in endowment investments classified in Level 3 in the fair value hierarchy. Of these Level 3 endowment investments, \$329,878 are redeemable but are subject to time restrictions and are classified as Level 3 investments accordingly. The underlying investments often consist of readily marketable securities for which active markets exist. The remaining Level 3 endowment investments of \$160,233 are comprised of private equity, credit and real asset investments which liquidate over longer periods due to the nature of the underlying investments and holding strategy of the funds.

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2012

(with comparative information for June 30, 2011)

(In thousands of dollars)

The University's assets at June 30, 2012 that are reported at estimated fair value are summarized in the following table by their fair value hierarchy classification:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Redemption or liquidation</u>	<u>Days' notice</u>
Investments:						
Endowment investments:						
Global equity	\$ 10,711	58,465	41,047	110,223	[1]	1 – 90
Non-U.S. equity	76	25,388	46,456	71,920	[2]	1 – 60
Private equity	—	—	54,673	54,673	Illiquid	N/A
Hedge fund/credit:						
Credit – marketable	—	—	25,743	25,743	Annual	90
Credit – private	—	—	53,980	53,980	Illiquid	N/A
Hedge funds – long/short	—	—	61,789	61,789	Lock-up	30 – 90
Hedge funds – multi strategy	—	32,180	142,139	174,319	[3]	30 – 180
Real assets:						
Real assets – marketable	—	5,109	12,704	17,813	[4]	60
Real assets – private	—	—	51,580	51,580	Illiquid	N/A
Cash and cash equivalents	408	—	—	408	Daily	1
Treasuries and similar assets	52,074	—	—	52,074	Daily	1
Total endowment investments	<u>63,269</u>	<u>121,142</u>	<u>490,111</u>	<u>674,522</u>		
Other investments:						
Equities	3,230	135	—	3,365	Daily	1 – 90
Hedge funds – multi strategy	419	—	—	419	Daily	1
Cash and cash equivalents	235	—	—	235	Daily	1
Fixed income	—	3,088	—	3,088	Daily	1
Mutual funds	24,660	—	—	24,660	Daily	1
Total other investments	<u>28,544</u>	<u>3,223</u>	<u>—</u>	<u>31,767</u>		
Total investments	<u>\$ 91,813</u>	<u>124,365</u>	<u>490,111</u>	<u>706,289</u>		

[1] Funds with daily redemption = \$10,711, quarterly redemption = \$58,465 of which \$8,500 has been redeemed and the funds distributed in July 2012, annual redemption = \$25,580 and \$15,467 subject to lock-up terms.

[2] Funds with daily redemption = \$76, bi-weekly redemption = \$23,305, quarterly redemption = \$2,083 and \$46,456 subject to lock-up terms.

[3] Funds with quarterly redemption redeemable within 90 days = \$29,859, funds with quarterly redemption redeemable after 90 days = \$1,073, semi-annual redemption redeemable within 90 days = \$2,321, semi-annual redemption redeemable after 90 days = \$6,726, annual redemption = \$79,603, \$19,714 subject to lock-up and \$35,023 invested in side-pockets that are illiquid.

[4] Funds with quarterly redemption = \$5,109, annual redemption = \$12,704.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Redemption or liquidation</u>	<u>Days' notice</u>
Short-term investments	\$ 4,818	14,434	—	19,252	Daily	1
Funds held by bond trustee	—	1,943	—	1,943	N/A	N/A
Funds held in trust by others	—	—	8,993	8,993	N/A	N/A

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June 30, 2012

(with comparative information for June 30, 2011)

(In thousands of dollars)

The University's assets at June 30, 2011 that are reported at fair value are summarized in the following table by their fair value hierarchy classification:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Redemption or liquidation</u>	<u>Days' notice</u>
Investments:						
Endowment investments:						
Global equity	\$ 15,426	50,610	44,435	110,471	[1]	1 – 90
Non-U.S. equity	27,343	—	52,082	79,425	[2]	1 – 60
Private equity	—	—	53,315	53,315	Illiquid	N/A
Hedge fund/credit:						
Credit – marketable	—	—	46,047	46,047	Annual	90
Credit – private	—	—	57,923	57,923	Illiquid	N/A
Hedge funds – long/short	—	—	50,056	50,056	Lock-up	30 – 90
Hedge funds – multi strategy	—	30,243	135,977	166,220	[3]	45 – 180
Real assets:						
Real assets – marketable	—	—	23,007	23,007	Annual	60
Real assets – private	—	—	43,245	43,245	Illiquid	N/A
Cash and cash equivalents	5,809	—	—	5,809	Daily	1
Treasuries and similar assets	68,148	—	—	68,148	Daily	1
Total endowment investments	<u>116,726</u>	<u>80,853</u>	<u>506,087</u>	<u>703,666</u>		
Other investments:						
Equities	2,762	135	—	2,897	Daily	1 – 90
Hedge funds – multi strategy	1,037	—	—	1,037	Daily	1
Cash and cash equivalents	188	—	—	188	Daily	1
Fixed income	—	3,796	—	3,796	Daily	1
Mutual funds	24,860	—	—	24,860	Daily	1
Total other investments	<u>28,847</u>	<u>3,931</u>	<u>—</u>	<u>32,778</u>		
Total investments	<u>\$ 145,573</u>	<u>84,784</u>	<u>506,087</u>	<u>736,444</u>		

[1] Funds with daily redemption = \$15,426, quarterly redemption = \$50,610, annual redemption = \$27,484. \$16,951 is subject to lock-up terms.

[2] Funds with daily redemption = \$27,343. \$52,082 is subject to lock-up terms.

[3] Funds with quarterly redemption = \$30,243, annual redemption = \$93,662, annual to tri-annual = \$22,160. \$20,155 is subject to lock-up terms.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Redemption or liquidation</u>	<u>Days' notice</u>
Short-term investments	\$ 2,544	18,795	—	21,339	Daily	1
Funds held by bond trustee	—	10,041	—	10,041	N/A	N/A
Funds held in trust by others	—	—	9,544	9,544	N/A	N/A

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(with comparative information for June 30, 2011)

(In thousands of dollars)

The following tables present the University's activity for the fiscal years ended June 30, 2012 and 2011 for investments classified in Level 3 of the fair value hierarchy:

	<u>Equities</u>	<u>Private equity</u>	<u>Real assets</u>	<u>Hedge fund/credit</u>	<u>Funds held in trust by others</u>	<u>Total</u>
Balance at June 30, 2011	\$ 96,517	53,315	66,252	290,003	9,544	515,631
Acquisitions	3,000	10,910	11,739	23,722	110	49,481
Dispositions	(1,007)	(4,976)	(3,921)	(26,169)	(331)	(36,404)
Transfers out	(5,000)	—	(4,793)	(892)	—	(10,685)
Realized loss	(561)	(3,859)	(1,024)	(9,956)	(33)	(15,433)
Unrealized gain	(5,446)	(717)	(3,969)	6,943	(297)	(3,486)
Balance at June 30, 2012	<u>\$ 87,503</u>	<u>54,673</u>	<u>64,284</u>	<u>283,651</u>	<u>8,993</u>	<u>499,104</u>

	<u>Equities</u>	<u>Private equity</u>	<u>Real assets</u>	<u>Hedge fund/credit</u>	<u>Funds held in trust by others</u>	<u>Total</u>
Balance at June 30, 2010	\$ 68,060	43,976	48,212	299,312	8,411	467,971
Acquisitions	5,000	12,266	12,469	3,637	192	33,564
Dispositions	—	(6,367)	(2,901)	(18,337)	(289)	(27,894)
Transfers out	—	—	—	(30,243)	—	(30,243)
Realized (loss) gain	—	(4,799)	(1,368)	(3,913)	411	(9,669)
Unrealized gain	23,457	8,239	9,840	39,547	819	81,902
Balance at June 30, 2011	<u>\$ 96,517</u>	<u>53,315</u>	<u>66,252</u>	<u>290,003</u>	<u>9,544</u>	<u>515,631</u>

The University has agreed to make additional capital contributions totaling \$89,954 to various funds. The timing and amounts of the contributions will be determined by the fund managers.

The University has certain investments with a fair value of \$143,427 at June 30, 2012 that have restricted redemptions for lock up periods. Some of the investments with redemption restrictions allow earlier redemption for specified fees. The expiration of redemption lock-up period amounts are summarized in the table below:

	<u>Amount</u>
Fiscal year:	
2013	\$ 46,230
2014	52,892
2015	40,464
Thereafter	3,841
Total	<u>\$ 143,427</u>

BRANDEIS UNIVERSITY

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(In thousands of dollars)

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

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 5,278	5,594
Net realized gains	8,783	18,534
Net change in unrealized (depreciation) appreciation	<u>(18,789)</u>	<u>84,605</u>
	(4,728)	108,733
Less management fees	<u>(2,448)</u>	<u>(1,129)</u>
Total investment return	<u>\$ (7,176)</u>	<u>107,604</u>

The following is a reconciliation of amounts presented in the statement of activities to total investment return:

	<u>2012</u>	<u>2011</u>
Operating revenues - short-term investment earnings	\$ 2,044	2,565
Nonoperating revenues - net investment return	<u>(9,220)</u>	<u>105,039</u>
Total investment return	<u>\$ (7,176)</u>	<u>107,604</u>

(7) Property, Plant and Equipment

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

	<u>2012</u>	<u>2011</u>
Land and land improvements	\$ 42,194	41,697
Buildings	178,956	178,956
Building systems and improvements	326,565	318,422
Equipment and furnishings	<u>79,522</u>	<u>72,410</u>
	627,237	611,485
Less accumulated depreciation	(279,024)	(256,796)
Construction in progress	<u>6,185</u>	<u>3,494</u>
Property, plant and equipment, net	<u>\$ 354,398</u>	<u>358,183</u>

Depreciation expense amounted to \$22,236 in 2012 and \$20,909 in 2011. Operation and maintenance expenses amounted to \$32,741 in 2012 and \$36,807 in 2011.

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Notes to Financial Statements

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(with comparative information for June 30, 2011)

(In thousands of dollars)

The University has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities, primarily asbestos removal, at the time of disposal of certain capital assets. As of June 30, 2012 and 2011, the estimated liabilities were \$6,362 and \$6,233, respectively, and are included in accounts payable and accrued liabilities.

(8) Line of Credit

The University had a \$50,000 line of credit with Bank of America which expired on December 31, 2011. There were no amounts outstanding throughout fiscal 2011 or in the six months through December 31, 2011.

On February 21, 2012, a new credit agreement was entered into with JPMorgan Chase Bank, NA. The \$50,000 line of credit has an interest rate of LIBOR plus 55 basis points. As of June 30, 2012, the monthly interest rate was 0.79%. There is an annual commitment fee of 0.1% based on the daily average unused portion of the loan commitment, which is paid quarterly. The maturity date of the credit agreement is March 30, 2015. There have been no borrowings against this line of credit.

(9) Long-Term Debt

Outstanding debt as of June 30 consists of the following:

	<u>2012</u>	<u>2011</u>
Commonwealth of Massachusetts Development Finance Agency (MDFA) Revenue Bonds, Brandeis University Issue 2010 Series O-2, at interest rates from 3.0% to 5.0% maturing in annual installments from October 1, 2012 through October 1, 2028	\$ 95,410	95,410
MDFA Revenue Bonds, Brandeis University Issue 2010 Series O-1, at interest rates from 3.0% to 5.0% maturing in annual installments from October 1, 2013 through October 1, 2040	82,325	82,325
MDFA Revenue Bonds, Brandeis University Issue 2008 Series N, at interest rates from 3.25% to 5.0% maturing in annual installments from October 1, 2012 through October 1, 2039	47,500	47,500
MDFA Revenue Bonds, Brandeis University Issue 2004 Series K, at interest rates from 2.0% to 4.75%, maturing in annual installments through October 1, 2033	21,265	21,835
MDFA Brandeis University Issue Master Lease, at an interest rate of 2.62%, principal and interest payable through May 10, 2018	8,570	9,891

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June 30, 2012

(with comparative information for June 30, 2011)

(In thousands of dollars)

	<u>2012</u>	<u>2011</u>
Commonwealth of Massachusetts Health and Educational Facilities Authority (MHEFA) Brandeis University Issue Master Lease, at an interest rate of 3.6% with interest only through fiscal year 2008, principal and interest payable through November 2013	\$ 2,414	4,046
Commonwealth of Massachusetts Industrial Finance Agency (MIFA) Revenue Bonds, Brandeis University Issue 1989, Series C at interest rates from 6.25% to 6.80%, maturing in annual installments through October 1, 2011	—	4,273
Various mortgage notes payable at interest rates from 0% to 3.00% maturing in various years through November 1, 2011	—	14
Various capital lease agreements with a financial services corporation with lease payments at interest rates from 4.29% to 5.97% through November 2012	76	310
Long-term debt before premium, net	257,560	265,604
Unamortized premium, net	9,088	10,097
Long-term debt, net	<u>\$ 266,648</u>	<u>275,701</u>

In May 2011, the University entered a seven-year lease agreement with the Massachusetts Development Finance Agency (MDFA Master Lease) in the amount of \$10,000. The proceeds of the lease agreement are being used to finance equipment related to upgrading the campus information network and the Linsey Center pool renovation.

The University's principal payment obligations as of June 30, 2012 are as follows:

Year ending June 30:	
2013	\$ 8,489
2014	9,141
2015	8,685
2016	8,973
2017	9,332
Thereafter	<u>212,940</u>
	<u>\$ 257,560</u>

Interest expense, net of amounts capitalized, for the years ended June 30, 2012 and 2011 was \$10,958 and \$11,371, respectively. Interest costs incurred in association with the MDFA Master Lease and capitalized during 2012 and 2011 were \$254 and \$36, respectively.

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(In thousands of dollars)

The University leases two office facilities, with the agreements expiring in June 2014 and March 2021. Future minimum lease payments at June 30, 2012 under these agreements are as follows:

	<u>Operating lease payments</u>
Fiscal year:	
2013	\$ 730
2014	748
2015	382
2016	389
2017	397
Thereafter	<u>1,958</u>
	<u>\$ 4,604</u>

Rent expense was \$1,003 and \$902 for the years ended June 30, 2012 and 2011, respectively.

(10) Net Assets

(a) Temporarily Restricted Net Assets

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

	<u>2012</u>	<u>2011</u>
Restricted contributions	\$ 26,551	29,541
Unspent net endowment return and term endowments	111,235	135,158
Student loan funds	566	646
Life income and annuity funds	5,238	6,101
Contributions receivable, net	26,225	30,743
Physical plant and other	<u>497</u>	<u>1,971</u>
Total temporarily restricted net assets	<u>\$ 170,312</u>	<u>204,160</u>

Restricted contributions include gifts received for scholarships, academic support and auxiliary programs.

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(In thousands of dollars)

(b) Permanently Restricted Net Assets

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

	<u>2012</u>	<u>2011</u>
Donor restricted endowment funds	\$ 502,966	485,780
Student loan funds	3,239	3,396
Life income and annuity funds	3,670	4,156
Contributions receivable, net	12,303	13,259
Funds held in trust by others	8,993	9,544
Total permanently restricted net assets	<u>\$ 531,171</u>	<u>516,135</u>

(11) Endowments

The University's endowment is pooled for investment purposes and consists of approximately 1,850 individual funds established for a variety of purposes. The endowment consists of both donor-restricted funds managed in accordance with applicable law and donor intent, as well as funds designated by the University's Board to operate as endowment (quasi-endowment).

If an individual restricted endowment fund balance falls below its original fair value, that fund is considered to be "underwater." The fair value of underwater endowment funds was less than their original corpus by \$12,970 and \$4,424 as of June 30, 2012 and 2011, respectively.

The University adopted the provisions of UPMIFA effective June 30, 2009. State law allows the Board of Trustees to appropriate so much of the endowment fund as is prudent considering the University's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

Endowment return utilized in operations in 2012 and 2011 amounted to \$38,642 and \$40,263, respectively. The funds are utilized principally for financial aid and support of faculty chairs.

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

The University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment, and; (c) accumulations to the permanent endowment made in accordance with the direction of the applicable

BRANDEIS UNIVERSITY

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donor gift instrument at the time the accumulation is added to the fund less a percentage of permanently restricted net assets as approved by the Board of Trustees.

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

Endowment and quasi-endowment funds consist of the following at June 30, 2012 and 2011:

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$ (12,970)	99,992	502,966	589,988
Quasi (Board-designated)	73,291	11,243	—	84,534
Total	<u>\$ 60,321</u>	<u>111,235</u>	<u>502,966</u>	<u>674,522</u>

	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$ (4,424)	123,655	485,780	605,011
Quasi (Board-designated)	87,152	11,503	—	98,655
Total	<u>\$ 82,728</u>	<u>135,158</u>	<u>485,780</u>	<u>703,666</u>

Changes in endowment and quasi-endowment funds for the year ended June 30, 2012 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2011	\$ 82,728	135,158	485,780	703,666
Investment return	(3,644)	(4,853)	8	(8,489)
Contributions	108	—	17,137	17,245
Utilized in operations	(19,872)	(18,770)	—	(38,642)
Transfers	1,001	(300)	41	742
Net assets at June 30, 2012	<u>\$ 60,321</u>	<u>111,235</u>	<u>502,966</u>	<u>674,522</u>

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Changes in endowment and quasi-endowment funds for the year ended June 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets at June 30, 2010	\$ 62,901	88,358	468,638	619,897
Investment return	37,194	68,903	(7)	106,090
Contributions	1,039	—	15,606	16,645
Utilized in operations	(18,314)	(21,949)	—	(40,263)
Transfers	(92)	(154)	1,543	1,297
Net assets at June 30, 2011	<u>\$ 82,728</u>	<u>135,158</u>	<u>485,780</u>	<u>703,666</u>

(12) Retirement Plans

The University participates in defined contribution plans providing retirement benefits for substantially all full-time and regular part-time employees. Under the programs, the University makes monthly contributions, currently 6% – 10% of the annual eligible wages of participants, up to defined limits. Voluntary contributions by participants are made subject to IRS defined limits. Retirement program expenses amounted to \$8,714 in 2012 and \$8,198 in 2011.

In addition, the University has implemented a supplemental executive retirement plan for certain senior management employees. Benefits are based on the employees' service and earnings. The Plan is a nonqualified plan under the Code. During the year ended June 30, 2012, the University recorded a \$4,300 reduction to the supplemental executive retirement plan. This adjustment is included in the statement of activities as a reduction of institutional support.

(13) Related Party Transactions

The University has an investment in a limited partnership where a University Trustee is a managing member, as well as a general partner in that investment. The fair market value of the investment was \$17,000 and \$18,024 as of June 30, 2012 and 2011, respectively. The University Investment Committee approved and continues to monitor this investment.

(14) Contingencies

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

(15) Subsequent Events

The University evaluated subsequent events for potential recognition or disclosure through November 27, 2012, the date on which the financial statements were issued.

Exhibit IV

Schedule I

BRANDEIS UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Federal grantor/pass-through grantor/program title	CFDA number	Federal expenditures
Student financial assistance cluster:		
Department of Education:		
Federal Pell Grant Program	84.063	\$ 3,030,727
Federal Supplemental Educational Opportunity Grants	84.007	697,715
Federal Work-Study Program	84.033	576,214
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	8,000
Federal Perkins Loan Program (note 2)	84.038	712,036
Federal Direct Student Loans (note 3)	84.268	30,468,690
Total student financial assistance cluster		<u>35,493,382</u>
Research and development cluster:		
Direct awards:		
Department of Health and Human Services (DHHS):		
Adolescent Family Life Research Grants	93.111	38,439
Aging Research	93.866	1,124,991
Alcohol National Research Service Awards for Research Training	93.272	8,035
Alcohol Research Programs	93.273	1,509,135
Allergy, Immunology and Transplantation Research	93.855	1,736,255
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	254,942
Biomedical Research and Research Training	93.859	7,724,079
Blood Diseases and Resources Research	93.839	50,797
Cancer Treatment Research	93.395	314,935
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	523,469
Child Care and Development Block Grant	93.575	5,804
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	601,579
Drug Abuse and Addiction Research Programs	93.279	1,473,175
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	5,492,113
Heart and Vascular Diseases Research	93.837	161,252
Maternal and Child Health Federal Consolidated Programs	93.110	220,031
Medical Library Assistance	93.879	105,936
Mental Health National Research Service Awards for Research Training	93.282	418,730
Mental Health Research Grants	93.242	2,533,123
National Center for Research Resources	93.389	113,573
National Research Service Awards_Health Services Research Training	93.225	351,287
Nursing Research	93.361	70,890
Population Research	93.864	227,364
Research on Healthcare Costs, Quality and Outcomes	93.226	9,914
Research Related to Deafness and Communication Disorders	93.173	929,750
Social Services Research and Demonstration	93.647	188,100
Trans-NIH Research Support	93.310	538,674
Vision Research	93.867	1,462,629
ARRA-Trans-NIH Recovery Act Research Support	93.701	769,309
Total direct awards from DHHS		<u>28,958,310</u>

Exhibit IV

Schedule I

BRANDEIS UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Federal grantor/pass-through grantor/program title	CFDA number	Federal expenditures
Direct awards from other federal agencies:		
Department of Agriculture:		
Agricultural Research – Basic and Applied Research	10.001	\$ 84,259
Department of Defense:		
Basic and Applied Scientific Research	12.300	5,592
Basic Scientific Research	12.431	367,262
Basic, Applied, and Advanced Research in Science and Engineering	12.630	142,617
Air Force Defense Research Sciences	12.800	183,414
Mathematical Sciences Grants Program	12.901	6,435
Department of Energy:		
Office of Science Financial Assistance Program	81.049	1,252,306
ARRA – Office of Science Financial Assistance Program	81.049	163,310
Environmental Protection Agency:		
Science To Achieve Results (STAR) Research Program	66.509	3,429
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716	747
National Foundation on the Arts and the Humanities:		
Promotion of the Humanities_Research	45.161	14,892
National Science Foundation:		
Biological Sciences	47.074	680,089
Computer and Information Science and Engineering	47.070	472,575
Education and Human Resources	47.076	668,363
Engineering Grants	47.041	38,644
Mathematical and Physical Sciences	47.049	2,298,182
Social, Behavioral, and Economic Sciences	47.075	446,715
ARRA-Trans-NSF Recovery Act Research	47.082	274,269
Department of Housing & Urban Development		
Doctoral Dissertation Research Grants	14.516	20,984
Total direct awards from other federal agencies		<u>7,124,084</u>
Total direct research and development awards		<u>36,082,394</u>
Pass-through awards:		
Department of Health and Human Services (DHHS):		
Aging Research	93.866	109,205
Alcohol Research Programs	93.273	59,519
Allergy, Immunology and Transplantation	93.855	73,959
Biomedical Research and Research Training	93.859	543,375
Drug Abuse and Addiction Research Programs	93.279	94,546
Developmental Disabilities Projects of National Significance	93.631	16,872
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	33,921
Heart and Vascular Diseases Research	93.837	92,331
Human Genome Research	93.172	65,993
Mental Health Research Grants	93.242	65,085
Nursing Research	93.361	672
Public Awareness Campaigns on Embryo Adoption	93.007	90,865
Promoting Safe and Stable Families	93.556	112,547
Research on Healthcare Costs, Quality and Outcomes	93.226	263,793
ARRA-Trans-NIH Recovery Act Research Support	93.701	31,265
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	547,647
Substance Abuse and Mental Health Services-Access to Recovery	93.275	68,322
Abandoned Infants	93.551	65,457
Maternal and Child Health Federal Consolidated Programs	93.110	75,547
Total pass-through awards from DHHS		<u>2,410,921</u>

Exhibit IV

Schedule I

BRANDEIS UNIVERSITY

Schedule of Expenditures of Federal Awards

June 30, 2012

<u>Federal grantor/pass-through grantor/program title</u>	<u>CFDA number</u>	<u>Federal expenditures</u>
Pass-through awards from other federal agencies:		
Corporation for National and Community Service:		
Learn and Serve America Higher Education	94.005	\$ 86,080
Learn and Serve America School and Community Based Programs	94.004	6,585
Learn and Serve America Innovative Community	94.018	91,335
Social Innovation Fund	94.019	207,578
AmeriCorps	94.006	8,704
Department of Defense:		
Military Medical Research and Development	12.420	212
Department of Education:		
Safe and Drug-Free Schools and Communities National Programs	84.184	37,303
Department of Justice:		
Edward Byrne Memorial Formula Grant Program	16.579	87,224
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	3,595
National Foundation on the Arts & the Humanities:		
Promotion of the Humanities Digital Humanities Initiative	45.169	18,045
National Science Foundation:		
Engineering Grants	47.041	71,936
Mathematical and Physical Sciences	47.049	425,395
Social, Behavioral, and Economic Sciences	47.075	214,031
ARRA-Trans-Nsf Recovery Act Research	47.082	1,002
Total pass-through awards from other federal agencies		<u>1,259,025</u>
Total pass-through research and development awards (Note 4)		<u>3,669,946</u>
Total research and development cluster		<u>39,752,340</u>
Other Sponsored Programs:		
Direct awards:		
Department of Education		
TRIO – Student Support Services	84.042	295,453
Fund for the Improvement of Postsecondary Education	84.116	35,600
Department of Commerce:		
Advanced Technology Program	11.612	3,580
Department of Education:		
Graduate Assistance in Areas of National Need	84.200	158,803
Department of Justice:		
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	673,164
Harold Rogers Prescription Drug Monitoring Program	16.754	554,324
Environmental Protection Agency:		
Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach Related to Environmental Information and the Release of Toxic Chemicals	66.612	1,955
National Foundation on the Arts and the Humanities:		
Promotion of the Humanities_Challenge Grants	45.130	80,891
Total direct awards for other sponsored programs		<u>1,803,770</u>
Pass-through awards:		
Department of Health and Human Services:		
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	109,304
Total pass-through awards for other sponsored programs		<u>109,304</u>
Total other sponsored programs		<u>1,913,074</u>
Total expenditures of federal awards		<u>\$ 77,158,796</u>

See accompanying notes to schedule of expenditures of federal awards.

BRANDEIS UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(1) Basis of Presentation

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

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

(2) Federal Perkins Loan Program

The University administers the Federal Perkins Loan Program. The outstanding loan balance as of June 30, 2012 was \$6,275,807. Expenditures under the Federal Perkins Loan Program for the year ended June 30, 2012 included \$586,522 of loans to students and \$125,514 of administrative expenses.

(3) Federal Direct Student Loans

The University made \$30,468,690 of loans under the Federal Direct Student Loan program, which includes Direct Subsidized and Unsubsidized Loans, and Direct Parent Loans for Undergraduate Students. It is not practical to determine the balances of loans outstanding to students of the University under this program as of June 30, 2012. The University is responsible only for the performance of certain administrative duties and, accordingly, these loans are not included in the University's financial statements.

BRANDEIS UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(4) Pass-Through Awards Received by the University

The University received certain federal funds that have passed-through primary recipients. These amounts are included in the Schedule as follows:

<u>Federal agency</u>	<u>Pass-through entity</u>	<u>Entity contract number</u>	<u>Total</u>
U.S. Department of Health and Human Services (DHHS) Research:			
Administration for Children and Families:	Commonwealth of Massachusetts	INTF3616HH2706811001	\$ 65,457
	Commonwealth of Massachusetts	HHS-ACF-ACCYF-CU2002	112,547
	The Arc of the United States	90DN0283/01	16,872
Agency for Healthcare Research and Quality:	Ascension Health	702653	196,861
	Commonwealth of Massachusetts	INTF6200HH2808317152	49,018
	Harvard Pilgrim Health Care Inc.	R01HS018577	17,914
Health Resources and Services Administration:	Boston College	5001153-1	6,287
	University of N. Carolina-Chapel Hill	5-31871	35,941
	Massachusetts General Hospital	217086	33,319
	Massachusetts General Hospital	219514	43,927
	Arizona State University	11-432	22,066
National Institutes of Health:	Boston IVF	EAAPA111016-01-02	90,865
	Cold Spring Harbor Laboratories	25910513	33,272
	Brown University	P276269	31,813
	Chestnut Health Systems	R01AA017625	59,519
	Children's Hospital	0000423801	73,959
	Columbia University	2R01DAO12256-07A2	94,546
	University of California, Davis	Sub07000177-BU	33,921
	University of Florida	UF Jax 10952	92,331
	Harvard Medical School	148240.1006	361,535
	Harvard Medical School	148240.1004	181,840
	Kaiser Foundation Research Institute	115-9834-02	24,293
	Tufts Medical Center	5005858-SERV	672
	University of California Los Angeles	1558 G KC876	9,970
	University of Wisconsin-Madison	255K835	17,828
	University of Wisconsin-Madison	330K341	57,115
National Institutes of Health – ARRA	Arizona State University	10-218	1
	University of California Los Angeles	1558 G MA293	31,264
Substance Abuse and Mental Health Services Administration	Commonwealth of Massachusetts	INTF2400HH2706811164	145,928
	Duffy Health center	TI-20679	50,718
	Education Development Center, Inc	U79SM059945/11370	6,499
	Institute for Health & Recovery	U79SP014950	46,764
	Research Triangle Institute	0210700.002.003	154,601
	Roca, Inc.	U79SP01S130	51,143
	Social Science Research & Evaluation, In	MassSNAP	7,997
	Wayside Youth & Family Support Network	Cost Center 7370	42,060
	Wayside Youth & Family Support Network	Cost Center 7320	41,936
	Commonwealth of Massachusetts	INTF2400HH2W02214118	68,322
Total DHHS Research			<u>2,410,921</u>

Exhibit IV
Schedule I

BRANDEIS UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

<u>Federal agency</u>	<u>Pass-through entity</u>	<u>Entity contract number</u>	<u>Total</u>
U.S. DHHS Other Sponsored Programs:			
Substance Abuse and Mental Health Services Administration	Commonwealth of Massachusetts Pine Street Inn Pine Street Inn	INTF2400HH2W76012039 Challenge Project Housing Supports	21,542 34,976 52,786
Total DHHS Other Sponsored Programs			109,304
Other federal agencies:			
Department of Defense	Beth-Israel Deaconess Medical Ctr	W81XWH-07-2-0011	212
Department of Justice	State of New Jersey, Dept of Corrections Commonwealth of Massachusetts	2008-MU-MU-0001/03 DPH7300H16607309027	3,595 87,224
National Foundation on the Arts and Humanities	Dartmouth College	HD-51128-10	18,045
National Science Foundation	Columbia University Columbia University University of California Santa Cruz University of Pennsylvania Boston University President and Fellows of Harvard College Vassar College University of Washington	PHY-06-12811 5-25191 S0183189/PHY-1039175 558,006 4500000382 135976 BCS-0753069 -	176,104 161,023 88,268 71,936 186,104 1,989 25,939 1,002
Department of Education Corporation for National and Community Service	Wayside Youth & Family Support Network Kids Consortium Abt Associates, Inc Drexel University Drexel University Ohio Campus Compact Western Kentucky University Serve Rhode Island AmeriCorps State Form BuildOn Earth Force, Inc. YouthBuild USA	Cost Center 7340 - 22896 219044 09LHAPA001 09LHNOH001 PS101225 06AFHRI001 10LYANY001 10LYWCO001 -	37,303 6,585 33,834 14,544 22,054 3,677 11,970 8,704 45,174 46,161 207,578
Total other federal agencies			1,259,025
Total pass-through awards received			3,779,250

BRANDEIS UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(5) Subrecipient Funding Provided by the University

Certain federal funds received by the University are passed-through to subrecipient organizations. Expenditures incurred by these subrecipients are reimbursed by the University and included within the Schedule as follows:

Federal agency	Entity contract number	Total
U.S. Department of Health and Human Services (DHHS):		
National Institute of Health:		
Booz Allen Hamilton	HHSM-500-2005-00020I	\$ 154,005
Boston University	5R01AG019714-07	7,125
Boston University	R01DA030150	14,926
Brigham & Women's Hospital	1R01AI093459-01	72,631
Brigham & Women's Hospital	5U01AI075466-01	5,252
Duke University	1R01DA027807-01	231,014
Emory University	5U01AI075466-01	61,401
Florida State University	1R01AI093459-01	29,678
Florida State University	R01GM054403	9,552
Harvard University	5P50DA010233-10	76,613
Human Services Research Institute	1R40MC15598-01	5,350
Kennel and Associate, Inc.	1R01DA030150-01	65,926
Occupational Therapy Associates	1R01MH086053-01A2	45,658
Public Health Institute	5R01AA016268-04	11,083
Regents of the University of California	2R01NS027337-21	3,814
Stanford University	1R01 GM081639	85,057
The Regents of the University of Michigan	1R01NR011880-01	29,435
The Schepens Eye Research Institute	ey018196	31,969
Trustees of Boston University	R01DA030150	61,472
UGA Research Foundation Inc	5U01AI075466-01	11,552
University of Houston	1R01AI093459-01	9,475
University of North Carolina at Chapel Hill	1R40MC19927-01	10,145
University of Texas	R01MH086518-01A1	88,838
University of Virginia	1R01AI093459-01	363,176
University of Wisconsin Systems	1R40MC19927-01	16,090
Wellesley College	1APRPA0060160100	44,037
Department of Defense:		
University of Pittsburgh	W911NF-09-1-0496	84,038
George Mason University	HM1582-08-1-0018	29,374
Department of Justice:		
Ijjs Institute	2009-PM-BX-K044	292,866
National Science Foundation:		
Centro Boliviano de Investigacion / Tomas Huanca	BCS-0963999	32,486
Brown University	DMR-0820492	55,978
Franklin W Olin College of Engineering	DMR-0820492	36,340
		\$ 2,076,356