KPMG

BRANDEIS UNIVERSITY

Financial Statements

June 30, 2010
(with comparative information as of June 30, 2009)

(With Independent Auditors' Report Thereon)

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Trustees
Brandeis University:

We have audited the accompanying statement of financial position of Brandeis University (the University) as of June 30, 2010, 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 2009 financial statements and, in our report dated October 22, 2009 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. 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 financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2010 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.

KPMG LLP

October 26, 2010

BRANDEIS UNIVERSITY

Statements of Financial Position

June 30, 2010
(with comparative information as of June 30, 2009)

(In thousands of dollars)

Assets		**2010**	**2009**
Cash and cash equivalents	$	7,665	74,388
Short term investments		42,839	16,391
Accounts receivable, net (note 2)		10,697	10,336
Notes receivable, net (note 3)		13,875	13,917
Other assets		6,568	6,952
Contributions receivable, net (note 4)		63,778	88,299
Funds held by bond trustee		3,257	5,728
Investments, at fair value (note 5)		650,823	588,116
Funds held in trust by others		8,411	7,960
Property, plant and equipment, net (notes 6 and 8)		358,451	343,640
Total assets	$	1,166,364	1,155,727
Liabilities and Net Assets			
Accounts payable and other accrued liabilities (notes 5 and 8)	$	54,628	59,344
Bank loan (note 7)		—	50,000
Sponsored program advances and deferred income		15,817	15,429
Long-term debt, net (note 8)		273,258	252,950
Refundable advances for student loans (note 3)		6,180	6,202
Total liabilities		349,883	383,925
Net assets (note 9 and 10):			
Unrestricted		141,656	97,641
Temporarily restricted		171,406	183,899
Permanently restricted		503,419	490,262
Total net assets		816,481	771,802
Total liabilities and net assets	$	1,166,364	1,155,727

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Statement of Activities

Year ended June 30, 2010
(with comparative information as of June 30, 2009)

(In thousands of dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	2010	2009
Operating revenues and other support:					
Tuition and fees	$ 179,761	—	—	179,761	165,161
Residence hall and dining income	28,282	—	—	28,282	25,300
Less University funded financial aid	(72,009)	—	—	(72,009)	(68,411)
Net tuition, fees, residence hall and dining	136,034	—	—	136,034	122,050
Contributions	9,725	14,326	—	24,051	28,464
Restricted gifts used in operations	16,255	(16,255)	—	—	—
Sponsored programs, grants and contracts	60,021	—	—	60,021	55,904
Short-term investment earnings (note 5)	1,382	—	—	1,382	2,080
Investment income from funds held in trust by others	235	—	—	235	299
Endowment return utilized	35,699	—	—	35,699	44,062
Other sources	8,505	—	—	8,505	7,870
Total operating revenues and other support	267,856	(1,929)	—	265,927	260,729
Operating expenses:					
Instructional and sponsored programs	158,139	—	—	158,139	156,477
Libraries	14,720	—	—	14,720	14,646
Student services	26,663	—	—	26,663	27,548
Institutional support	36,219	—	—	36,219	37,808
Auxiliary enterprises	35,502	—	—	35,502	33,149
Total expenses and losses	271,243	—	—	271,243	269,628
Change in net assets from operating activities	(3,387)	(1,929)	—	(5,316)	(8,899)
Nonoperating activities:					
Net investment return (note 5)	36,255	44,751	1,222	82,228	(126,121)
Endowment return utilitzed in operations	(4,338)	(31,361)	—	(35,699)	(44,062)
Net assets released from restrictions	21,743	(21,743)	—	—	—
Contributions	—	—	11,116	11,116	9,964
Change in value of interest rate swap (note 8)	713	—	—	713	(2,808)
Loss on refinancing (note 8)	(3,944)	—	—	(3,944)	—
Loss on disposals and retirement of property, plant and equipment	(2,847)	—	—	(2,847)	(3,084)
Other changes, net	(180)	(2,211)	819	(1,572)	1,060
Change in net assets from nonoperating activities	47,402	(10,564)	13,157	49,995	(165,051)
Change in net assets	44,015	(12,493)	13,157	44,679	(173,950)
Net assets at beginning of year	97,641	183,899	490,262	771,802	945,752
Net assets at end of year	$ 141,656	171,406	503,419	816,481	771,802

See accompanying notes to the financial statements.

BRANDEIS UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2010
(with comparative information as of June 30, 2009)

(In thousands of dollars)

		2010	2009
Cash flows from operating activities:			
Change in net assets	$	44,679	(173,950)
Adjustments to reconcile change in net cash used in operating activities:			
Depreciation and amortization		21,865	17,717
Net realized and unrealized investment (gains) losses		(79,880)	130,506
Net change from funds held in trust by others		(451)	1,511
Net realized and unrealized (gain) loss in value of swap		(712)	2,009
Loss on refinancing		3,944	—
Loss on the disposal and retirement of property, plant and equipment		2,847	3,084
Contributions restricted for long-term investment		(36,624)	(29,047)
Change in other assets		24,294	28,065
Change in other liabilities		2,913	160
Net cash used in operating activities		(17,125)	(19,945)
Cash flows from investing activities:			
Acquisitions of buildings and equipment		(40,331)	(79,096)
Purchase of investments		(81,887)	(175,265)
Proceeds from sale and maturities of investments		72,612	193,347
Change in notes receivable, net		42	(821)
Net cash used in investing activities		(49,564)	(61,835)
Cash flows from financing activities:			
Repayments of bonds, notes and leases		(170,616)	(6,580)
Repayment of swap		(5,579)	—
Change in bank loan		(50,000)	50,000
Proceeds from issuance of bonds and notes		177,735	47,500
Capitalized bond issue premium and costs, net		9,331	(72)
Change in funds held by bond trustee		2,471	(4,680)
Contributions restricted for long-term investment		36,624	29,047
Net cash (used in) provided by financing activities		(34)	115,215
Change in cash and cash equivalents		(66,723)	33,435
Cash and cash equivalents, beginning of year		74,388	40,953
Cash and cash equivalents, end of year	$	7,665	74,388
Supplemental data:			
Interest paid	$	11,456	11,078

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

Brandeis University (the University) is a private, coeducational institution of higher learning and research. Founded in 1948 and located in Waltham, Massachusetts, the University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from income taxes pursuant to Section 501(a) of the Code.

(a) Basis of Presentation

The University's financial statements are prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles.

The classification of net assets, revenues, expenses, gains, and losses into three categories is based on the existence or absence of donor-imposed restrictions. The three categories are defined as follows:

Unrestricted – Net assets not subject to donor-imposed restrictions.

Temporarily restricted – Net assets with use limited by law or by donor-imposed restrictions as to purpose or time. Life income trusts and pledges receivable for which the ultimate use is not permanently restricted are reported as temporarily restricted.

Permanently restricted – Net assets subject to donor-imposed restrictions that require the assets to be invested in perpetuity.

The financial statements include certain prior year 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2009 from which the summarized information was derived.

(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 facilities and equipment and investment return net of the amount the University has appropriated for current operational support in accordance with the University's endowment spending guidelines.

(c) Revenue Recognition

Revenues are reported as an increase in unrestricted net assets, unless the use of the related assets is limited by donor-imposed restrictions or by law. Donor restricted gifts that are received and spent within the same fiscal year are reported as temporarily restricted revenue with a subsequent release of restrictions. Expenses are reported as a decrease in unrestricted net assets. Expiration of temporary restrictions is reflected in the accompanying statements of activities as net assets released from restrictions. 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. Realized gains (losses) are computed using the average cost basis of securities sold.

Revenues associated with research and other grants and contracts are recognized when the related 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.

Student deposits, along with advance payments for tuition, room, and board for fall and certain summer sessions are deferred and will be recorded as revenues in the year in which the sessions are held.

(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 revenue in the temporarily restricted or permanently restricted net asset category according to donors' restrictions. Contributions of noncash assets are recorded at fair value on the date of the contribution.

Unconditional promises to give are recognized as temporarily or permanently restricted revenues in the year the contributions are received. Contributions are recorded as assets at the present value of the expected cash flow using discount rates of 1.8% to 6.0%, net of an allowance for unfulfilled contributions based upon collection experience and other relevant factors. Conditional contributions are not recognized until the stated conditions are met.

(e) Fundraising Expense

Fundraising expense was $10,300 and $10,886 for the years ended June 30, 2010 and 2009, respectively, and is classified as institutional support in the accompanying statement of activities.

(f) Cash and Cash Equivalents

The University records all liquid investments purchased with an original maturity of less than 90 days as cash equivalents.

(g) Short-Term Investments

Short-term investments consist of cash and cash equivalents and operating funds deposited in cash management accounts with maturities at the time of purchase of 90 days or greater, and are carried at market value. Cash and cash equivalents held in the investment portfolio are excluded from short-term investments.

(h) Investments and Funds Held by Bond Trustee

Investments and funds held under bond agreements are stated at fair value as determined by the investment custodians using market quotations or estimates from professional appraisers.

(i) Fair Value

The carrying values of the University's cash and cash equivalents, receivables, other assets, accounts payable, accrued liabilities and deposits approximated their fair values based on their maturities as of June 30, 2010 and 2009.

(j) Other Assets

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

(k) 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 market values of the trusts are recorded as permanently restricted gains or losses.

(l) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost or, if contributed, the fair value on the date of contribution, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of land improvements (18 years), buildings (35 – 60 years), building systems and improvements (18 – 25 years) and equipment and furnishings (3 – 15 years). Equipment purchased with grant funds is expensed; disposition of grant-funded equipment follows the applicable agency or foundation guidelines.

Expenses for the repairs and maintenance of facilities are recorded during the period incurred; betterments, which add to the value of the related assets or materially extend the lives of the assets, are capitalized. At the time of disposition, the cost and associated accumulated depreciation are removed from the related accounts and gains or losses are reported as unrestricted revenue or expense.

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. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of operations.

(m) Sponsored Programs, Grants, and Contracts

Sponsored activities include various research and instructional programs funded by external parties including the federal government, foreign and state governments and private foundations and corporations. Revenues associated with sponsored programs, grants, and contracts are recognized when related costs are incurred. Under the terms of federal grants, periodic audits are required and costs may be questioned and subject to reimbursement. Management believes that the outcome of such audits will not have a material effect on the financial position of the University.

(n) 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 operating expenses in the University's financial statements in the period in which the items are sold or acquired.

(o) Income Taxes

The University is a tax-exempt organization as described in Section 501(c)(3) of the U.S. Internal Revenue Code. The University has not taken any tax positions which would have a material effect, individually or in the aggregate, upon the University's financial statements. The University believes it has not taken any significant uncertain tax positions or any tax positions that would jeopardize the University's tax-exempt status.

(p) Estimates

The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates recorded in these financial statements at June 30, 2010 and 2009 are primarily comprised of certain investments, estimated net realizable value of receivables, asset retirement obligations, the valuation of split interest agreements, and the valuation of the interest rate swap agreement. The current economic environment increases the uncertainty of those estimates.

(q) 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.

(r) Reclassifications

Certain 2009 balances have been reclassified to conform to the 2010 presentation.

(In thousands of dollars)

(2) Accounts Receivable

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

		2010	2009
Student receivables	$	2,587	2,014
Sponsored programs grants receivable		6,497	5,816
Other		2,211	2,471
Bequest receivable		—	600
		11,295	10,901
Less allowance for doubtful accounts		(598)	(565)
Accounts receivable, net	$	10,697	10,336

(3) Notes Receivable

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

		2010	2009
Federal Perkins Loan Program	$	6,717	7,050
University loan programs		9,462	8,962
		16,179	16,012
Less allowance for doubtful loans		(2,304)	(2,095)
Notes receivable, net	$	13,875	13,917

Notes receivable include funds advanced to the University by the U.S. government under the Federal Perkins Loan Program (the Program). Notes receivable under 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.

(In thousands of dollars)

(4) Contributions Receivable

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

		2010	2009
Amounts due in:			
One year or less	$	31,765	39,919
Between one and five years		34,855	44,811
More than five years		14,500	20,161
Gross contributions receivable		81,120	104,891
Less:			
Discount		(6,686)	(8,129)
Allowance for unfulfilled contributions		(10,656)	(8,463)
Contributions receivable, net	$	63,778	88,299

Contributions receivable have been discounted to net present value at rates ranging from 1.8% to 6.0%.

(5) 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 share 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, buyout, venture capital, and debt related strategies and often require the estimation of fair values by the fund managers in the absence of readily determinable market values.

The majority of permanently restricted net assets is true endowment and is pooled for investment purposes. Income earned is allocated to the appropriate net asset category, based upon the unit share method.

Investments include gift annuities and charitable remainder trusts. These funds are held in trust 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 $11,942 in 2010 and $12,365 in 2009 are included in accounts payable and other liabilities in the statements of financial position.

 (Continued)

Net asset value (NAV) is used as a practical expedient to estimate the fair value of the University's interest in certain investments, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. The net increase (decrease) in realized and unrealized appreciation (depreciation) in the fair value of such investments has been included in the statements of activities in the appropriate net asset classification.

The three levels of the fair value hierarchy are:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the University has the ability to access at measurement date.

Level 2 –are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 – inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market, and significant professional judgment in determining the fair value assigned to such assets or liabilities.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Classification in Level 2 or 3 is based on the University's ability to redeem its interest at or near the date of the statement of financial position, and if the interest can be redeemed in the near term, the investment is classified in Level 2.

(In thousands of dollars)

The University's assets at June 30, 2010 that are reported at fair value are summarized in the following table by their fair value hierarchy classification:

		June 30, 2010	Level 1	Level 2	Level 3	Redemption or liquidation	Days' notice
Assets:							
Endowment investments:							
Global equity	$	68,628	10	38,156	30,462	Various	30 – 90
Non-U.S. equity		39,301	59	1,644	37,598	Lock-up	15 – 60
Private investments		43,976	—	—	43,976	Illiquid	N/A
Hedge fund/credit:							
Credit – marketable		52,467	—	—	52,467	Annual	45 – 90
Credit – private		56,206	—	—	56,206	Illiquid	N/A
Hedge funds – long/short		5,859	—	—	5,859	Lock-up	30
Hedge funds – multi strategy		184,780	—	—	184,780	Various	45 – 180
Real assets:							
Real assets – marketable		14,376	—	—	14,376	Annual	60
Real assets – private		33,836	—	—	33,836	Illiquid	N/A
Cash and cash equivalents		56,799	56,799	—	—	Daily	1
Fixed income		63,669	63,669	—	—	Daily	1
Total endowment investments		619,897	120,537	39,800	459,560		
Other investments:							
Fixed income		23,230	21,672	1,558	—	Daily	1
Equities		7,696	7,236	340	120	Various	30 – 90
Total other investments		30,926	28,908	1,898	120		
Total investments	$	650,823	149,445	41,698	459,680		

		June 30, 2010	Level 1	Level 2	Level 3	Redemption or liquidation	Days' notice
Fixed income	$	42,839	42,839	—	—	Daily	1
Life insurance cash surrender value		293	—	293	—	Not applicable	N/A
Funds held by bond trustee		3,257	—	3,257	—	Not applicable	N/A
Funds held in trust by others		8,411	—	—	8,411	Not applicable	N/A

(In thousands of dollars)

The University's assets and liabilities at June 30, 2009 that are reported at fair value are summarized in the following table by their fair value hierarchy classification:

		June 30, 2009	(Level 1)	(Level 2)	(Level 3)	Redemption or liquidation	Days' notice
Assets							
Endowment investments:							
Global equity	$	57,390	66	32,688	24,636	Various	30 – 90
Non-US equity		33,352	—	1,547	31,805	Subject to Lock-up	15 – 60
Private investments		40,334	—	—	40,334	Illiquid	N/A
Hedge fund/credit:							
Credit – marketable		52,715	—	—	52,715	Annual	45 – 90
Credit – private		39,170	—	—	39,170	Illiquid (4)	N/A
Hedge funds – long/short		5,837	—	—	5,837	Subject to Lock-up	30
Hedge funds – Multi strategy		168,473	—	6,924	161,549	Various	45 – 180
Real assets:							
Real assets – marketable		13,067	—	—	13,067	Annual	60
Real assets – private		31,520	—	—	31,520	Illiquid	N/A
Cash and cash equivalents		41,262	41,262	—	—	Daily	1
Fixed income		75,396	43,247	—	32,149	Daily	1
Total endowment investments		558,516	84,575	41,159	432,782		
Other investments:							
Fixed income		23,037	21,566	1,471	—	Daily	N/A
Cash and cash equivalents		6,563	5,618	340	605	Daily	N/A
Other investment		29,600	27,184	1,811	605		
Total investments	$	588,116	111,759	42,970	433,387		
Fixed income	$	16,391	16,391	—	—	Daily	1
Life insurance cash surrender value		322	—	322	—	Not applicable	N/A
Funds held by bond trustee		5,728	5,728	—	—	Not applicable	N/A
Funds held in trust by others		7,960	—	—	7,960	Not applicable	N/A
Liabilities:							
Interest rate swap agreement		6,290	—	6,290	—	Not applicable	N/A

(In thousands of dollars)

The following tables presents the University's activity for the fiscal year ended June 30, 2010 and June 30, 2009 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

		Fixed income	Global equity	Private investments	Real estate	Marketable alternatives	Other	Total
Balance at June 30, 2009	$	32,148	56,441	40,334	44,587	259,272	8,565	441,347
Acquisitions		—	—	(2,002)	8,624	(23,190)	173	(16,395)
Dispositions		(32,148)	—	—	—	—	(240)	(32,388)
Realized gain		—	—	2,817	703	6,741	15	10,276
Unrealized loss		—	11,619	2,827	(5,702)	56,489	18	65,251
Balance at June 30, 2010	$	—	68,060	43,976	48,212	299,312	8,531	468,091

		Fixed income	Global equity	Private investments	Real estate	Marketable alternatives	Other	Total
Balance at June 30, 2008	$	74,446	63,390	69,201	59,625	243,829	9,947	520,438
Acquisitions		—	7,500	(13,666)	10,182	40,439	1,235	45,690
Dispositions		(35,042)	—	—	—	—	(768)	(35,810)
Realized gain		5,285	—	15,043	9	2,700	(338)	22,699
Unrealized loss		(12,541)	(14,449)	(30,244)	(25,229)	(27,696)	(1,511)	(111,670)
Balance at June 30, 2009	$	32,148	56,441	40,334	44,587	259,272	8,565	441,347

The University has agreed to make additional capital contributions totaling $70,701 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 $181,768 at June 30, 2010 that have restricted redemptions for lock up periods. Some of the investments with redemption restrictions allow early redemption for specified fees. The expiration of redemption lock up period amounts for the next three years are summarized in the table below:

		Amount
Fiscal year:		
2011	$	93,401
2012		29,067
2013		17,561
Total	$	140,029

(In thousands of dollars)

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

		2010	2009
Investment income	$	3,730	5,666
Net realized gain (loss)		10,671	(4,617)
Net change in unrealized appreciation		69,209	(125,889)
		83,610	(124,840)
Less management fees		(918)	(1,649)
Investment gain (loss) earnings	$	82,692	(126,489)

(6) Property, Plant and Equipment

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

		2010	2009
Land and land improvements	$	39,306	32,158
Buildings		164,558	159,643
Building systems and improvements		302,570	299,019
Equipment and furnishings		62,021	60,151
		568,455	550,971
Less accumulated depreciation		(235,887)	(225,213)
Construction in progress		25,883	17,882
Property, plant and equipment, net	$	358,451	343,640

Depreciation expense amounted to $21,718 in 2010 and $17,629 in 2009. Operation and maintenance expenses amounted to $25,540 in 2010 and $31,320 in 2009.

The University has commitments to expend approximately $14,943 to complete various construction projects as of June 30, 2010. In addition, the University anticipates additional expenditures of approximately $10,085 to complete the construction projects.

The University has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities at the time of disposal of certain capital assets. In 2010, the liability was increased $158 to reflect an estimated accretion of 2.63%. The liability was also reduced by the actual cost of abatement work performed in the amount of $672. As of June 2010 and 2009, the estimated liabilities were $6,175 and $6,689, respectively, included in accounts payable and other accrued liabilities.

Substantially all of the asset retirement obligations relate to estimated expenses to remove asbestos.

(Continued)

(In thousands of dollars)

(7) Bank Loan

The University has a $50,000 line of credit with a rate of interest at LIBOR plus 100 basis points that is re-determined on a 30, 60, and 90 day basis. During June 2009, the University borrowed $50,000 from the line of credit, which was outstanding as of June 30, 2009. On July 29, 2009, the University repaid the outstanding $50,000 in full. The monthly interest rate at June 30, 2010 and 2009 was 1.35% and 0.805%, respectively. There is an annual commitment fee of 0.3%, based on the daily average unused portion of the loan commitment, which is paid quarterly. The line of credit expires on November 29, 2010. There was no amount outstanding as of June 30, 2010, nor were there any subsequent draws or repayments during the year ended June 30, 2010.

(8) Indebtedness

Outstanding debt as of June 30 consists of the following:

	2010	2009
Commonwealth of Massachusetts Development Finance Agency 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	—
Commonwealth of Massachusetts Development Finance Agency 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	—
Commonwealth of Massachusetts Development Finance Agency 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
Commonwealth of Massachusetts Development Finance Agency (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	22,385	22,920
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	8,273	12,006

(Continued)

(In thousands of dollars)

		2010	2009
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 from fiscal year 2009 through November 2013	$	5,620	7,139
Commonwealth of Massachusetts Health and Educational Facilities Authority (MHEFA) Brandeis University Issue Series I Revenue Bonds at effective interest rates from 4.75% to 5.25% maturing October 1, 2012 through October 1, 2028		—	82,380
Commonwealth of Massachusetts Development Finance Agency Revenue Bonds, Brandeis University Issue 2008 Series M Variable Rate Demand Bond maturing in annual installments from October 1, 2009 through October 1, 2037		—	61,960
Commonwealth of Massachusetts Health and Educational Facilities Authority (MHEFA) Brandeis University Issue J Revenue Bonds at an interest rate of 5% maturing October 1, 2024 through October 1, 2026		—	19,120
Various mortgage notes payable at interest rates from 0% to 3.00% maturing in various years through November 1, 2011		51	143
Various capital lease agreements with a financial services corporation with lease payments at interest rates from 4.29% to 7.62% through November 2012		616	1,296
Long-term debt before discount		262,180	254,464
Less unamortized premium (discount)		11,078	(1,514)
	$	273,258	252,950

In March 2010, the University issued Massachusetts Development Finance Agency Revenue Bonds, Brandeis University Issue, Series O, in the amount of $177,735. The proceeds of the Series O Bonds were used to refinance the Series I, J and M bonds and provided funds for operations and renovations. As a result of this bond issue, the University capitalized bond issue costs of $1,487 and a bond premium of $11,060 to be amortized over the life of the bond.

During fiscal year 2009, the University obtained lease financing through financial services corporations in the amount of $553 for the installation of network wiring and acquisition of computer equipment.

The fair value of the external debt is estimated to be approximately $12 more than the aggregate carrying value at June 30, 2010.

(In thousands of dollars)

The University's principal payments for debt and lease obligations are as follows:

		Debt	Leases
Year ending June 30:			
2011	$	6,161	305
2012		6,489	234
2013		7,056	77
2014		7,748	—
2015		7,255	—
Thereafter		226,855	—
	$	261,564	616

Interest expense, net of amounts capitalized, for the years ended June 30, 2010 and 2009 was $12,265 and $7,253, respectively. Interest costs incurred in association with the Series L, Series N, Series M and Series O bonds, and MHEFA Master Lease, capitalized during 2010 and 2009, were $0 and $4,333, respectively, and will be amortized over the useful lives of the related assets.

The University had a $60,690 letter of credit associated with the Series M bond. In March 2010, the Series M bond was retired and the letter of credit was terminated at that time.

During the years ended June 30, 2010 and 2009, the University was party to interest rate swap transactions designed to manage the University's interest costs and risks associated with variable rate debt. In January 2006, the University initially entered into two interest rate swap agreements, which were set to expire in October 2036 and October 2039, effectively to convert $60,000 and $40,000, respectively, of the variable rate exposure to a fixed rate. During August 2008, the University terminated the $40,000 forward cancelable swap agreement for a cost of $799. In November 2008, the University changed counterparties for the interest rate swap, which was converted from $60,000 to $58,000. The estimated fair value of the remaining agreement, based on various factors related to the underlying debt facility and interest rates, represented an unrealized loss of $6,290 at June 30, 2009. This was included in accounts payable and other liabilities and in other assets in the statement of financial position at June 30, 2009. In March 2010, the University terminated the remaining interest rate swap transaction at a cost of $5,579.

Residence facilities with a book value of $6,241 are pledged as collateral for certain mortgage notes payable.

(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, 2010 under these agreements are as follows:

		Operating lease payments
Fiscal year:		
2011	$	695
2012		713
2013		730
2014		748
2015		382
Thereafter		2,743
	$	6,011

(9) Net Assets

(a) Temporarily Restricted Net Assets

Temporarily restricted net assets are gifts and income received with donor stipulations and the realized and unrealized gains on endowment assets. These assets are expendable principally for plant, instruction, or financial aid.

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

		2010	2009
Restricted contributions	$	47,354	50,325
Endowment income		51,648	20,208
Student loan funds		671	710
Life income and annuity funds		5,889	5,108
Contributions receivable, net		45,006	64,613
Physical plant and other		2,847	3,616
		153,415	144,580
Underwater endowment accounts		17,991	39,319
Total temporarily restricted net assets	$	171,406	183,899

(In thousands of dollars)

(b) Permanently Restricted Net Assets

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

		2010	**2009**
Endowment investment funds	$	468,638	451,250
Life insurance cash surrender value		293	322
Student loan funds		3,507	3,653
Life income and annuity funds		3,798	3,391
Contributions receivable, net		18,772	23,686
Funds held in trust by others		8,411	7,960
Total permanently restricted net assets	$	503,419	490,262

(10) Endowments

The University's endowment and quasi-endowment consists of approximately 1,792 individual endowment accounts established for a variety of purposes in accordance with the applicable law and donor intent and funds designated by the University's Board to operate as endowment (quasi-endowment).

If an individual restricted endowment fund amount is determined to fall below the market value for that fund, that fund is considered to be "underwater." As the market value of the portfolio increases, the deficiency is reduced. The value of underwater endowment accounts was less than their original fair value by $17,991 and $39,319 as of June 30, 2010 and 2009, respectively.

On July 2, 2009, Massachusetts enacted the provisions and statutes of UPMIFA and made it effective for not-for-profits as of June 30, 2009. The University adopted the provisions of UPMIFA effective June 30, 2009. State law allows the Board of Trustees to appropriate all of the income and a specified percentage of the net appreciation 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. Under the University's spending policy, a percentage of permanently restricted endowment investments is appropriated annually as determined by the University's Board of Trustees. Accumulated capital gains spent in 2010 and 2009 amount to $32,112 and $44,200, 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 Board of Trustees has adopted a long-term asset allocation policy.

(In thousands of dollars)

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 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, 2010 and 2009:

	2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	$ (17,991)	88,358	468,638	539,005
Quasi (Board-designated)	80,892	—	—	80,892
Total	$ 62,901	88,358	468,638	619,897

	2009			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	$ (39,319)	76,428	451,250	488,359
Quasi (Board-designated)	70,157	—	—	70,157
Total	$ 30,838	76,428	451,250	558,516

Changes in endowment and quasi-endowment funds for the year ended June 30, 2010 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets June 30, 2009	$ 30,838	76,428	451,250	558,516
Investment income	3	9	26	38
Realized and unrealized losses	36,397	41,005	—	77,402
Contributions	152	—	16,013	16,165
Distributions	(4,929)	(27,183)	—	(32,112)
Transfers	440	(1,901)	1,349	(112)
June 30, 2010	$ 62,901	88,358	468,638	619,897

(Continued)

(In thousands of dollars)

Changes in endowment and quasi-endowment funds for the year ended June 30, 2009 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets June 30, 2008	$	112,363	164,867	434,902	712,132
Investment income		29	52	21	102
Realized and unrealized losses		(66,227)	(60,788)	—	(127,015)
Contributions		957	—	13,232	14,189
Distributions		(16,497)	(27,703)	—	(44,200)
Transfers		213	—	3,095	3,308
June 30, 2009	$	30,838	76,428	451,250	558,516

The unrestricted deficit in donor restricted net assets of $17,991 in 2010 and of $39,319 in 2009 represents the decline in market values of certain permanently restricted endowments below the amount of their original gifts.

(11) Retirement Programs

The University participates in defined contribution pension programs providing retirement benefits for substantially all full-time and regular part-time employees. Under the programs, the University makes monthly contributions, currently limited to 6%–10% of the annual eligible wages of participants, up to defined limits. Voluntary contributions by participants are made subject to IRS defined limits. The University temporarily suspended contributions to the retirement programs for the fiscal year ending June 30, 2010. Retirement program expenses amounted to $34 in 2010 and $7,779 in 2009.

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 and currently has no advanced funding.

(12) Related Party Transactions

The University has invested $14,833 and $13,535 as of June 30, 2010 and 2009, respectively, in investments with related parties. The related parties are a University Trustee who is a managing member of a partnership and a University Trustee who was a general partner in an investment. The University Investment Committee approved and continues to monitor these investments.

(13) Contingencies

The University is engaged 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.

(14) Subsequent Events

The University evaluated subsequent events for potential recognition or disclosure through October 26, 2010, the date on which the financial statements were issued.