



BRANDEIS UNIVERSITY

Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(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 financial statements of Brandeis University (the University), which comprise the balance sheet as of June 30, 2015, the related statements of activities and cash flows for the year ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brandeis University as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Report on Summarized Comparative Information

We have previously audited the University's 2014 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 29, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

October 27, 2015

BRANDEIS UNIVERSITY

Balance Sheet

June 30, 2015

(with comparative information as of June 30, 2014)

(In thousands of dollars)

Assets	2015	2014
Cash and cash equivalents	\$ 54,299	42,392
Short-term investments	2,068	2,113
Accounts receivable, net	13,052	14,844
Notes receivable, net	14,571	14,761
Contributions receivable, net	31,401	32,485
Long-term investments	940,138	887,722
Funds held in trust by others and other assets	16,702	26,798
Property, plant and equipment, net	344,357	341,789
Total assets	<u>\$ 1,416,588</u>	<u>1,362,904</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 31,562	30,920
Sponsored program advances and deferred revenue	25,872	25,454
Other long-term liabilities	29,174	28,422
Long-term debt, net	252,746	261,610
Total liabilities	<u>339,354</u>	<u>346,406</u>
Net assets:		
Unrestricted	195,491	159,610
Temporarily restricted	298,587	296,809
Permanently restricted	583,156	560,079
Total net assets	<u>1,077,234</u>	<u>1,016,498</u>
Total liabilities and net assets	<u>\$ 1,416,588</u>	<u>1,362,904</u>

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Statement of Activities

Year ended June 30, 2015

(with summarized comparative information for the year ended June 30, 2014)

(In thousands of dollars)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2015</u>	<u>2014</u>
Operating revenues and other support:					
Tuition and fees	\$ 242,046	—	—	242,046	228,754
Residence hall and dining	35,883	—	—	35,883	33,829
Less scholarships and financial aid	<u>(96,420)</u>	—	—	<u>(96,420)</u>	<u>(89,110)</u>
Net tuition, fees, residence hall and dining revenues	181,509	—	—	181,509	173,473
Contributions	18,611	—	—	18,611	14,204
Net assets released from restrictions	9,288	—	—	9,288	11,956
Sponsored programs – direct	49,070	—	—	49,070	47,386
Sponsored programs – indirect	14,714	—	—	14,714	14,158
Other investment income	1,080	—	—	1,080	1,650
Investment income from funds held in trust by others	314	—	—	314	283
Endowment return utilized	42,482	—	—	42,482	40,022
Other auxiliary enterprises	3,898	—	—	3,898	3,061
Other sources	<u>9,266</u>	—	—	<u>9,266</u>	<u>7,775</u>
Total operating revenues and other support	<u>330,232</u>	—	—	<u>330,232</u>	<u>313,968</u>
Operating expenses:					
Instruction	115,155	—	—	115,155	110,379
Sponsored programs	54,758	—	—	54,758	52,790
Academic support	43,455	—	—	43,455	39,965
Student services	32,506	—	—	32,506	30,969
Institutional support	46,294	—	—	46,294	47,060
Auxiliary enterprises	<u>35,440</u>	—	—	<u>35,440</u>	<u>33,914</u>
Total operating expenses	<u>327,608</u>	—	—	<u>327,608</u>	<u>315,077</u>
Change in net assets from operating activities	<u>2,624</u>	—	—	<u>2,624</u>	<u>(1,109)</u>
Nonoperating activities:					
Net investment return	6,329	43,697	79	50,105	130,000
Endowment return utilized in operations	(10,880)	(31,602)	—	(42,482)	(40,022)
Net assets released from restrictions	6,968	(16,256)	—	(9,288)	(11,956)
Contributions	—	6,667	23,085	29,752	26,884
Loss on refinancing	—	—	—	—	(712)
Net gain on disposals and retirement of property, plant and equipment	30,927	—	—	30,927	—
Other changes, net	<u>(87)</u>	<u>(728)</u>	<u>(87)</u>	<u>(902)</u>	<u>(8,465)</u>
Change in net assets from nonoperating activities	<u>33,257</u>	<u>1,778</u>	<u>23,077</u>	<u>58,112</u>	<u>95,729</u>
Change in net assets	35,881	1,778	23,077	60,736	94,620
Net assets at beginning of year	159,610	296,809	560,079	1,016,498	921,878
Net assets at end of year	<u>\$ 195,491</u>	<u>298,587</u>	<u>583,156</u>	<u>1,077,234</u>	<u>1,016,498</u>

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2015

(with comparative information for the year ended June 30, 2014)

(In thousands of dollars)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 60,736	94,620
Adjustments to reconcile change in net cash used in operating activities:		
Depreciation and amortization, net	25,267	24,171
Net realized and unrealized investment gains	(48,672)	(130,944)
Net change from funds held in trust by others	115	(784)
Net gain on disposals and retirement of property, plant and equipment	(30,927)	—
Contributions restricted for long-term investment	(22,695)	(18,477)
Loss on refinancing	—	712
Change in operating assets, net	3,445	(4,044)
Change in operating liabilities, net	3,253	14,495
Net cash used in operating activities	<u>(9,478)</u>	<u>(20,251)</u>
Cash flows from investing activities:		
Acquisition and construction of property, plant and equipment	(30,399)	(20,893)
Purchases of investments	(357,303)	(209,219)
Proceeds from sale of property	31,241	—
Proceeds from sales and maturities of investments	337,071	228,268
Notes receivable issued	(2,039)	(2,761)
Notes receivable repaid	2,229	2,317
Net cash used in investing activities	<u>(19,200)</u>	<u>(2,288)</u>
Cash flows from financing activities:		
Repayments of bonds, notes and leases	(8,055)	(29,306)
Proceeds from issuance of bonds and notes	—	36,500
Cost of issuance of bonds and notes	—	(188)
Advances from line of credit	—	20,000
Payments on line of credit	—	(20,000)
Change in funds held by bond trustee	9,412	(8,205)
Proceeds from sale of donated securities	16,533	21,620
Contributions restricted for long-term investment	22,695	18,477
Net cash provided by financing activities	<u>40,585</u>	<u>38,898</u>
Change in cash and cash equivalents	11,907	16,359
Cash and cash equivalents, beginning of year	42,392	26,033
Cash and cash equivalents, end of year	\$ <u>54,299</u>	<u>42,392</u>
Supplemental data:		
Interest paid	\$ 11,685	12,064
(Decrease) increase in accrued liabilities attributable to property, plant, and equipment	(1,441)	927

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

(1) Organization

Brandeis University (the University) is a private, not-for-profit, nonsectarian, co-educational institution of higher education with approximately 5,500 full-time undergraduate and graduate students. Established in 1948, the 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.

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 until appropriated by the Board and spent on their intended purpose. 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. These primarily consist of the historic dollar value of contributions to donor-restricted endowment funds.

For comparison purposes, the 2015 statement of activities has been presented with 2014 summarized comparative information in total but not by net asset class. This summarized 2014 information is not intended to and does not include sufficient detail to constitute a complete presentation of changes in net assets in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

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Notes to Financial Statements

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(with summarized comparative information for June 30, 2014)

(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 scheduled to be received in the future; contributions to be used for and net assets released from restrictions for capitalized property and equipment; investment return net of appropriations for current operational support in accordance with the University's endowment spending policy; and 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 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 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.

Revenues associated with sponsored research and other grants and contracts are recognized when the related allowable expenditures are incurred or other contractual provisions have been met. 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 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. 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 unconditional transfers of assets or cancellations of liabilities. Contributions without donor-imposed restrictions or with donor-imposed restrictions met by the University in the same year as received 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.

Unconditional promises (contributions receivable) are recognized at fair value, considering the time value of money and collectability, as temporarily or permanently restricted revenues in the year promised. Thereafter, contributions receivable are reported at the present value of expected cash flows using the same discount rates as initially applied net of an allowance for uncollectable contributions

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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 \$10,816 and \$11,658 for the years ended June 30, 2015 and 2014, respectively, and is classified as institutional support in the statement of activities.

(f) 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 less than one year, 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.

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, 2015 and 2014. 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 inputs that would be classified in Level 2 of the fair value hierarchy, management determined that the estimated fair value of the University's long-term debt was \$271,087 and \$279,982 as of June 30, 2015 and 2014, respectively.

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(In thousands of dollars)

(i) Funds Held in Trust by Others and Other Assets

Funds held in trust by others (FHITBO) are held in perpetuity by external trustees, as specified by the donors, and are reported 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 increases or decreases to permanently restricted net assets. The University had \$10,062 and \$10,176 of FHITBO as of June 30, 2015 and June 30, 2014, respectively. These are all classified in Level 3 in the fair value hierarchy because they are held by the trustees in perpetuity. Other assets include funds held by bond trustee; prepayments; and inventories.

(j) 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), equipment and furnishings (5–15 years), and software (5 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 estimated fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred. When the liability is initially recorded, the University capitalizes the cost of the 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 is depreciated over the asset's useful life. 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.

(k) Other Long-Term Liabilities

The University is bound by trust agreements that 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 presented within long-term investments, and liabilities are recorded to recognize the present value of estimated future payments due to beneficiaries. The liabilities are \$13,322 and \$13,689 as of June 30, 2015 and 2014, respectively. The University also has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities, primarily asbestos removal, at or prior to disposal of certain property. As of June 30, 2015 and 2014, the estimated liabilities were \$6,134 and \$6,458, respectively. In addition, the University carries a liability related to refundable advances received under the Federal Perkins Loan Program as discussed in note 4. As of June 30, 2015 and 2014, those liabilities were \$6,047 and \$6,082, respectively.

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Notes to Financial Statements

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(with summarized comparative information for June 30, 2014)

(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 and purchases of collection items are reported as nonoperating revenue and 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 are material to 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, 2015 and 2014 include the valuation of certain investments, accrued expenses, receivables, asset retirement obligations, and split-interest agreements; and determination of the useful lives of property and equipment.

(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) Recently Issued Accounting Standards

Effective in 2015, the University retrospectively adopted the provisions of ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Accordingly, bonds, loans and notes payable originally stated at \$263,677 in the June 30, 2014 balance sheet have been restated to \$261,610 to reflect \$2,067 of unamortized issuance costs previously included in funds held in trust by others and other assets. The adoption of ASU 2015-03 did not affect the University's net assets, statement of activities, or cash flows for the fiscal years ended June 30, 2015 and 2014. Unamortized issuance costs are presented in note 8 to the financial statements.

Effective in 2015, the University retrospectively adopted the provisions of ASU No. 2015-07, *Fair Value Measurement: Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)* (ASU 2015-07). Among other things, ASU 2015-07 removes the

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June 30, 2015

(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

requirement to classify within the fair value hierarchy table in Levels 2 or 3 investments in certain funds measured at net asset value (NAV) as a practical expedient to estimate fair value. The ASU also requires that any NAV-measured investments excluded from the fair value hierarchy table be summarized as an adjustment to the table so that total investments can be reconciled to the balance sheet. The adoption resulted only in changes to the University's investment disclosures. As a result of the adoption, the June 30, 2014 fair value hierarchy table was restated to reflect the removal of NAV-measured investments aggregating \$172,548 in Level 2 and \$570,980 in Level 3. In addition, the June 30, 2013 opening balance in the Level 3 roll forward has been restated to reflect the removal of NAV-measured investments aggregating \$552,812.

(q) Reclassifications

Certain 2014 information has been reclassified to conform to the 2015 presentation.

(3) Accounts Receivable

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

	<u>2015</u>	<u>2014</u>
Student receivables	\$ 1,046	2,141
Sponsored program receivables	8,770	11,045
Other	4,123	2,596
	<u>13,939</u>	<u>15,782</u>
Less allowance for doubtful accounts	(887)	(938)
Accounts receivable, net	<u>\$ 13,052</u>	<u>14,844</u>

(4) Notes Receivable

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

	<u>2015</u>	<u>2014</u>
Federal Perkins loan program	\$ 7,384	7,612
University student loan programs	10,583	10,384
	<u>17,967</u>	<u>17,996</u>
Less allowance for doubtful loans	(3,396)	(3,235)
Notes receivable, net	<u>\$ 14,571</u>	<u>14,761</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.

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(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

(5) Contributions Receivable

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

	<u>2015</u>	<u>2014</u>
Amounts due in:		
Less than one year	\$ 15,086	18,570
Between one and five years	22,903	19,812
More than five years	184	611
Gross contributions receivable	<u>38,173</u>	<u>38,993</u>
Less:		
Allowance for unfulfilled contributions	(6,054)	(5,715)
Discount, at rates from 0.72% to 6.0%	(718)	(793)
Contributions receivable, net	<u>\$ 31,401</u>	<u>32,485</u>

(6) Long-term Investments

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 Trustee 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. Long-term investments also include assets associated with gift annuities and charitable remainder trusts.

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 net asset values (NAV) reported by fund managers, which are used as a practical expedient to estimate the fair value of the University's interests therein, unless it is probable that all or a

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(In thousands of dollars)

portion of the investment will be sold for an amount different from NAV. As of June 30, 2015 and 2014, 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. 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 1.

The University's long-term investments at June 30, 2015 are summarized in the following table by strategy and, as applicable their fair value hierarchy classification:

	Investments measured at NAV	Investments classified in fair value hierarchy			Total
		Level 1	Level 2	Level 3	
Endowment investments:					
Global equity	\$ 170,796	21	—	—	170,817
Non-U.S. equity	73,845	106	—	—	73,951
Private equity	75,692	—	—	—	75,692
Hedge fund/credit:					
Credit – private	12,514	—	—	—	12,514
Hedge funds – long/short	159,293	—	—	—	159,293
Hedge funds – multi strategy	214,244	—	—	—	214,244
Real assets	53,683	—	—	134	53,817
Cash and cash equivalents	—	2,311	—	—	2,311
Treasuries and fixed income	28,209	98,514	—	—	126,723
Receivable for investments sold	—	25,725	—	—	25,725
Total endowment investments	<u>788,276</u>	<u>126,677</u>	<u>—</u>	<u>134</u>	<u>915,087</u>
Other investments:					
Equities	—	28	135	—	163
Cash and cash equivalents	—	50	—	—	50
Fixed income	—	—	156	—	156
Mutual funds	—	24,682	—	—	24,682
Total other investments	<u>—</u>	<u>24,760</u>	<u>291</u>	<u>—</u>	<u>25,051</u>
Total long-term investments	<u>\$ 788,276</u>	<u>151,437</u>	<u>291</u>	<u>134</u>	<u>940,138</u>

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(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

The University's long-term investments at June 30, 2014 are summarized in the following table by strategy and their fair value hierarchy classification:

	Investments measured at NAV	Investments classified in fair value hierarchy			Total
		Level 1	Level 2	Level 3	
Endowment investments:					
Global equity	\$ 139,142	21	—	—	139,163
Non-U.S. equity	100,051	102	—	—	100,153
Private equity	71,561	—	—	—	71,561
Hedge fund/credit:					
Credit - private	30,436	—	—	—	30,436
Hedge funds - long/short	119,188	—	—	—	119,188
Hedge funds - multi strategy	190,578	—	—	—	190,578
Real assets	64,684	1,582	15,316	1,102	82,684
Cash and cash equivalents	—	1,062	—	—	1,062
Treasuries and fixed income	27,768	43,721	—	—	71,489
Receivable for investments sold	—	54,838	—	—	54,838
Total endowment investments	<u>743,408</u>	<u>101,326</u>	<u>15,316</u>	<u>1,102</u>	<u>861,152</u>
Other investments:					
Equities	—	50	135	—	185
Hedge funds - multi strategy	120	—	—	—	120
Cash and cash equivalents	—	140	—	—	140
Fixed income	—	—	154	—	154
Mutual funds	—	25,971	—	—	25,971
Total other investments	<u>120</u>	<u>26,161</u>	<u>289</u>	<u>—</u>	<u>26,570</u>
Total long-term investments	<u>\$ 743,528</u>	<u>127,487</u>	<u>15,605</u>	<u>1,102</u>	<u>887,722</u>

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(In thousands of dollars)

The following tables present activity for the fiscal years ended June 30, 2015 and 2014 for long-term investments classified in Level 3 of the fair value hierarchy:

	Real assets	
	2015	2014
Beginning balance	\$ 1,102	34,090
Acquisitions	—	—
Dispositions	—	(21,620)
Transfers out	(968)	(16,897)
Realized gain	—	2,122
Unrealized gain	—	3,407
Ending balance	\$ 134	1,102

Transfers out of Level 3 for the year ended June 30, 2015 include \$968 of conversion of real estate assets to marketable securities. Transfers out of Level 3 for the year ended June 30, 2014 include \$15,314 of conversion of real estate assets to marketable securities. In addition, \$1,582 was transferred from Level 3 due to an option being exercised on a real estate asset. For the years ended June 30, 2015 and 2014, there were no transfers between Levels 1 and 2.

(a) Commitments

Private credit, private equity, and real asset investments are generally made through limited partnerships. Under the terms of these agreements, the University is obligated to remit additional funding periodically as capital are exercised by the manager. These partnerships have a limited existence, generally between ten and fifteen years, and provide for annual one year extensions for the purpose of disposing portfolio positions and returning capital to the investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend or reduce the term of a fund from that which was originally anticipated. As a result, the timing and amount of future capital calls expected to be exercised in any particular future year is uncertain. The aggregate amount of unfunded commitments associated with global equities, private credit, private equity, and real asset investments as of June 30, 2015 was \$7,147, \$11,111, \$94,955, and \$92,236, respectively.

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(In thousands of dollars)

(b) Liquidity

Hedge funds, global equity, and fixed income investments are redeemable at NAV under the terms of subscription agreements and/or partnership agreements. Investments with daily liquidity generally do not require any notice prior to withdrawal. Investments with monthly, quarterly or annual redemption frequency typically require notice periods ranging from 30 to 180 days. The following table presents the University's long-term investments by their availability for the next twelve months following June 30, 2015 and June 30, 2014:

	June 30, 2015				
	Daily	Quarterly	Annual	Illiquid	Total
Cash equivalents	\$ 2,361	—	—	—	2,361
Receivable from investments sold	—	6,351	—	19,374	25,725
Fixed income	121,553	14,105	—	15,903	151,561
Equities	156	100,563	55,574	164,330	320,623
Hedge funds	—	72,698	183,916	129,437	386,051
Real assets	—	—	—	53,817	53,817
Total	\$ 124,070	193,717	239,490	382,861	940,138

	June 30, 2014					
	Daily	Monthly	Quarterly	Annual	Illiquid	Total
Cash equivalents	\$ 1,201	—	—	—	—	1,201
Receivable from investments sold	54,839	—	—	—	—	54,839
Fixed income	68,203	—	13,884	—	15,527	97,614
Equities	173	44,575	78,706	—	187,608	311,062
Hedge funds	—	—	46,823	146,670	146,829	340,322
Real assets	1,582	—	15,316	—	65,786	82,684
Total	\$ 125,998	44,575	154,729	146,670	415,750	887,722

Investments categorized as illiquid include lock ups with definite expiration dates, restricted shares, side pockets, or private equity and real asset funds where the University has no liquidity.

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The University has certain investments with a fair value of \$260,059 at June 30, 2015 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:	
2016	\$ 105,078
2017	99,124
2018	29,708
2019	20,549
2020	2,800
Thereafter	<u>2,800</u>
Total	<u>\$ 260,059</u>

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

	<u>2015</u>	<u>2014</u>
Investment income	\$ 7,492	5,137
Net realized gains	67,358	64,498
Net change in unrealized appreciation	<u>(18,686)</u>	<u>66,446</u>
	56,164	136,081
Less management fees	<u>(4,665)</u>	<u>(4,148)</u>
Total investment return	<u>\$ 51,499</u>	<u>131,933</u>

The following is a reconciliation of amounts presented in the statement of activities to total investment return for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Operating revenues – investment income	\$ 1,394	1,933
Operating revenues – endowment return utilized	42,482	40,022
Nonoperating revenues – investment return, net of endowment return utilized	<u>7,623</u>	<u>89,978</u>
Total investment return	<u>\$ 51,499</u>	<u>131,933</u>

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(with summarized comparative information for June 30, 2014)

(In thousands of dollars)

(7) Property, Plant and Equipment

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

	<u>2015</u>	<u>2014</u>
Land and land improvements	\$ 44,099	44,032
Buildings	184,884	181,434
Building systems and improvements	355,202	336,457
Equipment, furnishings, and software	100,414	96,264
Construction in progress	8,713	10,246
	<u>693,312</u>	<u>668,433</u>
Less accumulated depreciation	<u>(348,955)</u>	<u>(326,644)</u>
Property, plant and equipment, net	<u>\$ 344,357</u>	<u>341,789</u>

Depreciation expense amounted to \$26,076 in 2015 and \$25,006 in 2014. Operation and maintenance expenses amounted to \$30,532 in 2015 and \$29,139 in 2014.

(8) Long-Term Debt

Long-term debt outstanding as of June 30 consists of the following:

	<u>2015</u>	<u>2014</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	\$ 83,235	87,420
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	79,300	80,835
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	44,900	45,795
MDFA Revenue Bonds, Brandeis University Issue 2013 Series P-1, at interest rates of 3.48%, maturing in annual installments from October 1, 2017 through April 1, 2043	15,205	15,205

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	<u>2015</u>	<u>2014</u>
M DFA Revenue Bonds, Brandeis University		
Issue 2013 Series P-2, at interest rates of 3.04%, maturing in annual installments from October 1, 2013 through July 1, 2033	\$ 21,180	21,190
M DFA Brandeis University Issue Master Lease, at an interest rate of 2.62%, principal and interest payable through May 10, 2018	4,391	5,820
Total	<u>248,211</u>	<u>256,265</u>
Unamortized premium, net	6,494	7,412
Unamortized issuance costs	<u>(1,959)</u>	<u>(2,067)</u>
Long-term debt, net	<u>\$ 252,746</u>	<u>261,610</u>

The University's principal payment obligations as of June 30, 2015 are as follows:

Year ending June 30:	
2016	\$ 8,408
2017	9,532
2018	10,134
2019	9,118
2020	9,555
Thereafter	<u>201,464</u>
	<u>\$ 248,211</u>

Interest expense, net of amounts capitalized, for the years ended June 30, 2015 and 2014 was \$10,534 and \$10,641, respectively. Interest costs incurred and capitalized during 2015 and 2014 were \$178 and \$483, respectively.

(9) Line of Credit

The University has a \$50,000 line of credit with JPMorgan Chase Bank, N.A. at an interest rate of LIBOR plus 55 basis points. As of June 30, 2015, the interest rate was 0.74%. 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, 2016. As of June 30, 2015 and 2014, there were no outstanding borrowings against this line of credit.

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(In thousands of dollars)

(10) Net Assets

(a) Temporarily Restricted Net Assets

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

	2015	2014
Restricted contributions	\$ 30,700	27,516
Unspent net endowment return and term endowments	245,603	237,870
Student loan funds	421	456
Life income and annuity funds	6,387	6,830
Contributions receivable, net	15,343	20,656
Physical plant and other	133	3,481
Total temporarily restricted net assets	<u>\$ 298,587</u>	<u>296,809</u>

Restricted contributions include gifts received for scholarships, academic support and auxiliary programs. Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes including scholarships, instruction, research, and other operational purposes or by the occurrence of events specified by the donors or the passage of time and amounted to \$9,288 and \$11,956 for the years ended June 30, 2015 and 2014, respectively.

(b) Permanently Restricted Net Assets

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

	2015	2014
Donor-restricted endowment funds	\$ 550,228	530,830
Student loan funds	2,924	2,929
Life income and annuity funds	3,884	4,315
Contributions receivable, net	16,058	11,829
Funds held in trust by others	10,062	10,176
Total permanently restricted net assets	<u>\$ 583,156</u>	<u>560,079</u>

(11) Endowments

The University's endowment is pooled for investment purposes and consists of approximately 1,900 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).

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If an individual donor restricted endowment fund balance falls below its original fair value, that fund is considered to be “underwater.” The aggregate fair value of underwater endowment funds was less than their original corpus by \$60 and \$96 as of June 30, 2015 and 2014, respectively.

The University follows the provisions of UPMIFA. 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 2015 and 2014 amounted to \$42,482 and \$40,022, respectively. The funds are utilized principally for student 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 and (b) the original value of subsequent gifts to the permanent endowment.

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, which are reported as unrestricted net assets.

Endowment and quasi-endowment funds consist of the following at June 30, 2015 and 2014:

	2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$ (60)	237,408	550,228	787,576
Quasi (Board-designated)	119,316	8,195	—	127,511
Total	<u>\$ 119,256</u>	<u>245,603</u>	<u>550,228</u>	<u>915,087</u>

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	2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$ (96)	229,675	530,830	760,409
Quasi (Board-designated)	92,548	8,195	—	100,743
Total	<u>\$ 92,452</u>	<u>237,870</u>	<u>530,830</u>	<u>861,152</u>

Changes in endowment and quasi-endowment funds for the year ended June 30, 2015 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2014	\$ 92,452	237,870	530,830	861,152
Net investment return	6,531	39,335	231	46,097
Contributions	16	—	18,871	18,887
Utilized in operations	(10,880)	(31,602)	—	(42,482)
Transfers	31,137	—	296	31,433
Net assets at June 30, 2015	<u>\$ 119,256</u>	<u>245,603</u>	<u>550,228</u>	<u>915,087</u>

Changes in endowment and quasi-endowment funds for the year ended June 30, 2014 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2013	\$ 86,006	162,139	518,060	766,205
Net investment return	18,983	106,139	—	125,122
Contributions	3	—	14,167	14,170
Utilized in operations	(11,184)	(28,838)	—	(40,022)
Transfers	(1,356)	(1,570)	(1,397)	(4,323)
Net assets at June 30, 2014	<u>\$ 92,452</u>	<u>237,870</u>	<u>530,830</u>	<u>861,152</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 statutory limits. The University's contribution to the plans totaled \$9,358 in 2015 and \$9,220 in 2014.

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(13) Related Party Transactions

A trustee whose term on the University's Board ended in June 2014 is a managing member and general partner of one of the University's investments in a limited partnership that had a fair value of \$21,960 as of June 30, 2014. The University Investment Committee approved and monitored this investment during the Trustee's term. There were no new related party transactions in 2015.

(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 October 27, 2015, the date on which the financial statements were issued.